

**FUNDING CHANGE:
THE ROCKEFELLER FOUNDATION'S
ADEQUATE FINANCING FOR EDUCATIONAL EQUITY INITIATIVE IN NEW YORK STATE**

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Executive Summary

This report examines the Rockefeller Foundation's Adequate Financing for Educational Equity Initiative in New York State. In this Initiative, the Foundation acted boldly in a low-key manner. It sought to help foster a fairer and more effective system of funding public education in the state by leveraging legal and policy developments that affect school finance. The Initiative was rooted in the Foundation's history and reflected its past experiences. It embraced a significant issue in a way that drew on the Foundation's assets while seeking to minimize the risks the Foundation might have faced in prominently engaging a contentious public issue.

The report analyzes the Foundation's rationale for and its expectations of the Initiative, its role in assisting diverse organizations attempting to transform how and how much money is spent on K-12 education, and the outcomes that emerged from the activities it undertook and supported. Key findings of the analysis include:

- The Initiative sought to dismantle structural impediments to achieving educational equity.
- It was responsive to shifting political and legal contexts in the state and grounded in the real world experience of Foundation staff members.
- It demonstrated the Foundation's willingness to take measured risks, while surfacing issues about how the Foundation perceives risk and tensions about how much perceived risk it is willing to take.
- It took a comprehensive approach to reforming school finance that transcended a narrow focus on litigation and that entailed:
 - Information gathering
 - Community engagement
 - Message development
 - Mobilization
 - Building organizational capacity
- It displayed philanthropic leadership and energy on a complex and controversial issue.
- It facilitated the development of critical research and helped sustain a shared vision, articulated clearly and consistently among key stakeholders
- It nurtured the capacity of organizations and helped cultivate public understanding that adequate resources are a mandatory element of a quality education.
- It recognized but did not always successfully address the challenge of engaging critical stakeholders in a politically-charged, complex issue.

Foundation Background

The Adequate Financing for Educational Equity Initiative grew out of the Rockefeller Foundation's longstanding commitment to quality education and equity. This commitment has remained constant, but it has evolved as the Foundation's understanding of multifaceted, often difficult social issues and strategies to engage

them has grown and as the context in which it worked shifted dramatically. Between 1983 and 2001, the Foundation helped conceive and provided significant funding for major national reform programs, including: a curriculum reform effort named Collaboratives for Humanities and Arts Teaching; dissemination of James Comer's whole school reform approach, entitled School Development Program; new approaches to evaluation of student performance, called Performance Assessment Collaborative for Education; and a district-wide reform approach focused on leadership and training, Building Infrastructures for Professional Development.

As it reflected on these and other efforts, the Foundation came to several realizations that shaped its subsequent efforts to improve education. These included:

- Effective investments in public K-12 education must simultaneously be investments in educational improvement and equity.
- The context surrounding efforts to promote large scale educational change and equity is, in the broadest sense, political.
- Seeking policy changes involves greater risk than programmatic grantmaking; these risks must be weighed carefully.
- The pursuit of systemic reform requires the active participation of Foundation staff.

The Foundation drew upon these and other insights to craft Working Communities, its broad effort to foster the development of economically self-sufficient, safe and thriving communities; the Adequate Financing for Educational Equity Initiative was a strand within the larger Working Communities Program. The overarching framework of Working Communities is that, by supporting the development and dissemination of knowledge, information and ideas while simultaneously helping to give voice to and representation of the poor, the Foundation can facilitate the advancement of policies and practices that will improve the life chances of disadvantaged and excluded persons. This framework guided the conception and design of the Initiative, which rose from the intersection of developments in the legal effort to ensure equitable and adequate funding for all students and the emphasis on standards to foster improvement in learning for all students.

School Finance Background

With only rare exceptions, schools and school districts have been and continue to be funded through local property taxes. This reliance on property taxes has for decades resulted in significant disparities in funds available to schools and districts. High property wealth districts can tax themselves at relatively low rates and generate generous amounts of funding. Low property wealth districts can tax themselves at greater rates – and many have – but they are only able to produce smaller amounts. This persistent disparity did not go unnoticed and, in the early 1970s, advocates

seeking reforms of school finance systems filed suit in federal court, based on a theory of equity. In 1973, the U.S. Supreme Court determined that education was not a fundamental right under the U.S. constitution; as a result, advocates for school finance reform were compelled to pursue legal challenges in state courts. The focus of litigation shifted there.

There were a few early victories in state courts, which drew upon an equity-based challenge to state systems. In this approach, plaintiffs held that states, under the equal-protection clauses in their constitutions, were obligated to treat all students equally – they could not allow some students to benefit from generous funding while denying the same to others. Although there were some successes, the funding systems in most states in which there were equity-based lawsuits were upheld, including that in New York.

The legal approach that reform advocates took began to change in the late 1980s, when, drawing upon two previously overlooked lawsuits, a group of school districts in Kentucky claimed the state’s system of funding schools was unconstitutional. They rested their argument on the education clause in Kentucky’s constitution, which required the legislature to provide “an efficient system of common schools,” not on the equal protection clause. The plaintiffs argued that the state did not provide enough funds to ensure that every student had an opportunity to attend an efficient school – the money dedicated to public schools was simply inadequate to meet students’ educational needs and fulfill their educational rights. The Kentucky Supreme Court agreed with the plaintiffs and required the state to recreate not only its school funding system but its whole system of public education. With this resounding victory, the strategy of the Kentucky plaintiffs became known as the adequacy approach.

The adequacy approach was bolstered by the standards movement, which exploded in the late 1980s and early 1990s. The adoption of standards for learning was driven by the fear that schools in the U.S. and the students who attended them were lagging significantly behind their international peers. Leaders promoted curriculum and performance standards, which outline what students should know and when they should know it, as a way to infuse much-needed rigor in lax curriculum and instruction. Standards aligned well with the adequacy approach most school finance reform advocates were pursuing – they essentially gave definition to the “efficient,” “sound,” or “basic” education that most state constitutions require.

In 1993, two parent activists in New York City and a committed attorney, no longer willing to put aside their frustration with the limited funding available to city schools, created an organization dedicated to reforming school finance, the Campaign for Fiscal Equity, and launched a legal challenge to the state’s funding system under its auspices. That case is still underway. The Rockefeller Foundation began to focus its attention on securing adequate funding for all students in New York in 2001, with the establishment of the Adequate Financing for Educational Equity Initiative.

The Adequate Financing for Educational Equity Initiative

The Foundation's program in New York State, which operated from 2001 to 2005, consisted of three interlocking strands that were designed to move the state to increase the amount of resources it applies to public education, redistribute resources to address more equitably the instructional needs and requirements of urban districts, incorporate new accountability approaches into the ongoing implementation of new financing mechanisms, and monitor the components of a sound basic education. The three interlocking strands were:

1. *Research and evidence-building.* The Foundation supported knowledge development based in strong research institutions and organizations that provide information and analyses that can be used to energize various sectors of the public to focus on and address the relationship between resources and educational adequacy.
2. *Constituency mobilization and coalition building.* The Foundation sought to promote awareness among a wide group of individuals, organizations and sectors that adequate financing is a critical element of school reform beyond standards and testing, and that educational equity for low-income and minority students will not be achieved without adequate financing and accountability.
3. *Policy development and advocacy.* This component supported the development of policy proposals, including alternative financing mechanisms and alternative models of accountability. Also supported through this strand were advocacy activities that built on the constituency outreach and engagement efforts.

Through the activities it supported in these strands as well as its own complementary work, the Foundation sought to ensure that all urban school districts, which have high proportions of low-income and minority children, have sufficient resources to provide an adequate education that will prepare students for work and citizenship. In so doing, it expected that there would be "reduced disparities in education outcomes measured by higher rates of students graduating who meet state standards and who enroll in postsecondary education."

The Foundation's activities in each of these strands were infused by ongoing interests and concerns, which extended across all of its work. These included capacity building as well as agenda setting, risk, and the concept of comparative advantage. For years, the Foundation has supported efforts to enhance grantees' organizational capacity so that they may increase their effectiveness and be better able to successfully attain their goals – in this instance, the institution of a funding policy that ensures all students in the state will have adequate and equitable resources.

The Foundation also seeks to serve as a leader on issues that it cares deeply about – to set the agenda for addressing the issues. Yet being at the forefront of an issue and setting the agenda to deal with it carries risk for funders. It makes them visible to

regulators and within their professional communities, and they may find themselves undertaking activities outside their traditional preferences and capacities, which may result in diminished efficacy.

The Rockefeller Foundation balanced its desire to set the agenda with the desire not to incur great risk by relying on its “comparative advantages” – the unique assets it brings to an issue. In the Initiative, the Foundation offered a tradition of supporting high-quality research, its legitimacy with other funders and nonprofit organizations, the reputation, energy and commitment of its staff, and its focus on strategies other than litigation as preferred pathways to promote adequate school funding.

Recommendations

The Adequate Financing for Educational Equity Initiative yielded meaningful results. The movement to reform how and how much schools are funded in New York was sustained and enhanced by the Foundation’s involvement. While the Foundation’s formal role has ended, much remains to be done to ensure that students in New York’s public schools have the resources they need to succeed academically. The ongoing active and strategic involvement of the philanthropic community remains essential to meeting this goal. Funders interested in pursuing school finance reform may wish to consider the following courses of action.

1. Expand research and evidence-building.
2. Continue support for message development and communications efforts.
3. Expand outreach to and involvement of relevant actors, especially the business sector.
4. Promote cohesiveness, shore up alliances and emphasize sustainability.
5. Explore accountability issues that arise out of the finance reform effort.

Funders may also wish to draw on the experiences of the Rockefeller Foundation in supporting and its grantees in undertaking innovative, strategic and comprehensive efforts to engage key stakeholders and sectors of the public and to build their will to take action. Learnings from these efforts would have relevance across most aspects of education reform from school finance to re-creating high schools as small learning communities.

Finally, the Foundation itself may choose to re-examine the historic tension that has permeated its desire to fund change-oriented public policy-sensitive endeavors with its concern about risk. Surfacing this tension and seeking to develop more explicit approaches to resolving it may ultimately increase the Foundation’s impact on high-profile issues.

Introduction

This report examines the Rockefeller Foundation’s Adequate Financing for Educational Equity Initiative in New York State. The Initiative grew out of the Foundation’s long history of connecting support for improving education to efforts to promote opportunity for low-income and minority students and their communities. It sought to leverage significant developments in the legal and policy contexts that affect school finance in New York to help foster a fairer system of funding for education in the state.

The analysis focuses on the Foundation’s rationale for and expectations of its involvement in school finance reform, its role in assisting the efforts of a diverse group of organizations to transform how and how much money is spent on K-12 education, and the outcomes that have emerged from its investments. It concludes that the Initiative added significant value to school finance reform in New York – among other things in how the issue has been framed and is perceived, in the capacity of small nonprofit organizations to engage large public systems over time on complex and contentious matters, and in elevating both the philanthropic sector’s recognition of the importance of education finance and its will to tackle it. At the same time, the study also finds it that is not possible to assign specific outcomes *solely* to Initiative-sponsored interventions. Efforts to change public systems call for multiple intercessions in volatile and often highly “political” environments, and there are real limits on what philanthropy can attempt and achieve in these contexts. Other findings and recommendations speak to emerging opportunities that arise out of the adequate financing work; some of these may have been overlooked or avoided because of the perceived risk in dealing with sensitive policy concerns while others are only now surfacing.

This report concentrates on the experiences of the Rockefeller Foundation as it grappled with a subject that is regarded as critical to improving education, renowned for its complexity, legendary for its impenetrability, and notorious for defying attempts to find common ground among cohorts of policymakers, experts and advocates with strongly-held and very different points of view. In doing so, the report does not purport to be a history or an analysis of school finance reform in New York; it offers instead an opportunity for the Foundation to consider abiding philanthropic questions that infuse investments in the resolution of large policy questions such as school finance. These include, among other things, expectations, capacity of the funder and its grantees, duration, collaboration, impact, recognition and risk.¹

The methodology that supported this analysis consisted primarily of material review and interviews. Material consulted included, among other things, documents and reports on previous Foundation education and equal opportunity initiatives, Working Communities papers and related documents, articles and analyses about public school finance, Foundation planning papers on the school finance and other initiatives, grant-related materials, media coverage of school finance in New York and elsewhere, and legislative and judicial documents related to current developments in school finance in the state.

¹ These considerations resonate as the Foundation, under a new president, reviews current investments and explores new programmatic possibilities

Interviewees included Foundation staff along with observers and participants in school finance reform in New York State, including program grantees. (See Appendix A for a list of interviewees.) While standard lists of questions were developed for each cohort, the questions were open-ended and adjusted to promote far-reaching discussion with each interviewee. Interviews were conducted under guarantees of confidentiality.

Interviews took place in two phases. The first culminated in a preliminary report to the Foundation in March 2005, which provided emerging findings and questions for further discussion. Following a review of that report, it was determined that the second document would be a longer analysis rather than the shorter case study that was originally contemplated. The second phase revisited and tested the preliminary findings by expanding the array of interviewees, re-interviewing some of the first phase respondents and engaging in continuing discussions with Foundation staff. The second phase confirmed the key findings of the first part of the investigation.

A number of events during the investigation afforded powerful examples of the constantly shifting nature of both the external and internal contexts in which the Foundation's school finance investments took place. The external context included: appeal by New York State of the Special Master's findings in the school finance litigation; re-election by a substantial majority of the incumbent New York City mayor, which observers believe signals more mayoral involvement and influence in efforts to reach a settlement in the case; preparation for a gubernatorial election in which the incumbent will not seek re-election and where state budget issues loom large; and changes in leadership at the Campaign for Fiscal Equity and Alliance for Quality Education, two of the leading organizations in the effort to reform school finance in New York State. Developments at the Foundation include the arrival of a new president and an ongoing review of program focus and content in anticipation of new program directions. Finally, the Initiative experienced a major change in leadership; Fred Frelow, associate director of Working Communities, who conceived and directed the school finance reform effort, left the Foundation in October 2005 to join the staff of the Woodrow Wilson National Fellowship Foundation. After Frelow's departure, the Initiative was overseen by Darren Walker, as one part of his extensive responsibilities as director of Working Communities.

Origins and Opportunities

The Rockefeller Foundation's programmatic involvement in school finance reform formally began when the Board of Trustees approved the Adequate Financing for Educational Equity Initiative in December 2001. The program contemplated support for school finance reform efforts in three states – California, New York and Wisconsin – and initially committed \$10 million and 50 percent of a program officer's time over five years. The origins of the Initiative, though, stretch much farther back.

The Foundation's interest in school finance reform is rooted in more than a century of commitment to quality education and equity, reaching back to the creation of the

General Education Board by John D. Rockefeller in 1903. The Board sought to promote education within the United States without distinction of race, sex or creed. The Foundation supported the Board as a separate entity until the mid-1960s, when its work was absorbed into that of the Foundation. The Board's historic commitment found tangible expression in grants that the Foundation made, most often through its Equal Opportunity Program, to develop new minority leaders in public education, to support community schools and to continue efforts to dismantle persistent vestiges of racial segregation in education in the South. In addition to funding through the Equal Opportunity Program, the Foundation also supported education through its Arts and Humanities Program.

The Foundation's work in education evolved with the times; more than two decades ago, it commenced intensive engagement with school and district reform. From 1983 – 2001, the Foundation helped conceive and provided significant funding for major national reform programs, including: a curriculum reform effort named Collaboratives for Humanities and Arts Teaching (CHART); dissemination of James Comer's whole school reform approach, entitled School Development Program (SDP); new approaches to evaluation of student performance, called Performance Assessment Collaborative for Education (PACE); and a district-wide reform approach focused on leadership and training, Building Infrastructures for Professional Development (BDI).² Each of these programs had different goals and leadership, and they operated in different ways. Out of them, though, came a series of experiences and perceptions that would, to various degrees, influence the course of thinking about the development of programs in education. These included:

- A preference for subsuming education grantmaking into other areas. With the exception of a discrete School Reform program that operated in the early 1990s and was created largely to focus on SDP, the Foundation has supported education through larger programmatic areas.
- A movement away from programs geared to promoting individual success (minority school superintendents, teacher development) to efforts at systemic reform leading to measurable improvement in public education and an appreciation that grantmaking in these areas required not only money but the active and informed involvement of Foundation staff.
- A conviction that effective investments in public K-12 education must simultaneously be investments in equal opportunity and equity.

²For our perspectives regarding some of these investments see Robert A. Kronley, *Learning From Each Other: Questions and Answers About the Clark, Panasonic and Rockefeller Foundations' Long-Term Investment in Systemic Education Reform*. Grantmakers for Education. 2000. and Robert A. Kronley, *A Continuing Commitment: Reflections on Themes from a Rockefeller Foundation Symposium*, prepared for the Rockefeller Foundation Symposium Leveraging Change, An Emerging Framework for Educational Equity, April 5, 2001. The Rockefeller Foundation. 2001.

- An understanding that the educational context in which its interests in larger-scale change and in promoting equity play out was, broadly speaking, “political” – it involved interacting in a milieu where values were not uniform, interests diverged and there was ongoing competition for public and private resources.
- An appreciation that engaging in a political or public policy arena involved more risk than programmatic grantmaking. If the Foundation were to assume this risk, it should do so in places where its assets could position it to make a difference and where its efforts would have impact.
- A practice, similar to that of many foundations, whereby the values, experiences and strategic preferences of staff would shape the direction and content of specific programs.

The Working Communities Framework

The foregoing elements affected the development and implementation of the Foundation’s Adequate Financing for Educational Equity Initiative. The shift from Equal Opportunity to Working Communities in 2001 explicitly incorporated public policy strategies and outcomes in the various areas of work that are subsumed by the Working Communities theme. Effective policies that respond to the full array of public needs are central to the creation of communities that work, and education is a key element in building the capacity that these communities require. Among other things, the Working Communities model hypothesizes that by supporting the development and dissemination of knowledge, information and ideas while simultaneously helping to give voice to and represent the poor, the Foundation can facilitate the advancement of policies and practices that will improve the life chances of disadvantaged and excluded persons.

Evolving educational contexts provided a clear opportunity to test the hypothesis. The longstanding goal of achieving a quality education for all students was being advanced by a nation-wide movement to define and implement curriculum and performance standards that delineate what is required for a quality education. Rigorous curriculum and meaningful performance standards hold the promise of strengthening learning opportunities for all students and eliminating the achievement gap between historically disadvantaged students and their peers. The standards movement in turn generated heightened expectations of public education as well as an increased willingness to consider what resources it takes to support a quality education. Opinion polls demonstrated public belief that quality is a key component of effective education and that many felt strongly that access to a quality education is critical to later success. It seemed then that the public was prepared for a dialogue about how to achieve “quality,” and that both the sufficiency of resources and how they are deployed would be major elements in the ongoing discussion.

This change in context attracted Fred Frelow, who had joined the Foundation in 2001 as a program officer in Working Communities with responsibility for education. Frelow had

most recently worked for the National Commission on Teaching and America's Future. He embraced the central role of excellent teaching in fostering quality education, but his years as a high-level school district administrator had inculcated a powerful belief that promoting effective learning for all students required adequate resources and that those resources were neither available nor effectively deployed. While unreservedly supporting strategies that would lead to greater efficiencies in public education, Frelow regarded assertions that targeted increases in funding for disadvantaged students would not make a difference in their performance as ranging between arrogant and absurd. Charged with developing a new education portfolio – one that reflected both the Foundation's interest in grappling with root causes of significant social problems and the Working Communities' framework – Frelow pursued school finance reform.³

School Finance Reform: An Overview

In choosing school finance reform, Frelow engaged a subject that, some three decades earlier, had appeared to many educators, lawyers and civil rights advocates as a logical extension of Fourteenth Amendment-based efforts to move toward equity in education. The United States Supreme Court dashed these hopes and, in refusing to consider federal constitutional remedies for state funding formulas that were demonstrably inequitable, relegated legal challenges to these formulas to state courts. As described below, the theories behind these state-based challenges have evolved significantly, and many state courts, relying on state constitutional guarantees, are offering reformers renewed hope of significant change.

Public schools and school districts are local institutions that are funded locally. Individual school boards have responsibility for and authority over collecting revenue for districts. With rare exceptions, school boards across the nation rely on property taxes as their primary source for school funding. Until the early 1970s, revenue from local property taxes made up the majority of funds for school districts. This reliance on property taxes diminished slightly over time. Throughout the 70s until the late 1990s, revenues from property taxes hovered at about 45 percent of districts' funds. During that time, the percentage that state dollars comprised of districts' revenues steadily crept up. In 1970, state funds made up, on average, 40 percent of districts' annual revenues; by 2000, that number had grown to almost 51 percent.

Local and state funds have historically been and remain the primary source for school financing. The federal government's investment in public K-12 education has consistently comprised a very small amount of districts and schools' budgets. Federal contributions to districts' revenues did not exceed 10 percent between 1960 and 2000 and, in 2000, they made up only about 7 percent of them.⁴

³ Pursuing root causes of an issue is consistent with the Foundation's "problematique" approach to developing programmatic entry points and strategies to achieve stated goals.

⁴ Consortium for Policy Research in Education. "Sources and Levels of Education Revenues and Changes Over Time." CPRE University of Wisconsin-Madison. 2000. www.wcer.wisc.edu/cpre/finance/related/general/revenue.asp. (Accessed 12-19-2005).

The dependence on local property tax wealth for a significant portion of districts' revenues resulted in wide disparities in per pupil funding among districts. Districts with greater property wealth were able to generate far more funds for their students than districts with less property wealth, even as many poorer districts set higher property tax rates than wealthy districts. In one northeastern state in the late 1970s, districts that fell into the lowest decile of property wealth taxed themselves at a rate of 3.04 percent, which generated, on average, \$2,094 in per pupil revenues. The districts that were in the highest decile in property wealth had an average property tax rate of 1.05 percent, which enabled them to provide \$3,593 in per pupil revenues – \$1,499 more than those in lowest decile.⁵

Such disparities among districts remain common. Across the country during the 2001 – 02 academic year, districts with the smallest percentage of low-income students, those in the bottom quartile of districts in terms of the portion of students living in poverty, outspent districts with the greatest portion of low-income students by \$868 on average. The gap was far greater in some states. In Virginia, low-poverty districts had \$1,105 more per pupil than high-poverty districts did, and, in Illinois, the disparity was more than \$2,000.⁶

New York was no different. In New York during the 2001 – 02 school year, the average gap in revenues between low-poverty and high-poverty districts was \$2,040. In 2002, the average per pupil expenditure for students in New York City was \$1,005 less than the average per pupil expenditure across the state.⁷ This difference meant that an elementary school with 500 students in New York City received \$502,500 less than elementary schools outside the city. Had the per pupil expenditure across New York City Public Schools matched the average per pupil expenditure in the state, the district, which enrolls over 1 million students, would have seen its budget increase by more than \$100 million in 2002.

Equity-Based Litigation

Beginning in the 1970s, these kinds of disparities led to court challenges. Advocates for school finance reform sought to force states to equalize spending across districts through litigation. In 1973, in *Rodriguez v. San Antonio*, the United States Supreme Court rejected the plaintiffs' Fourteenth Amendment-based claim that significant disparities in funding in Texas school districts violated equal protection rights of poor students in the adversely-affected communities. In concluding that education is not a fundamental right under the federal constitution,⁸ the decision moved the battle over

⁵ Odden, Allan. *Improving State School Finance Systems: New Realities Create Need to Re-Engineer School Finance Structures*. Consortium for Policy Research in Education, University of Pennsylvania. 1999.

⁶ Carey, Kevin. *The Funding Gap 2004: Many States Still Shortchange Low-Income and Minority Students*. Washington, DC: The Education Trust. Fall 2004

⁷ Public Education Needs Civic Involvement in Learning. *Pencil Briefing: Background Materials for the Discussion of the Impact of the Campaign for Fiscal Equity Case*. New York. September 25, 2003

⁸ National Conference of State Legislatures. "Education Finance Litigation: History, Issues and Current Status." www.ncsl.org/programs/educ/LitigationCon.htm. (Accessed December 19, 2005)

school finance systems from federal courts to state courts. The plaintiffs in *Rodriguez* turned then to the Texas courts, where they prevailed.

The next turning point in school finance reform litigation occurred in California. In 1976, the California Supreme Court determined in *Serrano v. Priest* that the school funding system violated the state's equal protection clause. The plaintiffs sought a funding mechanism that was "wealth-neutral," one that was based on the wealth of the state, not of individual districts.⁹ The plaintiffs' victory in *Serrano* demonstrated to reformers that state courts offered a viable pathway to establishing a more equitable system of school funding, and it galvanized other reform advocates around the nation to pursue similar lawsuits.

The underlying philosophy of most of the state lawsuits contesting school finance systems throughout the 1970s and 80s was one of equity – plaintiffs argued that states, under the equal protection or similar clauses of their constitutions, could not treat students in low-wealth districts differently from other students. Under the wealth- or fiscal neutral approach to school finance put forth in *Serrano*, "the state has a constitutional obligation to equalize the value of the taxable wealth in each district, so that equal tax efforts will yield equal resources."¹⁰

A number of lawsuits, based on the theory that had prevailed in *Serrano*, were filed in the 1970s and 80s. For the most part, however, states' school finance systems were upheld. The lawsuits did lead, though, to some changes in how public education is financed. Some states, because courts required it or because they sought to avoid a protracted and expensive legal challenge, began shifting to wealth-neutral school finance systems. They instituted foundation funding or guaranteed tax base funding for schools. Both sought to set a floor for per pupil spending across districts – they guaranteed a set amount of state funds for all districts, rich and poor alike. These changes in school finance did not, however, greatly reduce disparities in funding.

There were several reasons the gaps in funding among districts persisted. Among states that instituted a foundation or guaranteed tax base approach, the results were not what reformers had predicted. Some states set a low amount for base funding; instead of guaranteeing a sum approximate to per pupil funding in high wealth districts, they committed to significantly less, perhaps 60 percent of what these districts spent. Compounding this, few states, even those that set high levels of base funding, adjusted this amount for inflation. Perhaps the greatest surprise was the behavior of low wealth districts. The majority of these districts treated foundation or guaranteed tax base finance systems as an opportunity to reduce property taxes. Had they continued to tax themselves at the higher rates, district revenues would have increased; given the rollback in tax rates, however, revenues stayed about the same or even fell. High

⁹ Hansen, Janet S. *Education Finance in the States: Its Past, Present and Future*. Denver, CO: Education Commission of the States. July 2001. www.ecs.org/clearinghouse/28/04/2804.htm. (Accessed December 19, 2005)

¹⁰ Rebell, Michael A. "Educational Adequacy, Democracy and the Courts," *Achieving High Educational Standards for All: Conference Summary*. Washington, DC: National Research Council. 2002.

wealth districts, though, did not reduce their tax rates, some even increased them. Beyond this, some states that had either won legal challenges to their school finance system – and two-thirds of those that were sued did win – or had not faced litigation did not change how they funded their schools.¹¹ With only a few exceptions, then, the equity-based legal challenges to states' school finance systems of the 1970s and 80s did not lead to the kind of reforms plaintiffs and advocates had hoped to see. They needed a new approach to promoting reform and they found one – adequacy lawsuits.

Adequacy-Based Litigation

The origins of the wave of adequacy-based challenges that rolled across states during the 1990s and into the 21st century lay in two places – lawsuits in New Jersey and West Virginia in the 1970s and in the evolution of the standards-based reform movement. The plaintiffs in *Robinson v. Cahill* eschewed the equity approach and argued that New Jersey's school funding system violated the education clause in the state's constitution, which required that the state provide a "thorough and efficient" system of education. In 1973, the New Jersey Supreme Court ruled that the state's school finance statute violated this clause. A second case, claiming that West Virginia's school finance system violated the education clause in its constitution, was filed by a group of parents in 1975. In 1979, the state's Supreme Court of Appeals determined that West Virginia's school finance system violated the education clause, which held that a "thorough and efficient" education was a fundamental right. The court went a step further by offering a broad outline of a thorough and efficient education – one that "allows the minds, bodies and social morality of its charges to prepare them for useful and happy occupations, recreation and citizenship..."¹² Though they did not initially lead other reform advocates to pursue such lawsuits instead of equity-based challenges, these decisions did demonstrate that courts were receptive to the argument that states were obligated to provide an education system of a certain quality. It was an argument reformers would come back to in the 1980s in Kentucky as equity-based challenges met increasingly with defeat.

The major shift in school finance litigation from equity challenges to ones that are adequacy-based began in 1985 with *Rose v. Council for Better Education* when 66 poor districts charged that Kentucky's system of school finance violated the education clause in the state's constitution. Four years later, the Kentucky Supreme Court not only found the funding system unconstitutional, it declared the state's "entire system of common schools... unconstitutional."¹³ The court held that the legislature had "fallen short of its duty to enact legislation to provide for an efficient system of common schools," and

¹¹ Odden, Allan. *Improving State School Finance Systems: New Realities Create Need to Re-Engineer School Finance Structures*. Consortium for Policy Research in Education, University of Pennsylvania. 1999.

¹² National Conference of State Legislatures. "Education Finance Litigation: History, Issues and Current Status." www.ncsl.org/programs/educ/LitigationCon.htm. (Accessed December 19, 2005)

¹³ ACCESS, Campaign for Fiscal Equity. "Kentucky: Historical Background." New York: Teachers College, Columbia University. www.schoolfunding.info/state/ky/lit_ky.php3. (Accessed December 20, 2005)

demanded that legislators reform the property tax system.¹⁴ It went farther than this, however, and required the legislature to create a system of public education that was “sufficient to provide each child in Kentucky with an adequate education.” Reaching beyond the broad outlines of a thorough and efficient system of public education described by the justices in West Virginia, the court in Kentucky identified seven learning goals that an efficient public education system would ensure that students meet:

1. Sufficient oral and written communication skills
2. Sufficient knowledge of economic, social and political systems
3. Sufficient understanding of governmental processes
4. Sufficient self-knowledge and knowledge of his or her mental and physical well-being
5. Sufficient grounding in the arts
6. Sufficient training or preparation for advanced training in either academic or vocational fields
7. Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states¹⁵

The *Rose v. Council for Better Education* decision was a watershed in school finance litigation. It unequivocally set standards for what school systems should accomplish, and it tied them to the provision of resources by the state. The standards were vague, but they coincided with the burgeoning movement to create curriculum and performance standards across the country.

Standards-Based Reform

In 1983, *A Nation At Risk* was released by the National Commission on Excellence in Education. Opening with the statement “...the educational foundations of our society are presently being eroded by a rising tide of mediocrity that threatens our very future as a Nation and a people,”¹⁶ the report made clear that public schools were not serving any group of students well, not if they were to be fully prepared for and succeed in postsecondary education or an increasingly competitive global economy. Poor quality schools were no longer an issue only for low-income or minority students and their families, they were an issue for everyone, including middle- and upper-income whites.

A Nation at Risk seized the attention of and generated much discussion among educators, policymakers, and philanthropic organizations. It led to various public and private initiatives to improve education, including such strategies as site-based budgeting or management, whole school reform, or projects to enhance various

¹⁴ National Conference of State Legislatures. “Education Finance Litigation: History, Issues and Current Status.” www.ncsl.org/programs/educ/LitigationCon.htm. (Accessed December 19, 2005)

¹⁵ ACCESS, Campaign for Fiscal Equity. “Kentucky: Historical Background.” New York: Teachers College, Columbia University. www.schoolfunding.info/state/ky/lit_ky.php3. (Accessed December 20, 2005)

¹⁶ National Commission on Excellence in Education. *A Nation At Risk*. Washington, DC: U.S. Department of Education. 1983.

elements of instruction and learning; in the immediate wake of the report, little focused attention was paid to standards. While the California Superintendent of Schools began a multi-year effort to create curriculum standards in 1983, it was not until the late 1980s that substantial interest in developing standards began to grow. Once interest in standards did pick up, however, it soon had unstoppable momentum.

In 1987, the National Council of Teachers of Mathematics began creating curriculum standards, which it released in 1989. That same year, President George H.W. Bush convened the National Education Summit, which was attended by all 50 governors as well as many business and education leaders. Summit participants drafted National Education Goals, which included establishing rigorous curriculum standards in five subject areas – English, math, science, history and geography, which were completed by subject area associations such as the American Association for the Advancement of Science.¹⁷ Curriculum and performance standards were seen as a way to infuse sorely lacking rigor into instruction and learning; standards were a means to establish clearly what students should know and what they should be able to do in each subject and in each grade level.

Throughout the 1990s, states developed and instituted curriculum and performance standards as well as attendant accountability systems as the foundation of efforts to dramatically improve student learning. By 1999, every state except Iowa had developed or was in the process of developing standards. Standards became a national mandate in 2002 when President George W. Bush signed into law the federal No Child Left Behind Act, which requires all states to, among other things, develop and institute them as well as measure students' progress toward achieving them.

With their focus on academic rigor and the insistence of policymakers and educational leaders that they apply to *every* student, standards have the potential to be as transformative in public education as desegregation. Embedded in them is the promise that every student will be provided with a high-quality education. The implications of that promise are significant. Ensuring that every student achieves the standards touches every aspect of what schools and districts do and how they do it from recruiting and supporting teachers to re-defining the role of the principal to revising class schedules to aligning assessment tools with student learning goals. This does not come cheaply; it takes far more resources than what states have provided.

The Intersection of Adequacy Litigation and Standards

Standards have helped propel adequacy-based challenges to states' systems of school finance. What the courts in New Jersey and West Virginia implied and what the court in Kentucky articulated is that states have a constitutional obligation to provide an education of a certain quality, not simply the most rudimentary and inexpensive education available. This obligation is expressed by requirements that public education

¹⁷ Kendall, John A. and Marzano, Robert J. *Content Knowledge: A Compendium of Standards and Benchmarks for K-12 Education*. Aurora, CO: Mid-Continent Research for Education and Learning.

systems be thorough and efficient, adequate or ample.¹⁸ Standards give meaning to these phrases; they describe in detail what constitutes a thorough or an adequate education. By late 2005, adequacy lawsuits had been filed in 37 states. Of these, courts decided in favor of plaintiffs in 20 states, finding that states had not fulfilled their constitutional obligations. Seven cases had been decided in favor of the states, and 10 cases are pending.¹⁹

Rose v. Council for Better Education in Kentucky was a compelling example of reform advocates' success in the courtroom. Advocates in several states, however, learned that courtroom success does not always lead to success in the classroom, not when politics interfere.

Ohio is an important example of a state where legal victories have been thwarted by executive and legislative inaction and avoidance. The state's school funding scheme was ruled unconstitutional by the Ohio Supreme Court four times. While more funds eventually were allocated to school facilities and a few other areas, key state officials reacted to these rulings by resisting any attempt to devise a systemic response to the need for the "thorough overhaul" of education funding that the Supreme Court determined was required. Ultimately, the Supreme Court refused to impose a remedy for the finance system it had repeatedly determined violated Ohio's constitution. The Ohio case made it starkly apparent that efforts to improve funding systems required more than litigation – public knowledge about the issue and engagement in its resolution are critical elements in motivating state officials to act. This was to be an important lesson for the Rockefeller Foundation as it developed strategies for its work in New York.

The New York Experience

As in other states, reformers in New York first challenged existing school finance mechanisms by arguing for more equitable apportioning of funds. In 1978 a group of property-poor districts joined with the state's five large urban districts, including New York City, to challenge New York's system of funding public education in *Levittown v. Nyquist*. Four years later, the Court of Appeals, the state's highest court, found that inequities did exist but that New York's constitution did not require the state to provide students with equal funding. Although it did not provide the relief that plaintiffs and advocates had hoped for, the court noted that the state constitution guarantees every student the opportunity for a "sound basic education." Years later this would serve as the basis for a new theory to reform education funding when the Campaign for Fiscal Equity (CFE) filed an adequacy-based challenge to the state's school finance system.

¹⁸ Rebell, Michael A. "Educational Adequacy, Democracy and the Courts," *Achieving High Educational Standards for All: Conference Summary*. Washington, DC: National Research Council. 2002.

¹⁹ 'School Funding "Adequacy" Decisions Since 1989: December 13, 2005.' Molly A. Hunter, State-By-State Status of School Finance Litigations. Campaign for Fiscal Equity. www.schoolfunding.info/litigation/adequacydecisions12-07-04.pdf.

CFE was founded in 1993 by Robert Jackson, Michael Rebell and Norman Fruchter. At the time, Jackson was a member of Community School Board 6 (CSB6), a local board within New York City's schools, and a parent of children attending public schools. Rebell was the attorney for CSB6, and Fruchter was president of Community School Board 15 and a program officer of a local foundation. Angered by the limited funding available to city schools, Jackson had sought Rebell's advice on the possibility of a legal challenge to the state's system of funding schools. He reached out to Fruchter to talk about the possibilities of a lawsuit and what would be needed to pursue one. The three men quickly gathered several education groups as well as over one-third of the community school districts in New York to join a law suit about school funding.

The first hurdle in the CFE lawsuit was simply getting to trial. In 1995 the Court of Appeals distinguished CFE's claim from its decision in *Levittown* and allowed the CFE case to proceed. The case was finally heard several years later and, in January 2001, after seven months of testimony and five months of deliberations, New York Supreme Court Justice Leland DeGrasse ruled in favor of CFE – he found that the state was not meeting its constitutional obligation of providing every student with a sound basic education.

The state promptly and successfully appealed the decision; in June 2002, an intermediate-level appeals court overturned DeGrasse's ruling, determining that providing an eighth-grade education was all the state needed to do to meet its constitutional requirement. CFE, in turn, appealed this decision and, in June 2003, the Court of Appeals found in favor of CFE, and it required the state to:

- determine the cost of providing a sound basic education
- fund those costs for every school
- create an accountability system to ensure that every student has an opportunity for a sound basic education

The Court set July 30, 2004 as the deadline for the state to accomplish these three things. The deadline passed with no action by the state. The lower court then established a panel of special masters, three referees who would develop a plan for the state to comply with the Court's decision. The special masters submitted their plan in November 2004, which was approved by Judge DeGrasse in February 2005. As part of his ruling, Judge DeGrasse found that New York City's public schools need almost \$15 billion more – \$5.6 billion in annual operating costs and \$9.2 billion in capital improvements – to meet their constitutional obligation of providing a sound basic education. Despite several rulings against it, the state, led by the Governor, continues to resist efforts to change the process by which it allocates school funding or the amount that it provides to districts and schools. It has appealed DeGrasse's most recent decision.

Embracing Reform: An Overview of the Foundation's Approach

In designing an approach to school finance reform in three states, the Foundation sought to be sensitive to its history of improving education for all students and to reflect the Working Communities themes. As it did so, it also wanted to ensure that the strategies it adopted to promote adequate financing for public education manifested ongoing Foundation interests. These included the Foundation's longstanding devotion to building capacity, its desire to help set an agenda around issues it believes are significant, and its concern about minimizing risk to the organization.

Capacity Building

For decades, the Rockefeller Foundation has invested in building capacity.²⁰ The strategies that it has employed to do so have evolved as interests changed and contexts varied. In recent years the Foundation has moved in part to creating institutions and systems "in which skilled professionals can thrive and lead."²¹ This approach, which reflects the Foundation's desire to confront the root causes of issues, infuses the Adequate Funding for Educational Equity Initiative. On one level, the Foundation's program seeks changes in policy that will, over time, increase the financial capacity of school systems to provide an effective education to all students. On a more proximate level, the Foundation's grants are geared to increasing the organizational capacity of its grantees that are working to change the policies that constrict school system capacity.

Security is a central element in grantee capacity. General support by the Foundation to the Campaign for Fiscal Equity (CFE) enabled Michael Rebell, its co-founder and executive director, to spend time pursuing reform rather than chasing funds each time a crisis arose. Security engenders flexibility – the capacity to find and devote targeted resources to emerging needs or new opportunities. Rockefeller funding enabled CFE to identify and utilize experts at critical times. Other instances of capacity building efforts with grantees are discussed below; what is critical here is that the Initiative saw capacity-building as infusing all elements of its theory of change.

Another element of capacity building concerned the Foundation itself. The Initiative provided 50 percent of the time of one program officer to a complex endeavor that required significant hands-on involvement. The question of whether the Foundation had or could develop the capacity to build grantee capacity was a real one that would require continuing attention and ongoing innovation.

²⁰ For an overview and analysis of the Foundation's history and strategies see a paper by Joyce Lewinger Mook, *The Rockefeller Foundation: How We Invest in Capacity Building*. Undated.

²¹ Mook, p. 10

Agenda Setting, Risk and Comparative Advantage

The Rockefeller Foundation wishes to set an agenda in those areas in which it has a strong interest. Gordon Conway, who retired as the Foundation's president in 2004, defined agenda-setting as "informing public dialogue at all levels, from the local to the international, to ensure the voices and views of poor and excluded people are heard and considered." Another definition comes from a recent study of agenda setting activities at the Foundation:

Persuading relevant actors to pay attention to the social problems on the Foundation's agenda, join with the Foundation or contribute independently to developing solutions to those problems and/or subscribe to the Foundation's approach to solving those problems.²²

Like capacity building, agenda setting is a form of impact. Unlike capacity building, and as each of the foregoing definitions contemplates, agenda setting requires recognition by others. For the Foundation to influence an agenda, others must be aware of its involvement, know of its commitment and view it as leading the way.

Yet prominent identification with proposed solutions to a contentious issue may involve significant risk. This includes attracting the scrutiny of regulators by engaging or appearing to engage in activities that may arguably cross boundaries that are off limits to philanthropic organizations. Another risk is reputational – a funder may become deeply involved in supporting organizations that are viewed as partisan, that do not have well thought out approaches to the issues or that implement supported activities in ways that are inappropriate, inept or illegal; in these instances the funder's reputation may suffer. Embedded in the first two risks is a third – in determining the means to engage an issue, a foundation may lose sight of its strengths and pursue strategies and activities that challenge its traditional preferences and current capacities and lead it to question its work and its efficacy.

Each of these risks resonated as the Foundation considered its approach to school finance reform. The Foundation was aware of increased government interest in the activities of certain large foundations. It recognized that its comfort level – a product of its culture – was geared more to behind the scenes support and influence rather than prominent public participation in efforts to educate and inform various constituencies about policy. Finally, while there have been times that the Foundation has supported litigation, organizing and advocacy as strategic tools in pursuing solutions to social issues, this activist strain has been much less apparent in recent years than its emphasis on capacity-building, research and fact-finding, and dissemination of ideas and knowledge.

²² See Sherwood, Kay E., *Agenda-Setting at the Rockefeller Foundation: A Descriptive Study*. Prepared for the Rockefeller Foundation. January 19, 2005.

The conception, development and implementation of the school finance reform initiative involved a continuing effort to balance the inherent tension between an expressed desire for impact (setting an agenda) and an embedded need to avoid risk. Balance was partly achieved by the Foundation’s reliance on what many on its staff refer to as its “comparative advantage” – the unique assets that it brings to an issue. In this instance, the Rockefeller Foundation brought a tradition of supporting careful and high-quality research, its legitimacy with other funders and nonprofit organizations, the reputation, energy and commitment of its staff and its realization, before embarking on the Initiative, of the limits of litigation as the major pathway to promote adequate school funding. Fred Frelow understood that investments in public understanding about the need for fairness in funding were becoming critical to moving the reform agenda; the Ohio experience had made that clear.²³

The Foundation consequently made two significant decisions as it conceived the Initiative. It would not fund litigation, and it would support efforts to build public understanding through careful fact-based knowledge development.²⁴ As a result, the Foundation developed a comprehensive effort aimed at:

- A. Creating the knowledge base for finance reform focused on a sound basic education.²⁵
- B. Creating a climate to promote reform through extensive public education and constituency mobilization that draws on the knowledge base.
- C. Generating and making available alternative models of financing and accountability to decision makers in the executive, judicial and legislative branches.

Theory of Change

The Adequate Financing for Educational Equity Initiative promulgated a formal theory of change. Briefly stated, the goal of the endeavor was to ensure that all urban school districts, which have high proportions of low income and minority children, have resources sufficient to provide an adequate education that will prepare students for work and citizenship. Over the long-term, the Initiative sought “reduced disparities in education outcomes measured by higher rates of students graduating who meet state standards and who enroll in post-secondary education.” The assumptions that underlie the Initiative’s strategies are that:

1. All children - including low income, minority and immigrant children – can learn;

²³ The concept of comparative advantage at the Foundation is connected to more than substantive approaches to issues; the Foundation also seeks to ensure that its available funds, which are nowhere as great as other philanthropies with similar histories, interests and concerns, are targeted as strategically as possible. In some ways, considering comparative advantage is a way of matching the Foundation’s capacity with significant issues.

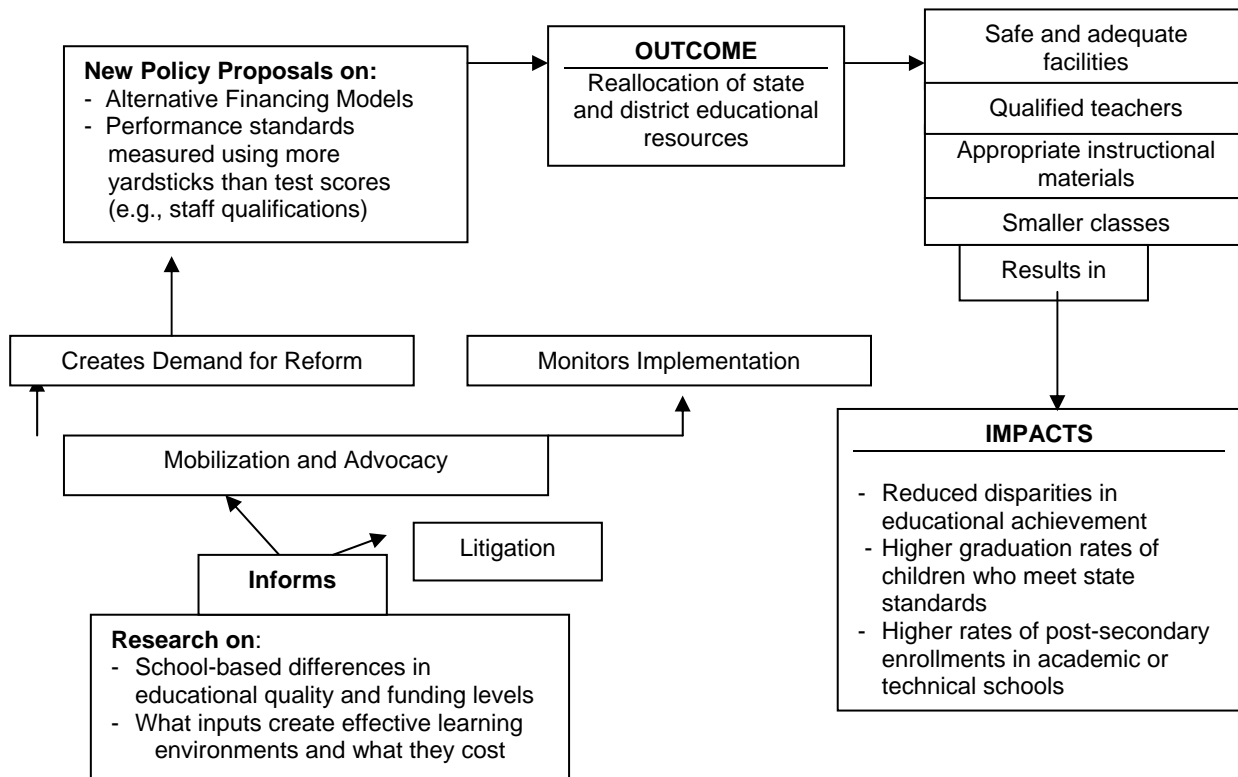
²⁴ The Foundation may have also thought that in New York, there were other good reasons not to support litigation. The Ford Foundation was funding aspects of CFE’s litigation efforts and, in addition, Simpson, Thacher & Bartlett, a leading law firm, was providing substantial *pro bono* support to the endeavor.

²⁵ Sound basic education is the New York State constitutional standard (see the discussion below).

2. Public education has the responsibility to provide all children with an adequate education; and
3. Adequate resources are essential to achieving the task of providing a sound basic education for all.

The Initiative's theory of change is represented graphically in Figure 1.

Figure 1: Achieving Educational Equity through Adequate Financing



The New York State Initiative

The Adequate Financing for Educational Equity Initiative in New York was both opportunistic and comprehensive; each of these characteristics was intertwined with the other and distinguished the Foundation's effort in the state. The Rockefeller Foundation responded to the legal context while it anticipated the policy, political and media contexts in which Justice DeGrasse's and subsequent decisions would play out. The Foundation's program in New York State consisted of three interlocking strands that, over time, were designed to move the state to increase the amount of resources it applies to public education, redistribute resources to address more equitably the instructional needs and requirements of urban districts, incorporate new accountability approaches into the ongoing implementation of new financing mechanisms and monitor the components of a sound basic education. The three strands were:

1. *Research and evidence building.* The Foundation supported knowledge development based in strong research institutions and in organizations that provide information and analyses that can be used to energize various sectors of the public to focus on and address the relationship between resources and educational adequacy. Building evidence about "educational inputs" (teacher quality and class size, for examples) and their reliance on sufficient resources, and the relationship between these inputs and student outcomes provided a mechanism for researchers (and, ultimately, advocates) to bring attention to the need for adequate financing to achieve equity in education. The research efforts also documented the inequities in educational inputs and financing at the district and school levels, which supported the legal case for reform.
2. *Constituency mobilization and coalition building.* The Foundation sought to promote awareness among a wide group of individuals, organizations and sectors that adequate financing is as critical an element of school reform as standards and accountability measures, and that educational equity for low income and minority students will not be achieved without sufficient funding used effectively, efficiently and with transparency. Making this case required strategies and techniques to reframe the public debate from one that focuses on the inequitable distribution of resources across school districts to one of identifying and defining what it costs to provide a quality education to every student. This frame shifted the discussion from a reallocation of existing resources (with attendant winners and losers) to the realization of additional resources (where all students, in both upstate and downstate New York, will benefit). Toward this end, the Foundation supported the creation of and activities by engaged coalitions of parents, educators, business leaders, and policymakers to bring attention to these issues, make these issues prominent elements of the public agenda through an expansive public education campaign, and encourage dialogue and discussion of their importance to success for the state's students. This work involved support for meetings, outreach by community organizations, development of public education tools and efforts to use the new tools to disseminate information widely.

3. *Policy development and advocacy.* This component supported the development of policy proposals, including alternative financing mechanisms and multiple models of accountability. It devoted specific attention to creating models that promote district and school level transparency, including ways to make available to the public information about educational inputs (teacher quality, class size) in addition to test scores. These models were supplied to organizations that seek to educate decision-makers considering approaches to and remedies for inadequate and inequitable financing schemes. Also supported through this strand were advocacy activities that built on the constituency outreach and engagement efforts described above. These varied activities included formal testimony to legislators as well as meetings with them by researchers, parents, activists and others, coordinating and publicizing public rallies and marches, organizing letter-writing campaigns to legislators, meetings with editorial boards across New York, preparing op-eds and other steps to influence the decisions of legislators and other policymakers by cultivating, harnessing and demonstrating public demand for reform.

Major Milestones

The Adequate Financing for Educational Equity Initiative operated in an environment that was fluid and subject to an array of influences. Major events in the development and implementation of the program include the following:

1993	Campaign for Fiscal Equity initiates lawsuit challenging state's education financing on adequacy grounds
1995	New York State Court of Appeals allows CFE's lawsuit to proceed
1999	Trial begins in CFE v. State with supporting brief from Department of Justice
January 2001	New York State Supreme Court decision declaring state's method for funding education unconstitutional
August 2001	Governor Pataki appeals the Supreme Court decision
Summer 2001	Legislature approves Governor Pataki's "bare bones" budget, assuming it will force the Governor to negotiate restorations for education and other services
September 2001	September 11 derails possibility of education funding restorations

December 2001	Rockefeller Foundation Board approves program
June 2002	Intermediate Appellate Court overturns Supreme Court ruling; “eight is not enough” campaign begins
Summer/Fall 2002	CFE begins negotiations with Governor Pataki
December 2002	CFE appeals after negotiations with Governor Pataki break down
January 2003	Governor issues budget including nearly 8.5 percent cut in aid to school districts and elimination of support for Pre-K
January 2003	200 organizations issue joint statement supporting alternatives to service cuts and bigger shifts to property taxes
April 2003	State Senate and Assembly pass law allowing school districts to delay budget vote and buying time for legislature to work on budget
April 2003	Governor Pataki vetoes legislation about school district budget vote delay
April 2003	Quinnipiac poll shows vast majority oppose cutting state aid and majority support raising income taxes to increase state aid and lower property taxes
April 2003	Legislature overrides Governor Pataki’s veto of budget vote delay
May 2003	Legislature restores over \$1 billion in education cuts; institutes high-end income tax surcharge
May 2003	Governor Pataki vetoes funding restorations and tax increases
May 2003	Massive march on Albany by education advocates

May 2003	Legislature overrides all 119 of Governor Pataki's vetoes of including his vetoes of the education funding restorations and his vetoes of the related revenue increases
June 2003	Voters overwhelmingly approve 94 percent of school districts budgets
June 2003	Court of Appeals, New York's highest court, rules in favor of CFE, finds New York school finance system unconstitutional and sets "meaningful high school education as standard for sound basic education." The Court sets a deadline of July 30, 2004 for the state to implement corrective measures.
June 2003	Rockefeller hosts Roundtable to discuss historic and political significance of recent events in school finance
July 2004	The state fails to comply with the Court of Appeals' deadline for taking corrective measures. A Special Masters panel is established to develop a plan for the state to institute required reforms.
November 2004	Special Masters accept findings from CFE research and find that \$5.63 billion in annual operating aid and infusion of \$9.2 billion for facilities is required to provide a sound basic education in New York City
December 2004	Quinnipiac poll shows that by a 61-31 percent margin, New York State voters agree that New York City schools should get an additional \$5.6 billion per year. Support ranged from 47-43 percent among upstate voters, to 62-28 percent in the suburbs, to 76-19 percent in among New York City voters. 90 percent of voters said that funding should be increased for other schools in the state where achievement is low; this result is consistent throughout the state and among voters in all political parties.

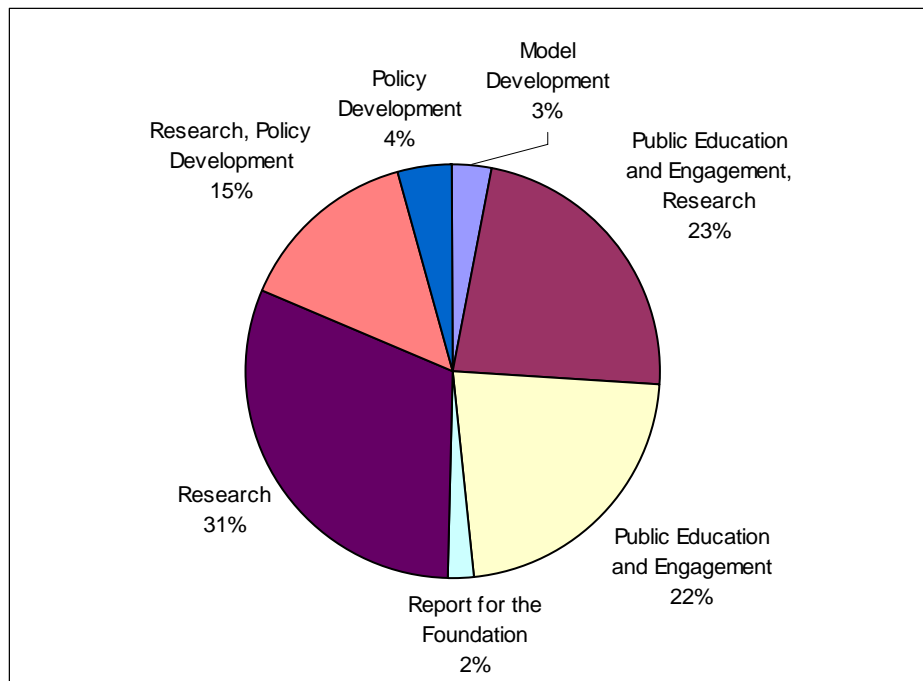
February 2005	Justice DeGrasse affirms recommendations of Special Masters
March 2005	Justice DeGrasse signs an order directing the state to implement the Special Masters' report
July 2005	Governor Pataki announces that he will not run for fourth term in 2006
August 2005	The state appeals Justice DeGrasse's order
November 2005	New York City Mayor Bloomberg overwhelmingly wins re-election bid; education to be major focus of second term

Grantmaking and Related Activities in New York State

Most of the foregoing events occurred during a time of increasing Foundation activity. Between December 2001 and December 2005, the Foundation made \$7,181,415 in grants to support the three strands described above, which included a range of activities. Large grants went to CFE for general support for efforts that indirectly furthered work linked to litigation strategies. Other significant support went to outreach – to the Public Policy and Education Fund of New York and others to design and implement a statewide communications strategy resulting in hundreds of stories and editorials in the news media. The foregoing organizations also received Foundation assistance, in tandem with an enhanced communications strategy, to enable CFE to develop in conjunction with the New York State School Boards Association, a “costing out” study that presented baseline data to inform the legislature’s efforts to set new resource requirements for a “sound basic education” in the state. (See Appendix B for a summary of grants.)

By far, though, the greatest part of Foundation funds was devoted to research and evidence gathering that are the critical elements of building a solid argument for reform, presenting credible and feasible alternatives to the current system, and providing pathways to arrive at a new system. The Foundation also invested significant funds in communications and outreach. Figure 2 displays an estimated breakdown of grantmaking by strand; these are estimates because, as Appendix B demonstrates, certain grants included support for activities that fall into more than one strand.

Figure 2: Foundation Grants by Activity, December 2001 – December 2005



Grantmaking was complemented by a series of small meetings and larger gatherings, which sought to present new data, exchange information and share strategies. In addition, Frelow acted to extend the scope and reach of the Initiative. He drew on an extensive network of contacts in the state to ensure that the school finance reform work was rooted in and responded to the realities that educators and education policymakers confront; this focus protected a relatively small grantmaking effort from the distractions that sometimes cause philanthropic initiatives to lose sight of their goals. Frelow took on a leadership role with the Donors Education Collaborative and, in doing so, worked to elevate the visibility of the school finance issue among funders. He assisted grantees in leveraging additional support from other foundations, notably a grant of \$1 million from Atlantic Philanthropies to CFE. Working with colleagues at the Foundation, he identified highly-regarded individuals who in some cases became directly involved in evidence building aspects of the Initiative and in other instances, particularly in the public engagement area, helped to build grantee capacity. Perhaps most important for the sustainability of the overall school finance agenda in New York, Frelow, in guiding a nascent program that was distinguished by a comprehensive and multi-faceted approach, promoted cohesiveness among disparate organizations with strongly-held but at times divergent views.

Findings from the New York Initiative

The findings begin with a series of observations. The Foundation's work in school finance reform placed it at the philanthropic forefront of a transforming enterprise that is yet to be fully realized. Its contributions to this endeavor were significant and, in some areas, notably in building credible evidence for reform, developing capacity among organizations and helping to craft a coherent and effective message around the issue, essential. There is significant appreciation of the Foundation's efforts among participants in and engaged observers of school finance reform, only some of whom are grantees. These individuals view the Foundation as having played a key role in a highly successful endeavor. They also recognize that the effort to promote adequate funding for a sound basic education is entering a new phase and that new strategies will be required to continue the substantial momentum that has been created.

At the same time, the Foundation's Initiative garnered little visibility outside prominent players in the school finance reform network in the state. The blurred and incomplete perception of the Initiative was not limited to outsiders; it also extended to many at the Foundation. The combination of the relatively vague understanding of the Initiative, the advent of a new president and an exploration of new programs along with the departure of Frelow and some institutional ambivalence about the risks and rewards inherent in efforts that seek to have impacts on domestic policy, led to a decision to bring the Initiative to an end at the close of 2005.

The findings that follow speak to the Foundation's approach, its impacts, the internal contexts in which the Initiative functioned, and some gaps in its efforts. These findings are followed by a brief discussion about strategic opportunities for the philanthropic community as the Rockefeller Foundation moves away from its leadership role in school finance reform in New York.

1. The Foundation seized an opportunity that was closely aligned with the Working Communities theory of change, reflected the on-the-ground experience of the Initiative's director, met a key need, and revealed a willingness to take some measured risks.

A. *Structural Reform.* The Adequate Financing for Educational Equity Initiative tied equity goals to dismantling structural impediments to achieving those goals. It drew in part on lessons learned from prior Foundation education investments, which stressed efforts at individual empowerment and capacity-building in pursuit of what are ultimately similar goals. Working Communities focuses on barriers to equity that are more closely connected to public policies and recognizes the need for a range of grantee activity that will generate knowledge and understanding about policies and their effects, promote alternatives and inform decisionmakers, key constituencies and the public. The Initiative's theory of change and the activities that arose out of it applied the Working Communities' framework to a specific educational issue that resonates through states, school districts, schools and classrooms. The Initiative assumed that

money matters for educational success and that the life chances of students are affected by both the funds available for their education and how those funds are spent. In this framework, expanded opportunity was rooted in sufficient funding.

- B. Real World Experience.* Frelow came to this work with a strong belief in the difference that money – and especially the lack of it – makes in public education. This belief grew out of his experience as a district administrator and as a leader in the movement to improve teacher quality. Over and over again, he had seen educators struggle to find resources that would help them meet the needs of low-income students. He had grown uncomfortable with the increasing acceptance of arguments that available funds make little or no difference in student results. School finance litigation and the ensuing context for reform in New York provided an opportunity to marshal evidence about the role of money in fostering better education and improved outcomes, particularly for those students who came from circumstances where there was little money. Frelow’s approach fit well within the Foundation’s overall framework – significant autonomy for program officers working within the parameters of a Foundation theme, emphasis on evidence as leverage for action, and efforts to help set an agenda that would powerfully influence the thinking and discussion about a key element of education policy.
- C. Responsiveness.* The Initiative was responsive to a critical issue – the need for adequate funding to realize the potential of standards-based reform and to provide an effective education to *all* students. It also was able to identify and take advantage of a critical moment in time. The Working Communities program assumes that the creation and institution of effective public policies require both “anticipation and flexibility” and “exquisite luck/timing.”²⁶

New York is home to a wide array of philanthropic organizations. While many are national in orientation, others focus their resources on New York City or the state. In the early 1990s, before CFE was officially formed and litigation launched, a cadre of these local funders began supporting early research by Rebell and others into the possibility of and strategies for an adequacy-based legal challenge to the state’s school funding system. Chief among these funders were the New York Community Trust, the Aaron Diamond Foundation and the Schott Foundation for Public Education, which provided support for litigation and other activities including community engagement to CFE as well as to other organizations whose worked complemented that of CFE. These local funders, many of which had limited resources, provided the financial backbone to the school finance reform movement.

When the Rockefeller Foundation surveyed the broad effort involving multiple actors to reform school finance in 2001, it saw a place where it had comparative advantage – where its active participation could make a pivotal difference. While its financial resources were not extensive, it would make a difference by

²⁶ Lopez, Julia I., Working Communities Theme Paper. Draft of July 3, 2001.

providing continuity and stability to the organizations working on aspects of reform and enable them to pursue new change strategies. The experience, knowledge and relationships to various stakeholders of the Foundation's staff could enhance and expand the work of these organizations. As an institution, the Foundation had visibility and prestige that could be leveraged to raise awareness of the need for reform among other funders, the media, policymakers and other stakeholders. An energetic investment by the Foundation in school finance reform could make it "safe" for others to become involved and encourage those already supporting reform to stay the course. Foundation staff also understood that while much had been accomplished in the years since Robert Jackson had first sought out Michael Rebell, much more remained to be done if real reform was to come.

In short, there was a clear need which the Foundation could meet, but it could do more than that. It was positioned and had the capacity to add unique value to the school finance reform movement in New York.

- D. Risk-taking.* The Foundation revealed a willingness to take measured risks by investing in efforts to change how and how much New York funds its schools. There were several factors that made school finance reform a gamble for Rockefeller including its public setting, its political nature and its lack of visible and influential champions; wherever possible the Foundation sought to limit these risks.

Reforming school finance is an inherently and largely public endeavor. Progress and setbacks are captured by the media, disseminated broadly and discussed extensively. This is dramatically different than investments in other strategies to improve education such as whole school reform. Limited progress or even the collapse of such an effort is witnessed by a small audience, usually consisting of insiders. Failure in school finance reform in New York, would not simply be public, it would be highly visible in the Foundation's own "backyard." The Foundation hedged this risk in part through collaboration with other funders, notably the Ford Foundation and the Donors Education Collaborative.

While less tangible, the Foundation also assumed some risk of being identified with its grantees. There was a chance that the Foundation would be viewed as an organization with a particularly partisan perspective and agenda. The Foundation dealt with this in part by ensuring that advocates for reform operated on a statewide basis, advocating for increased resources for communities throughout the state and building an argument for sufficient funds to promote adequate education on the grounds of "fairness." Finally, when the Foundation committed to the Initiative, there were no clearly visible and influential champions for reform from outside the education and advocacy community. Political leaders were slow to embrace or resistant to the belief that school funding needed to be reformed. Business leaders, while supportive of strategies that would improve education, were reluctant to endorse policies that might lead to increased taxes.

The faith community had not been engaged and its leaders, for the most part, were missing from reform efforts. The active participation of such leaders had often been a critical factor in other efforts in New York and elsewhere to solve complex and contentious community challenges, yet they were absent in the school finance reform movement.

The Rockefeller Foundation limited the consequences of this risk by taking a relatively low institutional profile in school finance reform. Fred Frelow was well-known to major stakeholders in the Initiative, but his work did not translate into a significant institutional presence in the effort.

2. The Adequate Financing for Educational Equity Initiative was distinguished by its comprehensive embrace of diverse means and strategies to influence the development of a school finance agenda in New York State.

A. *Beyond Litigation.* It was only after litigation was well underway that the Foundation became a key actor in promoting adequate school financing. Initiative designers were aware that in other states, Ohio and New Jersey prominent among them, successful litigation had not resulted in deep change. Appeal had followed appeal with little, if any, systemic resolution of the underlying inadequacies in the states' funding schemes. The Foundation understood that school finance reform would play out in a public, politicized environment and that sustained reform would require policymakers to make difficult decisions they were reluctant to make and which, without pressure to do so, they would not make. The Foundation's grantees required the vision, strategies and capacities to enable them to function effectively in this environment.

As part of its three-pronged strategy, the Foundation provided significant support to the Campaign for Fiscal Equity (CFE), the primary nonprofit litigant, for various activities that advanced other, non-litigative, aspects of its work. In choosing to focus on strategies other than litigation, the Foundation recognized the critical importance of building civic demand for fairness in funding that will lead to better outcomes for all students. It also understood that organizations often lacked both the strategies and capacity to promote civic demand effectively and that developing strategies was connected to capacity.

The Foundation began by supporting a relatively small cadre of organizations and individuals already committed to and working in school finance reform. In doing so, it built their capacity and extended the scope of their operations. It was then able to help expand the array of organizations working for reform and the range of strategies that many of the groups were able to employ.

The Foundation's support for non-litigative aspects of the school finance reform movement was pivotal – it pushed and enabled organizations to do things they might not otherwise have had the capacity or the resources to do. It is worth noting, however, that many funders, similarly risk-averse, also chose not to

support litigation directly. Funding for litigation came from relatively few funders including the Ford Foundation, the New York Community Trust and the Schott Foundation. It is not clear that the general reluctance of the philanthropic community to fund litigation impaired CFE's ability to move forward quickly, strategically and effectively with the lawsuit in New York. Going forward, however, on school finance reform or other issues that may require litigation for resolution, funders may need to consider how their hesitation to provide support for litigation may undermine their long-term goals.

B. Information Gathering. Foundation support enhanced the capacity of organizations that form the base of a research and evidence-gathering infrastructure around school finance. Its funds also enabled researchers to be flexible, creative, and responsive in developing material that responded to the fluid context of school finance reform in New York. Support to existing research centers – the Maxwell School at Syracuse University and the Fiscal Policy Institute (FPI) – allowed them to expand the scope of their work and their dissemination strategies as well as to identify emerging issues for investigation. Faculty at the Maxwell School, for example, increased the scope of their examination of school finance, particularly in New York and in connection with the CFE lawsuit. They were able to reach to a national academic audience through the publication of various papers in highly regarded, peer-reviewed journals and policy briefs as well as the School's website, which was made more accessible through Foundation funds

Support from the Initiative also connected academic research to a more general audience through op-eds in local papers. In addition, the research directly influenced the course of litigation. The directors of the Education Finance and Accountability Program (EFAP) at Maxwell prepared two Friend-of-the-Court briefs in 2004 for the CFE lawsuit. According to one of the EFAP directors, few philanthropic organizations are interested in or willing to fund research into school finance. Rockefeller's support made a significant difference in the scope of research undertaken in school finance in New York. Enhancing the work of high-capacity research institutions like the Maxwell School and FPI, as the Foundation did, provided a base for ongoing seminal work around New York State school finance.

Another pivotal investment the Foundation made in research was identifying and retaining Patricia Zedalis, formerly Chief Executive of the Division of School Facilities of the New York City Board of Education, to prepare several reports on financing school construction. Zedalis, who participated in CFE's costing out study (described below), also testified on behalf of the plaintiffs during the trial and drew upon her Foundation-supported research in doing so.²⁷ The court

²⁷ "As a result of my work for the Rockefeller Foundation, I produced a report entitled 'New York State Aid to School Districts for Construction,' a true and correct copy of which is attached hereto as Exhibit B." Statement of Patricia Zedalis. Supreme Court of the State of New York, County of New York: IAS Part 25. Campaign for Fiscal Equity, Inc., v. The State of New York. Index No.: 111070/93.

found her testimony compelling, and observers say that it was a critical element in the determination that the New York City schools required \$9.2 billion in capital improvements.

Support from the Foundation also enabled CFE and the Alliance for Quality Education (AQE), among others, to undertake various research and evidence-building efforts. These efforts were often tied to community engagement activities or informed litigation. The Foundation understood that evidence was required on multiple aspects of school finance and that this evidence served multiple purposes and had multiple audiences. A significant example is the *New York Adequacy Study: Determining the Cost of Providing All Children in New York an Adequate Education*, familiarly known as CFE’s “costing out study.”

The purpose of the costing out study was to determine what amount of money was necessary or adequate for every student to meet the New York Board of Regents Learning Standards. CFE partnered with the New York State School Boards Association to create the Council on Costing Out, a consortium of more than 30 organizations committed to changing how schools are funded in New York. Under the auspices of the Council, a team of researchers from the American Institutes for Research and Management Analysis and Planning, Inc., undertook an extensive study of the elements of a high quality education and what they cost.

CFE’s study was one of three competing costing out studies. Another was prepared by researchers at the Maxwell School at Syracuse University and the third was developed by Standard & Poor’s at the request of the Zarb Commission, which was established by Governor Pataki to determine, on behalf of the state, the amount needed to ensure that every student received a “sound basic education.” Appendix C provides an independent review and analysis of the costing out studies.²⁸

As part of its costing out study, CFE designed and managed a series of statewide community gatherings to both gather information from and share it with the public. In doing so, CFE sought, among other things, to create a common vision for and understanding of what inputs— such as small class size and effective professional development – are needed to ensure a quality education. In this instance, then, research incorporated a process to strengthen connections among community organizations and cultivated shared ownership of the study’s conclusions. (See part C., below.) In such ways, Rockefeller’s support enabled organizations that were not part of the traditional research community to undertake information-gathering and research that significantly augmented their other activities.

²⁸ This analysis is provided by John Myers of the J.L. Myers group at the request of the Rockefeller Foundation.

The Foundation's support also cultivated the capacity of the research community – traditional and non-traditional alike – to both anticipate and respond to developments; this aspect of its investment most likely has had the most significant impact. The Foundation was able to rely on a group of expert researchers and prestigious institutions who brought their expertise to bear on issues as they arose.²⁹ Beyond the costing out study, these efforts included research into school conditions and school finance and the relation between them, groundbreaking work on the capital costs of school facilities of New York, reports by the Alliance for Quality Education on fairness in school funding in New York State, along with major reports on the New York State tax structure and the use of the property tax to fund public education. These and other reports provided both facts and analyses to drive the finance reform movement.

Finally, the Foundation recognized that the movement to reform school finance in New York was a work in progress, where one step leads to the next. To promote institutional memory and to ensure access to information by stakeholders, it partnered with Maureen Grolnick at Columbia University's Teachers College to develop a working archive on school finance reform.

- C. *Community Engagement.* Those engaged in litigation and those who supported their efforts understood long before entering a courtroom that ultimately success in the fight to reform New York's system of funding schools rested more with the community than with the courts. The courts were a means to an end, not the end. To get to the end and the implementation of an adequate and equitable system of funding schools, the community – parents, educators, school board members, district administrators, businesses, faith-based organizations, children's advocacy groups and other stakeholders – would have to demand reform. The community would have to hold the legislature and the governor accountable for fully enacting the court's decisions. Reformers in other states had won judicial victories, only to see them ignored by elected officials. There was in the reform community in New York a powerful perception that it was highly unlikely that either the legislature or the governor in New York would take action in the absence of community demand and any victories in court would soon prove to be pyrrhic.

The Foundation understood what it would take to begin to create and sustain civic demand; this was apparent in its formulation of the Initiative and the activities it undertook. Through its work with several grantees, Rockefeller helped to push the practical definition of community engagement. Often, when advocates, funders, policymakers or other stakeholders speak of engaging "the community" in an issue, they mean providing community members with information. For the Foundation and other stakeholders in New York, engagement relied on exchanging information, but it had a larger goal than that –

²⁹ While the Foundation for the most part relied on researchers based in New York, it also sought expertise from throughout the country. Among those the Foundation reached out to were Jeannie Oakes at the University of California at Los Angeles and Albert Kauffman, now at Harvard University.

mobilization. Mobilization grows out of building community awareness about an issue, challenging and changing community perceptions, fostering community knowledge, and promoting community ownership of the issue. To be willing to take action in support of school finance reform, the community had to believe that: a quality education was vital to the well-being of every student and to its own long-term well-being; current funding did not allow a high quality education to be provided to every student; public institutions, with adequate resources, could provide a quality education and a meaningful and fair accountability system would require them to do so; and reform was necessary and achievable.

The Foundation embraced a nuanced vision of community engagement. The Initiative supported an array of community engagement activities including community forums, publications, convenings, electronic communications and much more. As part of its costing out study, for example, CFE undertook a statewide series of community conversations entitled “Underfunded Schools, Discounted Dreams.” Through these conversations, the hopes, expectations and concerns of community members across the state were surfaced and then incorporated into the study. Community members now had a stake in the reform enterprise; their voices were used to offer guidance to policymakers on what a high quality education consisted of and what it cost.

Similarly, Rockefeller also funded the Alliance for Quality Education (AQE) to support outreach and community engagement activities. AQE is coalition of over 200 organizations, which range from parent and advocacy groups to unions, that seeks better public schools through “fair funding and smarter spending.”³⁰ It was founded by several community groups that recognized that CFE, while adept at outreach around aspects of litigation, lacked the capacity to engage systematically broad groups of people across the state and organize them to take action. AQE was formed to fill this gap. Its various outreach activities – meetings across the state, development and distribution of information pieces, and preparation of reports, which the Foundation supported, and more – complemented CFE’s litigation and outreach efforts in critical ways and helped move the debate around school funding into the public consciousness.

D. Message Development. Message development was an integral element of engagement, tied to the progress of litigation and dependent upon solid research that provided evidence of the need for and value of school finance reform. Given the wide array of organizations involved in the reform effort, which differed in constituency, structure, purpose and geographic region served, a coherent message that could be agreed to and disseminated broadly by all was essential. Uncoordinated or conflicting messages would result in confusion and inaction. With the Foundation’s assistance, these disparate organizations were able to agree on and promote a school finance reform message around “fairness.” The message around fairness was a strategic effort to change the discussion about

³⁰ Alliance for Quality Education website. www.allianceforqualityeducation.org/whoweare1.html. Accessed 12/30/05.

school finance from one that focused on a fight for resources among various regions of the state to one that sought to guarantee adequate resources for everyone.

As important, the Initiative's developers saw the audience for the message as statewide – all of the citizens of the state, not only those of New York City. Reaching out to groups throughout the state, particularly upstate New York, was essential if school finance reform was to succeed long-term. Many people interviewed for this report emphasized the significant socio-economic, cultural, and political divide between upstate and downstate New York, especially New York City. The city was regarded warily if not with outright distaste by some upstaters, including elected officials. Some of these officials were state legislators whose support was critical to changing the school finance system. To support reform legislation, these legislators and their constituents needed to know that students everywhere would benefit from change, that reform advocates were pushing for policies that would lead to more resources available to all students, not to strip funding away from their constituents.

Much of this work was done by its grantees such as AQE, but the Foundation did some outreach as well. Frelow and Cassie Schwerner, Program Director at the Schott Foundation for Public Education, sought to raise awareness of the need for school finance reform among local funders in northern regions of the state. While some funders located in and around New York City had invested in the CFE lawsuit and surrounding activities, very few funders from outside the metropolitan area did so. Schwerner and Frelow understood that not only did these local funders have financial resources that could be useful but, more than that, they had stature and credibility within their communities. If they saw value in reforming the school funding system and supported it, others in their area likely would as well.

Spreading the message throughout the state reinforced its key element of fairness while at the same time inviting active participation in efforts to ensure fairness from a broad-based constituency. (Appendix D provides an accounting of the number of pieces on school funding that ran in four New York-based newspapers between 2000 and 2005; during those years, there was a significant increase in the print media's coverage of school funding.)

E. Mobilization. Mobilization flowed from engagement and was in part tied to message. A consistent, valid message conveyed the need for action; mobilizing the community helped it take action.

The “eight is not enough” campaign is one prominent example of how citizens were mobilized around finance reform. The campaign was developed in response to an intermediate appellate court decision in the CFE case suggesting that an eighth grade standard met the constitutional mandate of a sound basic education. A broad range of citizens expressed outrage at the idea that students

would be expected to succeed with such limited preparation and that the complex global economy of New York State would thrive if it were dependent on employees with an eighth grade education. This campaign incorporated marches, rallies and hearings where students themselves testified. It also resulted in a sophisticated outreach effort to policymakers (including the legislature) that supplemented more detailed qualitative and quantitative evidence that had been developed by Foundation grantees. The appellate court's decision was overturned. While it is not possible to credit this reversal to the message and the campaign, many observers pointed to these efforts as raising awareness of the importance of a quality education to individual success and community viability and suggested that this realization did not go unnoticed by judges.

Mobilization made a difference, perhaps most visibly, in April and May of 2003. In those months, with significant mobilization activity in the background, the legislature overrode the Governor's veto of a school district budget delay, restored \$2 billion in education cuts and subsequently overrode the Governor's vetoes of the education funding restorations. These actions were the first such overrides in New York State, where the legislature is not known for activism, in two decades. One month later, in June, voters overwhelmingly approved 94 percent of school districts' budgets. Finally, as noted above, while courts are theoretically immune from continued and concentrated manifestations of public will, the New York State Court of Appeals, late in June 2003, found the New York State school finance system unconstitutional and set "meaningful high school education" as a standard for a sound basic education in the state.

The success of message development, communication and mobilization was animated by the Foundation's commitment to research and evidence-building. This strategy drove all others. In some ways, the research and evidence-building component was least difficult for the Foundation to grasp. It was most closely connected to the prevailing operating style at the Foundation.

F. Building Capacity: Legitimacy, Stability and Flexibility. The Rockefeller Foundation sought to help grantees become more effective by enhancing their skills and knowledge as well as funding their activities. In supporting message development, outreach to decisionmakers, other communications and mobilization, the Foundation helped build organizational capacity among its grantees and others.

As described above, the Foundation understood the pivotal need to supply accurate, accessible and meaningful information through effective strategies to multiple audiences within the broader community. More specifically, it realized that while, communication was crucial, most of the organizations working to reform school finance were not skilled at it. Consequently, the Foundation worked to build what may be broadly stated as "communications" capacity among its grantees. Communications staff at the Foundation reviewed and

critiqued proposed messages and techniques. The Foundation provided the services of Jim Hunt, a communications expert, to advise a group of grantees on developing and collaborating on a coherent message. In addition, Foundation funds helped support a communications staff at AQE. Grantees were constantly urged to think strategically about their engagement and mobilization activities and to assess whether their chosen activities were sufficient to meet their goals.

According to several interviewees, engagement and mobilization were not the only areas in which the Foundation pushed grantees to reflection. Rockefeller staff prompted these organizations to turn a critical eye on all of their activities and suggested that they set goals and develop plans to reach those goals, rather than respond to events. According to one observer, this was hard for several “feisty” grantees, which nonetheless needed and benefited from the Foundation’s prodding.

The Foundation also served as an information conduit and bridge-builder for grantees and other stakeholders. It held several meetings through which its grantees and other participants connected to each other as well as to various experts that the Foundation had invited. In the words of one participant, the Rockefeller-sponsored meetings “helped get us energized and thinking about how to work together... (they) exposed us to ideas from other places.” Another grantee noted the Foundation provided opportunities for her and her staff to meet with others from around the country who were engaged in similar work, which was a “great motivator.”

In bringing them together, the Foundation helped people to do more than learn from one another; it assisted them in establishing and maintaining positive relationships. As noted above, a multitude of organizations is supporting and has worked on various aspects of reforming school finance. CFE, as the originator of and the litigant in the lawsuit, is in most ways the lead entity in this effort, and AQE has taken charge in organizing communities in support of reform. Others participating include the Midstate School Finance Consortium, the Educational Leadership Institute, the New York State Council of School Superintendents, ACORN, the League of Women Voters, the National Education Association, United Federation of Teachers, Citizen Action New York, and the New York State School Boards Association. These are only a few of the many groups that have contributed to the collective effort to reform school finance. All of these groups are committed to reform, but they differ in many ways. Their commitment to reform and improving outcomes for students brought them together, but their differences have at times given rise to tension and disagreements. On such occasions, Rockefeller staff often served as a binding presence, able to remind them why they came together and helping to smooth over differences.

The Foundation also deliberately designed many grants to foster capacity-building. Several were multi-year and large, greater than many grantees had

typically received. This provided grantees with a newly-found stability and allowed them to remain focused on their work rather than continuing to scramble for funds. Senior AQE staff were forthright in stating that, without Rockefeller funding, they would have had to devote far more time and energy to raising money than on their core work – engagement and research. The grants, moreover, were often for core organizational support instead of narrowly defined projects. Grantees were also able to move funds to meet shifting needs and priorities. The combination of substantial grants and flexibility enabled grantees to think strategically about the future rather than focus on short-term needs.

Capacity involves more than skills required to perform a set of tasks, regardless of how strategic these tasks may be. Funding by the Rockefeller Foundation provided legitimacy to the work of relatively small, and heretofore not well known, organizations. It gave certain efforts credibility and visibility they would not have garnered otherwise. Legitimacy was also conferred in another way. The Rockefeller Foundation reached out to well-known and highly qualified researchers and communications experts to participate in and give advice to the Initiative. These individuals enhanced the reputation of the work and in so doing added legitimacy to the participating organizations.

In building capacity, the Initiative responded to the policy context and the needs of its grantees as this context evolved. It did not seek to impose a specific change agenda but rather helped to cultivate and bring to fruition one that was emerging. It did not create, nor did it seek to create, a field but rather served to bind a set of interlocking, and perhaps temporary, alliances in what was an emerging field. As we discuss below, this contribution raises questions about the nature of the alliances, their sustainability and the sustainability of specific grantees as the school finance reform agenda continues to evolve and new strategies, techniques and capacities are required.

G. Philanthropic Leadership in New York State. The Foundation was the only national funder that had an explicitly articulated and comprehensive agenda on school finance reform in New York.³¹ This not only made it critical to the progress of the school finance reform movement in the state, but also enabled it to leverage its work with other funders.

One of the key mechanisms the Foundation had for encouraging the involvement of other funders was the Donors Education Collaborative (DEC), a consortium of New York foundations committed to addressing several of the city's more urgent educational needs, including the need for adequate school funding. Each DEC member contributes to a pooled fund and grants are made to organizations that focus on systemic issues by building constituency, promoting policy reforms, or

³¹ The Ford Foundation has provided significant support to CFE and other organizations around the country that seek adequate and equitable funding for public schools. These grants, however, were made through the Foundation's larger education grantmaking program and were not part of a program explicitly designed to promote school finance reform.

undertaking advocacy. At the outset, DEC was intended to be a relatively short-term venture, lasting three or four years. Each time it was to end, however, its members have chosen to renew it.

DEC was an early supporter of CFE, and its funding allowed the organization to launch its public engagement effort; this was crucial as DEC's initial grant came at a time when few knew anything about CFE or gave much hope to the success of the lawsuit.

Rockefeller was a member of DEC at its beginning, but subsequently chose to leave it. It renewed its membership when Frelow joined the Foundation and the Initiative was established. Drawing on the credibility that came from his experience in education, Frelow helped galvanize other members' interest in supporting school finance reform beyond the amount each allocated to it through DEC. In addition to securing Rockefeller support to DEC to enhance its work in school finance reform, he encouraged other members to consider similar investments. By one account, his advocacy for reforming school funding helped sway the Ford Foundation, which had previously made sizable grants to CFE, to renew its investment instead of ending it. As noted above, his entreaties bore other fruit; the Atlantic Philanthropies provided \$1 million to help fund CFE's costing out study.

3. While it is not possible to assign specific outcomes solely to interventions sponsored by the Initiative, there are strong associations between the Foundation's work and significant results.

The Foundation was a key supporter of efforts to promote the development and implementation of policies that will ensure all New York State students sufficient funding for a sound basic education. There were significant developments in this arena since the Foundation has been engaged in this work. These included major court victories, successful public education campaigns and extensive and effective community education and outreach. These outcomes, which should be seen as interim results in what must be a long-term concerted effort at change involving many actors, are products of well-crafted litigation strategies by excellent lawyers and the efforts of others to gather and use facts, shape public debate, organize community-based groups, appeal to various elites, and position the effort as one which is universal – where all students win rather than some regions lose.

It is not possible to attribute any of the major events (court decisions, legislative overrides, opinions of the special masters, successful campaigns) *solely* to the work of the Rockefeller Initiative. It is possible, though, to say that the Initiative's theory of change, which builds on evidence gathering and research and embraces new and expanded capacities around communications, mobilization and outreach, was validated. It is also possible to say that the Foundation supported many of the efforts that resulted in the major events that were identified above.

Interviews undertaken in the course of this analysis suggest that it is, as well, possible to identify some of the major events in the evolution of school finance in New York as value added by the Foundation. In these instances, observers noted that but for the Foundation's involvement these outcomes would not have been possible. Among them are:

- A. The report on facilities by Patricia Zedalis, which informed the State Supreme Court and the Special Masters of the costs of needed capital improvements for New York City schools, and which has been substantially adopted in subsequent orders. The Foundation identified Zedalis as a knowledgeable and credible expert, and it funded her analysis and ensured its dissemination.
- B. The CFE costing out study and related work, which provided critical information about what it will take to offer a sound basic education in New York City and elsewhere and which was prepared in part as a result of the Foundation's promotion of school finance reform as an issue deserving the attention and support of other funders. The CFE study was one of three and would have been undertaken under almost any circumstances. What may have been lacking was the degree of preparation and thoroughness that went into the study. This was made possible by sufficient funding for the work, which in turn was generated by the Foundation's strong presence in the school finance reform community and its advocacy for investing in the issue among other funders.
- C. Creating additional capacity among researchers and advocates by providing means to access critical information. The development of a school finance archive at Teachers College is a unique effort to provide a central repository for materials and ideas. It will also serve to help document the effort to reform school finance in New York. The project was conceived by the Foundation and Teachers College and received support from the Foundation.
- D. Securing commitment among a wide array of diverse groups to disseminate consistently a clear message that focused on fairness. Many of the stakeholders in the school finance reform effort have different approaches to the issue. While it did not develop the "fairness" message, the Foundation led the way in ensuring that proponents of reform would be seen as leveling the playing field, rather than depriving students and communities of resources.
- E. The focus on communicating to upstate New York and attendant efforts to involve groups in that area in evidence-gathering, message development and in participating in solutions. Just as the Foundation promoted fairness as a message, it led in fostering inclusiveness among New York's diverse regions and helped to avoid some of the geographical competition that has previously characterized any effort to reform school finance. One outcome of this effort may be seen in a December 2004 Quinnipiac poll that found that a majority of upstate respondents support more funds for New York City schools.

F. The development of budding capacity that enables organizations involved in the reform effort to think, individually and together, about what the next steps in school finance reform in the state will require. The Foundation helped build new capacity: in research, in strategic thinking, and in message development and dissemination. In doing so, it enabled organizations to be less reactive and to more often grasp opportunities in a context that is volatile, public and high stakes.

4. Despite the Initiative's comprehensiveness, there were gaps in the Foundation's outreach and communications efforts.

The Foundation's Initiative sought in large part to involve a critical mass of diverse actors. This involvement was to occur at different levels, with different degrees of intensity and for varying periods of time. As noted above, critical elements of the Initiative's theory of change around outreach and involvement were proven to be valid, and many people from various sectors were successfully engaged and became actively involved in supporting reform. In reflecting on accomplishments, however, there are several areas where communication and outreach could have been strengthened.

The first of these was with the business community. For the most part, the Foundation concentrated on nonprofit organizations with defined constituencies, which did not include the business sector. More outreach to business may have added to the recognition of the work of the Foundation's grantees by an important constituency and might have attracted additional resources. There were clear hurdles to meaningful engagement of the business community, but there were also opportunities that could have been leveraged yet were not.

The impediments to engaging business were real and surmounting them would have been a challenge. Business leaders in New York have been ambivalent about school finance reform. While they have expressed enthusiasm for aspects of reforming New York City schools, such as mayoral control, they have been decidedly quiet about finance reform. Their silence may not, however, reflect a disagreement that school funding needs to be reformed but rather a rejection of any new or increased taxes on business. Taxes will always be a difficult sell to the corporate sector, but it should not be viewed as impossible.

Compounding this hurdle is the composition of the workforce in many of the city's more lucrative, knowledge-based industries, which are increasingly global in orientation. Many enterprises in the city do not rely on the city or the state to supply their workforce needs; they are able to recruit personnel from around the nation and the world. This has typically not been the case in other cities where corporate leaders have often had leadership roles in education reform issues at least in part out of self-interest – they needed a skilled and highly-educated local workforce. This absence of a clear stake in school finance reform has made some business leaders in New York reluctant to push for change.

These hurdles were not small. It is possible, however, that they could have been overcome had the Foundation and its grantees developed new and innovative strategies – possibly around the critical importance of education to a community’s social fabric and overall quality of life – to engage business leaders and sustain their interest.

There were, moreover, sporadic signs that business leaders are at least amenable to learning about and discussing strategies to reform school finance. A May 6, 2004 press event sponsored by the civic group PENCIL (Public Education Needs Civic Involvement in Learning) brought prominent business leaders together to urge state policymakers to address school funding in New York City. Unfortunately this opportunity was not leveraged. PENCIL lost a key staff member and was not able to generate momentum from that meeting to move forward substantively; no other organization advocating for reform took on that role. The willingness of business leaders to participate suggests that they may have been more open to school finance reform than some might have perceived.

Another sector where involvement could have been cultivated more strategically was organized labor. The Foundation’s interaction with elements of the labor movement on this issue was limited primarily to union participation in AQE and other groups. This reflected in part labor’s role in the school finance reform effort. Though union leaders had a different perspective, several observers noted that the unions had had, for the most part, a more peripheral role in pushing for school finance reform. If school funding is reformed and additional money flows to New York, however, the unions will not remain at the edge of any debates about how it should be spent. The United Federation of Teachers is a powerful player in the development of the education budget for both for New York State and New York City. It is certain to play a major role in any decision on new funding formulas and how any new funds will be deployed. Furthermore, any serious efforts to ensure accountability (see the discussion below) in how additional resources are actually spent must involve the union. As school finance reform continues to evolve, it will be important to connect more regularly with labor interests.

Other groups were also absent from reform efforts. In keeping with its low-key profile, the Foundation did not directly involve elected and appointed officials in any sustained way although many of its grantees did. There are other sectors, such as the faith-based community, that were not connected to school finance reform but might have been influential advocates for it. Future efforts to reform school finance in New York will benefit from the development of plans to engage these sectors and others with influence, particularly as litigation drags on and long-time supporters grow weary.

Another sector ripe for engagement is the larger national funding community. For years, discussion of school finance issues caused most funders’ eyes to glaze. The Rockefeller Foundation’s leadership in New York demonstrated that funder interest

can be provoked and sustained; school finance reform has attracted attention from local philanthropic investors. Despite this, and despite the proliferation of “adequacy” lawsuits in a majority of states, school finance reform is still not high on the agenda of national funders. By describing its work, assertively disseminating learnings, and explicitly connecting the school finance issue to other education reform concerns, the Foundation might have created an opportunity to make school finance reform a more prominent concern of funders.

With the exception of its support for CFE, the Foundation’s school finance reform initiative in New York focused almost exclusively on engaging the research and advocacy segments of the nonprofit sector. This report speaks to its success in this work; the Initiative validated its theory of change and had impact on the issue. At the same time, in limiting the actors with which it deals, the Foundation may have curtailed its potential impact.

Some of this limitation may come from an implicit assessment of comparative advantage – the nonprofit sector is where the Foundation was most comfortable and where it could most immediately seek to set an agenda. Comparative advantage is not a static concept, however, and success might reasonably engender exploration of strategic approaches to other sectors. This exploration must be informed by considerations of capacity and risk. Capacity is defined in part by staff; the Initiative first deployed one program officer ostensibly devoting 50 percent of time to school finance reform. The effort, however, required to build a comprehensive, policy-sensitive initiative operating in a fluid environment easily consumed more of his time and effort than was formally assigned to it. Although Frelow was widely praised by grantees, philanthropic colleagues and detached observers and described as tireless in supporting grantees as well as encouraging new ideas, his activity was limited to the time and energy he was able to devote to the Initiative and the support he engendered from consultants. The ongoing and substantive involvement of additional Foundation staff might have enriched the effort.

A final observation about gaps is in the area of internal communications. Outside of the Working Communities group, there appeared to be little knowledge or understanding of the Initiative at the Foundation. Some of this was connected to the institutional culture, where program officers have focused on their own work, and may have had little incentive to learn about other areas. Another reason may be how much and what kind of effort Initiative staff put into internal communications; Foundation officers observed that it was not Frelow’s style to call attention to his work.

As the Foundation as well as the Working Communities program moves forward, however, there are strategic reasons to promote more understanding of various programs. Our reviews of some of the Foundation’s previous work in education suggest that there have been internal challenges in explaining what constitutes success for a domestic program, especially those that involve long-term multiple interventions and operate in a public sphere. While now ended, the Initiative

provides an opportunity to reflect on, explain, assess and disseminate how such a program was conceived, the benchmarks it established, the strategies it employed along with its successes and how they are measured. These discussions may be of great value to other staff as they grapple with similarly complex and contentious social problems.

Looking Ahead: Recommendations

The Foundation's investment in school finance reform in New York State succeeded in building the capacity of grantees and other nonprofit stakeholders, fostering research and fact-finding that was critical to litigation and public engagement, helping to develop and disseminate important messages and providing a space for litigators, researchers and advocates to develop and test strategies to promote sufficient and fairer education funding. Some of this success was the result of timing, but excellent timing may be considered a requisite element of best philanthropic practice. Some of it was due to the commitment and expertise of individuals and organizations working in this arena. Some of it was due to the strategies and capacities that the Foundation explicitly added to the enterprise.

Today, school finance reform leaders in New York State are beginning to anticipate a new phase in their work. Judge DeGrasse's adoption of the Special Masters' recommendations is a major milestone in a concerted effort to reform school finance policy in New York State. There is little doubt that some key policymakers, regardless of the outcome of the 2006 gubernatorial election, will continue to resist the magnitude of the reforms contemplated by Judge DeGrasse. Consequently, litigation is likely to continue, and many of the strategies around evidence-building and communications that the Foundation's grantees have employed will continue to resonate. At the same time, however, there is a growing awareness of the need for new communications approaches to deal with the evolving judicial and policy scenarios. There is a widely-perceived need for innovative strategies and expanded capacities to deal effectively with a context in which substantially more funds are available to large urban school districts. It is foreseeable also that the need for new strategies and new capacities will require additional individual and institutional actors.

Key actors in the school finance environment – both grantees and non-grantees – looked to the Initiative to provide not only funding but also to help frame the next steps. As the Foundation transitions to a new phase of grantmaking in education, other funders may wish to consider assuming larger roles in the school finance reform movement. Without continued strong and strategic philanthropic support, the victories won thus far – in the courts and among the public – may slip away. The near horizon holds a patchwork of opportunities for advancing reform. Maintaining current momentum will be critical as courts consider remedies and the legislature debates appropriations during a time of constrained state resources, the beginning of a second and final term of a New York City mayor determined to influence, if not control, how education funds are spent, and a looming gubernatorial contest. The philanthropic community has an opportunity to influence both the trajectory and speed of an emerging

new phase of school finance reform. In pursuing this opportunity, the following recommendations may be useful.

In considering the future, funders must focus on one thing above all else: the billions of dollars mandated by the lower courts are nowhere near the students for whom the reform is intended. It will take significant time and ongoing effort to ensure that these students will benefit from the hard work of the first phase and the funds they need arrive. Furthermore, there is no guarantee that, should new funds become available, they will be used wisely or well. In pursuing school finance reform and using it to promote more effective instruction and deeper learning, the philanthropic community may wish to:

- 1. Expand research and evidence-building.** Research and evidence-building will remain essential as litigation continues. In addition, as the Foundation learned, solid research and evidence is critical to developing and disseminating credible messages. There will be ongoing and substantial dependence on reliable information from multiple actors in a variety of settings.

There will also be an increased need for ground-breaking research about the elements of an adequate education. Research has identified critical elements of student success that are controlled by a school district (among them, teachers and teaching, facilities, class size, family supports). There is much more to know about each of these elements and, perhaps more important, how districts can create and adapt the best and most promising practices for each one.

- 2. Continue support for message development and communications efforts.** This effort will be of growing importance in the context of upcoming state elections. As public interest focuses on political campaigns, budget and finance issues will attract increasing attention. School finance reform organizations will consequently be challenged to ensure that education – and adequate funding for it – remains at the top of these discussions.

As additional research is generated, there will be strategic opportunities to craft new messages. In doing so, it remains particularly crucial to maintain a concentrated focus on reaching out to and engaging citizens of upstate New York. The Rockefeller Foundation demonstrated that strategies directed to the region can affect citizen perceptions about school finance. As the debate around school finance issues intensifies, the message of fairness must continue to resonate throughout the state.

- 3. Expand outreach to and involvement of relevant actors.** This report has discussed the strategic importance of the business community in the reform effort. Funders should seek structured opportunities to promote business participation; these may include a panel or a foundation-created blue ribbon committee to explore the ramifications of the issue for the economy of the city and state. Beyond the business community, the fairness message around school finance reform provides a window to engaging the faith community. In addition, developing and taking

advantage of opportunities to interact systematically with teachers and the United Federation of Teachers is essential to fostering effective agreement on innovative practices. Finally, funders should consider their relationships to public officials and the possibility of strategies that will connect them to school finance reform work.

- 4. Promote cohesiveness, shore up alliances and emphasize sustainability.** The Rockefeller Foundation supported disparate organizations with varying agendas, and it helped them find common ground among their agendas and promote a common message. It is critical that these groups continue to speak with a common voice and offer a common message, particularly as attention is directed to how possible new funding might be spent. The philanthropic community is particularly well-positioned to help these organizations do so through the support its members provide to them. In some instances, substantial portions of organizations' budgets come from some of the city's foundations. This may be a tool to help maintain their focus and commitment to a shared vision.

At the same time, funders should consider what capacities are needed as school finance reform enters a new phase. Some organizations that have had central roles thus far may not be well suited to the critical work of the new phase while others that have been less involved may need to assume larger responsibilities. In many instances, to sustain and ultimately succeed in the fight to reform school funding, grantees may need to develop new capacities to take on new tasks. Posing frank questions about sustainability and capacity is a crucial task for which funders can be responsible. In considering sustainability, funders should consider directing more support to ensuring effective responses to emerging needs in the school finance reform movement and less toward institutions' general support. The same is true for the alliances that the Rockefeller Foundation and other funders helped forge among various groups. These are based on common interests; they are not necessarily long-term partnerships, and their utility should be assessed in the light of developing needs.

The foregoing suggestions are relevant to funders seeking to affect, support and propel the school finance reform movement forward. The following discussion – and the recommendations embedded in it – is relevant to the Rockefeller Foundation, even as it moves on, and to other funders considering involvement in school or district reform efforts given the possibility that significant new funds may flow to schools and the opportunities as well as the challenges that come with this possibility.

School finance reform in New York raises the critical issue of accountability. This issue has always been central, but the real possibility of a dramatic increase in funding for New York City schools makes it even more important. If, as districts argue and research has confirmed, there are major elements of student success that districts control, districts must be made responsible for them. This means, among other things, developing benchmarks for progress, agreeing on credible and acceptable measurements of progress, ensuring transparency in how funds are used, and

promoting effective means of widely disseminating reliable, understandable and useful data about progress.

Accountability is inextricably linked to capacity; school systems must be able to be accountable. There is a significant role for philanthropy to play in cementing the connections between the two. While this is now especially crucial in New York City, which can reasonably expect to receive a substantial infusion of new funds in the near future, its implications continue to resonate for all relatively large school districts where issues of funding, autonomy, and control are tied to strategies to best improve outcomes for all students.

New York City is apparently considering devoting new funds from changes in the financing scheme to several ambitious and exciting undertakings including universal full and half-day age-appropriate pre-kindergarten, a range of interventions in elementary schools, new small secondary schools with specific themes, recruiting and retaining highly-qualified teachers, and greater focus on youth development and recovering dropouts. In addition, substantial new investment is contemplated in facilities. Money is required for these efforts, so too is increased capacity throughout the school system and in the community.

These efforts hold great promise. It is a promise that has a much greater chance of fulfillment if these undertakings are viewed not as discrete, fragmented programs but as integrated parts of a coherent whole – a transformed system. The city has an opportunity to create this system and use accountability as a mechanism for transformation. In this way, it can avoid the dead end of developing isolated, unrelated efforts.

Many funders at one time invested in efforts to build district capacity and reform district operations; these had mixed success. Given the status and progress of the school reform efforts in New York, it is not too soon to begin to revisit what has been learned from a range of efforts and for philanthropy to pursue the following questions:

- How can an infusion of new funds lead to a new and effective school system in New York City?
- What is an effective accountability structure for this system, which is situated in a district with mayoral control of education?
- What is the role of organized labor in this emerging structure?
- What capacities are required to surface and promote best practices in the critical areas New York City may wish to pursue with new funding?
- How can the programs the City desires be effectively incorporated into a framework of systemic change?
- What research and fact-finding are necessary to support the new enterprise?
- What is the role of various sectors of the community in the reform enterprise?

- How can progress be monitored?

These questions are of great and immediate concern. They provide the Rockefeller Foundation and the greater philanthropic community with an opportunity to build on the learnings from efforts to reform school finance and to significantly improve other aspects of teaching and learning to help set a new agenda for transforming education. This work is rooted in New York but resonates far beyond one city and one state.

There is here a larger issue for the philanthropic community to consider – public trust in public entities. There is much skepticism among the public of the public sector’s ability to be efficient and effective in creating sound policies and in using public dollars. If the state complies with the courts’ rulings and funds flow to New York City and other urban districts, there will be an opportunity to demonstrate on a large scale that public institutions can competently and capably meet public needs. Conversely, if funds are not used well and there are few improvements for students, the public’s mistrust of and disdain for public bureaucracies will grow, which may hold implications for an array of complex public issues such as health care and social security. A fair, meaningful and transparent system of accountability that is linked to a transformed system of education must be established to ensure that students’ needs are appropriately and fully met and that systems of public education function effectively.

In thinking about the future, the Rockefeller Foundation may wish to reflect on the activities it supported to promote school finance reform, a controversial and risky issue, its role in these activities and the impacts it had or might have had. This may assist the Foundation in determining, as it moves forward, how much identification with and ownership of public policy issues it wishes to have.

The Foundation did not actively promote its school finance reform work beyond those organizations and individuals involved in or knowledgeable about the issue and a relatively small group of funders. The Initiative’s relatively low visibility beyond certain stakeholders appears to have been connected to some degree to ambivalence about the consequences of investment in cutting edge issues. On the one hand, the Foundation desired to make significant impact with these investments while, on the other, it wished to avoid certain risks that are associated with them. This ambivalence is longstanding and not limited to any theme or area of work.³²

Perceived risks include inappropriate or illegal involvement in advocacy-related efforts, investment in weak, low-capacity organizations or in poorly developed strategies, and too close an association with a controversial issue. These risks involve real consequences; one is falling afoul of government regulators, which is of increasing concern to foundations. The second, which is only partly linked to the first, is a compromised reputation.

³² See Sherwood, Kay E., *Agenda-Setting at the Rockefeller Foundation: A Descriptive Study*. Prepared for the Rockefeller Foundation. January 19, 2005.

The Adequate Finance for Educational Equity Initiative did not resolve the tension between impact and risk; it was instead sensitive to it and worked around it. While investments in policy-sensitive areas always carry a degree of risk, the school finance reform effort took steps to minimize it. It did so in part by adhering closely to established and effective practices at the Foundation. The Initiative undertook due diligence to ensure that its activities did not run any legal risks. Potential grantees were vetted carefully and their proposed activities scrutinized deeply. As the Initiative expanded and increasingly embraced a variety of communications and outreach strategies, review and oversight grew. Communications experts, both staff at the Foundation and outside consultants, were engaged to review messages and the activities that would get the message out.

At the same time, the Initiative's theory of change did more than provide the pathway for its work. The theory consciously sought to merge two defining and powerful elements at the Foundation – its research and activist traditions. In doing so, the Initiative was careful to give primacy to research. The products of evidence-building investments drove communications and organizing activities. Emphasizing knowledge development and dissemination offered a strong underpinning for promoting cohesive messaging and building grantee communications and outreach capacities.

The Foundation may now wish to leverage what it has learned and what it has achieved in the school finance reform area. In promoting positive results while effectively managing risk, the Foundation has a chance to explore how raising its profile in seemingly risky or political issues might increase its impact and accelerate the possibility of generating better outcomes for low-income students.

APPENDIX A: INTERVIEWEES

Name	Organization
Peter Applebee	New York State Senate Finance Committee
John Beam	National Center for Schools & Communities Fordham University
Michelle Cahill	New York City Department of Education
Lawrence Cummings	Educational Leadership Institute
Linda Darling-Hammond	Stanford University
William Duncombe	Maxwell School, Syracuse University
Regina Eaton	Alliance for Quality Education
Diana Fortuna	Citizens Budget Commission
Fred Frelow	Rockefeller Foundation
Norman Fruchter	Institute for Education & Social Policy New York University
Brandon Gordon	Mid-State School Finance Consortium
Maureen Grolnik	Teachers College, Columbia University
Thomas Hobart	New York State United Teachers
Robert Hughes	New Visions for Public Schools
Judith Johnson	Peekskill School District
Tim Kremer	New York State School Boards Association
Sal LaSpada	Rockefeller Foundation
Julia Lopez	Rockefeller Foundation
Frank Mauro	Fiscal Policy Institute
Emily Merrill	New York City Council
Joyce Moock	Rockefeller Foundation
Gary Natriello	Teachers College, Columbia University
Jeannie Oakes	University of California, Los Angeles
Andre Oliver	Rockefeller Foundation
Pedro Pedraza	Centro de Estudios Puertorriquenos Hunter College
Michael Rebell	Campaign for Fiscal Equity
Tom Rogers	New York State Council of State Superintendents
Norma Rollins	Donors Education Collaborative
Jorge Ruiz de Velasco	James Irvine Foundation
Karen Scharff	Public Policy & Education Fund of New York
Peter Schrag	<i>Sacramento Bee</i>
Cassie Schwerner	Schott Foundation for Public Education
David Sciarra	Education Law Center
Thomas Sobol	Teachers College, Columbia University
Jane Stern	New York Community Trust
Darren Walker	Rockefeller Foundation
Joe Wayland	Simpson Thacher
Charles Winter	New York State School Boards Association
Kathyrn Wylde	Partnership for New York City
John Yagielski	New York State United Teachers
John Yinger	Maxwell School, Syracuse University

APPENDIX B: SUMMARY OF GRANTS

Grantee	Amount	Lever
Bronx Charter School	100,000	Model Development
Campaign for Fiscal Equity	1,000,000	Public Education and Engagement, Research, Advocacy
Campaign for Fiscal Equity	250,000	Public Education and Engagement, Research
City University of New York	465,497	Research
Crossroads	50,000	Model Development
Education Leadership Institute	100,000	Research
Fiscal Policy Institute	35,000	Research
Fordham University	53,070	Research
Healthy Schools Network	70,000	Research, Policy
Institute on Taxation and Economic Policy	169,313	Research, Policy
Learning Leaders	40,000	Research
Lou Harris	280,000	Research
MOUSE	75,073	Research
New York Community Trust/ Donors Education Collaborative	300,000	Research, Policy, Advocacy
Fund for Independent Publishing/ The New Press	69,500	Research, Policy
New York State School Boards Association	150,000	Research
New York University/Institute for Education and Social Policy	200,000	Research, Policy
New York University/Institute for Education and Social Policy	174,865	Research, Policy
New York University/Institute for Education and Social Policy	398,500	Research, Policy
New York University/Wagner School	129,553	Research
Northwest Bronx Clergy Coalition	70,000	Model Development
New Visions for Public Schools	150,000	Research
Public Policy and Education Fund, Inc.	1,604,977	Research, Policy, Public Education and Engagement, Advocacy
Public Policy and Education Fund, Inc.	400,000	Public Education and Engagement, Research, Advocacy
Syracuse University	100,000	Research
Syracuse University	100,000	Research
Teachers College, Columbia University	80,000	Research
Teachers College, Columbia University	75,000	Research
Teachers College, Columbia University	251,067	Research
Teachers College, Columbia University	100,000	Research
Patricia Zedalis	50,000	Report for the Foundation
Albert Kaufman	65,000	Report for the Foundation
Grolnick	25,000	Report for the Foundation
Total	7,181,415	

**APPENDIX C:
SCHOOL FINANCE ADEQUACY, NEW YORK CITY AND THE COURTS**

PREPARED BY JOHN L. MYERS

JL MYERS GROUP

This study provides an analysis by a school finance expert of the various costing out studies that were completed in connection to the CFE lawsuit. It was prepared at the request of the Rockefeller Foundation.



Augenblick, Palaich
and Associates, Inc.

School Finance Adequacy, New York City and the Courts

Prepared For

Robert Kronley
Kronley and Associates
and
The Rockefeller Foundation

Prepared By

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JL Myers Group
Augenblick, Palaich and Associates, Inc.

Denver, Colorado

December, 2005

INTRODUCTION

This paper is designed to review and analyze the various school finance costing-out studies recently done in the State of New York. Although this type of study has been used in several states, this is one of the first times that multiple studies have been used by several researchers. All of these studies were done in a school finance public policy environment that was being dominated by a court case. The Campaign for Fiscal Equity (CFE) vs. the State of New York court case went to trial in 1999 and the state's method of funding public schools was declared unconstitutional in January 2001. Each of these studies provided information to policy makers, including the court, about the level of funding needed in a new funding system.

The purpose of this paper is to provide a look at the role of these studies in the development of public policy to date. It will give a new understanding of the strengths and shortcomings of the studies that were conducted. It will give an opinion concerning what impact each of the studies have had on the policy making process. Finally, this paper will elevate some of the implications this analysis may have for philanthropic organizations.

As author of this paper I am writing from the perspective of 20 years of work with state policy makers. As a partner with Augenblick & Myers, Inc., I have provided leadership on the development of several important mechanisms used in costing out approaches. The target of all of these studies is primarily legislators, however, in New York other key policy makers also need to be informed by these studies. The courts, the Governor, and the Board of Regents are playing important roles and therefore become targets for the information provided by these studies. Whenever I use "we" I am referring to my colleagues in the firm now called Augenblick, Palaich and Associates and those I am working with in the JL Myers Group.

School Finance Adequacy Studies

Costing-out or adequacy studies have been developed in response to policymakers support for standards based reform of public education. The accountability policies of standards based reform invite the need for identification of the connection between student performance and the resources available to school districts to provide learning opportunities. What is needed by state policy makers are the appropriate costs per pupil for a school finance formula, including a base cost and adjustments for student and district needs. Ideally, there would be a simple graph of student performance related to state standards and the cost of the resources needed to assure levels of performance. Unfortunately, the complexity of the teaching and learning environment has shown that such a simple relationship does not exist.

In the absence of a simple relationship, four rational approaches have emerged as ways to determine the resources needed by school districts: (1) the successful school district approach; (2) the professional judgment approach; (3) the evidence based approach; and (4) the statistical approach. It should be noted that many states use more than one of these approaches to evaluate education adequacy. These approaches do differ in terms of underlying philosophy, the assumptions that need to be

made to use them, the data required to implement them, and the ease with which they are understood by policy makers, educators, and the general public.

The successful school district approach is based on the simple premise that any district should be able to be as successful at meeting a set of objectives as those districts that actually meet those objectives provided that every district has the same level of funding that has been available to the successful districts. This is only possible if additional funding is provided in recognition of the costs of serving students with different needs. This approach examines the “basic” spending figures (excluding spending for capital purposes and transportation, expenditures funded by federal revenues, and expenditures for which adjustment factors would be calculated or are actually used in the distribution of state aid) for districts that meet the state’s measurable objectives. The successful school district approach is most useful when the state has specified its student outcome and input objectives and districts can be identified that meet them. The characteristics of the approach are the following: it is based on what people do today to meet the standards; it is empirical and tangible, based on the spending of districts meeting the standard; it assumes that resources can be used in very different ways in successful districts; it focuses on the cost of providing services to students with no special needs in districts with no special circumstances; and it generates only a base cost figure – adjustments still must be made for special student needs and district circumstances.

The professional judgment approach relies on the views of experienced service providers to specify the kinds of resources, and the quantities of those resources, that would be expected to be available in order to achieve a set of objectives specified for the service providers. This “input-based” approach uses panels of experts to specify the way education services should be delivered in order to meet state standards. Once the services have been specified (with a focus on numbers of personnel, regular school programs, extended-day and extended-year programs, numbers of different types of personnel, professional development, and technology), costs are attached and a per pupil cost is determined. This approach best reflects the experiences of people who are actually responsible for delivering education services, which may be combined with research results, as a rational way to specify the resources required to produce a specific level of student performance. The actual procedures of implementing the professional judgment approach vary in the states that have used it. For example, in some states, panel members come from the state in which the work is being done while in other states, panel members come from outside of the state. In some states, multiple panels are used, with one panel reviewing the work of another panel, while in other states a single panel is used. The advantages of this approach is that it reflects the views of actual service providers and it is easy to understand; the disadvantages are that it tends to be based on current practice and there may not be evidence, beyond individual experience, that the provision of money at the designated level, or even the deployment of resources as specified by the prototype models, will produce the anticipated outcomes.

The evidenced-based approach assumes that information gleaned from research exists to define the resource needs of a hypothetical school district in order to assure that it can meet state standards. This approach not only determines resource levels but also specifies the programs on which such resources should be used. The strength of

the approach is that it incorporates the latest information about the way services should be delivered to improve their likelihood of success. But there are several disadvantages, including questions about whether research applies to all demographic situations, the lack of research information about many of the cost elements schools face, and the fact that the approach is not state specific.

The statistical approach is based on understanding those factors that statistically explain differences in spending across school districts while controlling for student performance. The approach has proven difficult to explain in situations other than academic forums. The approach requires the availability of a significant amount of data, much of which needs to be at the school or student level in order to be most useful. No state has used the statistical approach to determine the parameters of a school finance formula. However, the statistical approach has been used to establish some of the adjustments states use for uncontrollable cost pressures, such as setting the weights for students enrolled in special education programs or creating the formulas to reflect the costs associated with different enrollment levels. A full report on each of these approaches and which states have used each approach is in Appendix A.

There are three sections in this paper. The first section combines a brief summary of how the studies were completed and the context in which they were done. The context in the first section includes the identification of the content and sponsoring organization. The second section highlights the dissemination and impact of the studies. The final section suggests some implications for grantmakers that can be inferred from the current situation in New York.

ADEQUACY STUDIES FOR NEW YORK

Four groups have conducted studies that have been used to identify the funding needs of the New York City schools and the school districts in New York State. Standard and Poor's produced a successful schools study for the State's Zarb Commission. The American Institute for Research (AIR) and Management, Planning and Analysis, Inc. (MAP) did a professional judgment study for CFE. The statistical analysis studies done by John Yinger and William Duncombe resulted in academic papers and an Amicus Curiae Brief. Finally, the plaintiffs produced an affidavit from Frank Mauro, executive director of the Fiscal Policy Institute that was an effort to reanalyze the Standard and Poor's successful schools study.

The studies done by each of these four groups will be reviewed based on a standard format. Each review will have a description of important components of the methodology used including the advantages and shortcomings of each effort. In addition to this review of the methodology, this paper will reveal the potential benefits from changes in approach methodology.

Standard and Poor's Study for the Zarb Commission

The work that Standard and Poor's produced for the Zarb Commission used the successful school district approach to estimate an adequate amount of education funding for school districts in the state of New York. To use this approach three things are required: a clear definition of an agreed upon set of student achievement standards and a way to measure them; available expenditure and enrollment data for each of the school districts included in the analysis; and a reasonable number of school districts that actually meet the student achievement standard. The Standards and Poor's study offered four alternative standards including the Regents' criteria to successful school districts in the state. The Regents' criteria identify 281 school districts in the state as successful. Both the New York State Regents and the Governor's proposal adopted results of the Standards and Poor's study.

A criticism of the successful school district approach is that the successful districts are not demographically representative of the state. However, if done correctly, it is not required that the districts selected for the analysis be entirely representative of the demographics of the state. The focus of the successful school district approach is on basic expenditures – those expenditures made on behalf of students with no special needs. Districts, like New York City, with large numbers of special needs students (low-income, special education, and limited English proficient students) will receive recognition for the additional cost of those students when the additional weights for these students are applied to the base cost figure derived from the selected districts.

It is important to note a few key assumptions included in the Standard and Poor's study. First, in a move to set aside a longstanding debate in the state of New York, the Standard and Poor's study used enrollment rather than attendance as its base student count. Second, Standard and Poor's allowed for a student to receive more than one weight for special needs. By making these assumptions the costs attributable to the governor's plan are higher than they would have been if Standard and Poor's had made different assumptions.

What was unusual, from a school finance formula view point, was the lack of an adjustment for school district size in the Standard and Poor's study. This raises a question if the work done for the Zarb Commission could properly be used to adopt a school funding formula. The fact the New York City Public Schools so dwarf all of the other school districts in the state, it would not be easy to develop a size adjustment specifically geared to New York City. Finally, the Standard and Poor's study and the Zarb Commission recommendations address the question of maintenance of effort but did not directly address how to split the cost of an adequate education between state and local tax revenues.

The Standard and Poor's study found that the base cost figure in school year 2001-02 was \$10,022. This cost excluded transportation, debt service and capital expenditures, typical in this type of analysis. Also, school level expenditures were not used in the analysis which again is typical. In the successful school district approach, one of the most difficult steps is to remove from the base of the districts selected; all costs associated with special needs students. Standard and Poor's accomplished this by subtracting from the expenditures in each district, the district's special education, economically disadvantaged, and limited English proficient student enrollment times their respective weights. While this method of subtracting expenditures method may be the best available at the time, it only reflects what the districts were imputed to be spending, not what they actually spent on these students.

State policymakers are often concerned that the spending efficiency of school districts be taken into consideration when developing estimates of adequate education funding. There is no standard procedure that is typically used across the states as an efficiency factor and their infrequent use is based on political considerations. The Regents, in their most recent recommendations, determined that the selected districts which had per pupil spending in the "bottom half" of the listing of all successful school district were efficient. Standard and Poor's used this approach to efficiency in their study despite the fact that all successful school districts could be efficient. The use of the basic spending for all successful school districts would increase the base cost associated with adequate school district funding.

The fact is that most states do not use either a cost of living or cost of education adjustment in their state education aid formula. States that use such an adjustment (approximately eight) all use different types of adjustments and different ways of applying it. Dr. Jay Chambers, who did the work on the GCEI, is a nationally recognized expert in this field and has computed similar indices for all states in the mid-1990s for the U.S. Department of Education. Standard and Poor's use of the GCEI cost adjustment that is partially based on existing teaching salaries is unlikely to assist New York City to the same extent that one of the cost of living adjustments used by other states.

It is difficult for the successful school district approach to identify the weights for special needs students due to the fact that it is very unlikely that school districts track expenditures on special education, economically disadvantaged, and English Language Learners in their accounting systems. Typically, when a state undertakes an evaluation of the adequacy of education funding, it couples the successful school district approach

with the professional judgment approach in order to develop student weights that are tailored to the specific state. If a state does not undertake such an analysis, it is left with the approach that Standard and Poor's used to identify special needs student weights – namely, reviewing the literature and examining the weights that other states use and applying them to New York. Given that method of identifying the weights, it appears that Standard and Poor's applied the weights in their cost estimate that could best be described as typical and not ones that assure that special needs students will be able to meet standards. Maryland has opted to count a student in only one special needs category. The Zarb Commission recommendations and the Standard and Poor's study, allow a student with multiple special needs to receive the additional weight of each of the special needs categories for which he/she qualifies.

As to the weights themselves, our experience working in states and our review of what states are using as their weights for these categories found the following: For special education students, a weight of 2.1 is a good weight, not a minimum. The Center for Special Education Finance has recommended a weight of between 1.9 and 2.1 over the past several years for special-education students who are not the most severely handicapped. Further, the 2.1 weight for special-education students is in line with what other states use for these students. For economically disadvantaged students, the weight of 1.35 is below the weights we have calculated for large districts in states in which we have worked. The English language learner weight of 1.2 is low in our experience and would be a figure that we would suggest receive additional review. Using weights based on an additional review or a professional judgment study would likely increase the total adequacy level.

AIR-MAP Report for the Campaign for Fiscal Equity (CFE)

The CFE arranged for two school finance consulting firms to undertake a costing-out study that was billed as using all four adequacy approaches. The American Institute for Research (AIR) and Management, Planning and Analysis, Inc. (MAP) did a study that policy makers would best describe as interesting but difficult to decipher. The report is long on data and short on reasons why this approach to estimating adequate education funding is a *preferred* methodology.

Given the desired educational outcomes that were placed before the professional judgment panels, it appears that the results are calibrated to the 2013-2014 goals of NCLB for the state of New York – namely, that nearly 100 percent of students would have the "full opportunity" to meet the Regents' learning standards and earn a Regents diploma. This clearly is an important standard but it is unclear whether it should be the primary standard for costing out education adequacy today. Other adequacy studies have used a NCLB standard that is closer in time to today. That approach recognizes the possibility that changes will be made in the federal law and that there will be demographic changes in school districts over time. A standard that is less than 100 percent proficient is likely to result in a lower total adequacy level.

Further, there seemed to be an assumption imbedded in the methodology that small schools will be used rather than leaving that decision to the local school district. For example, when specifying the basic equation about cost factors, saying which factors are controllable and which are uncontrollable for a school district, the

methodology places school size in the uncontrollable category. This creates an incentive (i.e., a weight) for school districts to lower school size. Typically, school finance formulas do not provide the type of incentive that can be used by a school district to generate more resources.

The professional judgment panels were asked to design instructional programs for elementary, middle and high schools that allowed students to achieve the following standard.

"The Federal No Child Left Behind Act and state law requires all students in every school district to meet the regents' learning standards within the next 11 years and makes a progress toward that goal each year. As of 2005, all high school students, except for certain special education students, will be required to achieve a passing score of 65 on the regents' exams in English, social studies, mathematics, and science to receive a high school diploma. As of the 2005-06 school year, students in grades 3 through 8 will be tested in English and mathematics (and shortly thereafter in science) to determine whether they are making satisfactory progress toward meeting the learning standards. Rates of yearly progress toward these goals will be disaggregated by racial, economic, disability and limited English proficiency categories."

"Your job is to design an instructional program that will provide all students in the school a full opportunity to meet the regents' learning standards, and to attain a regents' diploma. For students in the early grades and preschool, this means designing an instructional program that will seek to address any learning problems with which students enter school. For students further along in their educational career, it means addressing any deep-rooted educational deficiencies that may have developed as thoroughly as possible and minimizing dropout rates."

This standard raises several questions. What is the definition of a full learning opportunity? The question, often portrayed in standards based reform discussions, is whether you are requiring a percentage of students to meet the standards or whether you are only providing them a "full opportunity" to meet the standard. While we firmly believe that policymakers in New York State will have to agree on the definition of "sound basic education," we are not sure that the "desired educational outcomes" statement reflects the statewide consensus on the standard in 2004-05. It appears that the statement of desired educational outcomes offered to the professional judgment panels was more closely aligned with the New York State NCLB standard for 2013-14 rather than the standard the Regents have chosen for 2004-05. Using the right target standards definition is critical to the success of the panels in their task of identifying the resources needed to assure that students meet the standards. Clearly, the identified resources also drive the resulting dollar estimate.

Our review of the AIR-MAP study methodology identified the following major steps.

- For the purpose of selecting professional judgment panel members, the study chose educators from successful school districts and schools.
- The study then conducted two sets of professional judgment panels on four types of school districts (one of which resembled New York City Public Schools) to identify the education program required to help all students meet the standards.
- Two additional panels looked at the resources needed for special education students.
- The panels were then asked to identify the resources needed for "prototypical" elementary, middle and high schools in each of the district types with multiple levels of student need concentrations.

Once the study obtained the results from the professional judgment panels it undertook a first set of regression equations (creating separate equations for elementary, middle and high schools). These equations were also used in estimating the need for specific resources such as teachers and aides at any level of size, the percentage of special-education students, the percentage of economically disadvantaged students and the percentage of English language learners. Based on these results the study costed out the 48 different scenarios. It is not clear why that many regression equations were used since many of them did not explain much of the variation in resources assigned. For example, the R-squared for teachers in elementary school was only 20 percent of the total variation.

The study then undertook a second set of regression equations for elementary, middle and high schools to create an overall need index for each type of school that could be used to adjust the base cost figure. The resulting coefficients are reported on page 116 of Volume 2-Technical Appendices and represent how school size, the percentage of special education students, the percentage of economically disadvantaged students and the percentage of English language learners can be combined to compute the school need index. This index is combined with the GCEI index and they are applied to the base cost figures for each type of school and summed with administrative adjustments to create the total district need estimate.

The professional judgment approach is a sound way of estimating an adequate amount of educational funding. Combining it with a variation of the statistical approach is intriguing but several concerns about the resulting hybrid remain. Though these reports are long on calculations, it is not clear what are the key assumptions underlying it and why this methodology is compelling. For example:

- What is the advantage of estimating individual resources when the percent of variation explained is modest at best and several of the individual resources are likely to be highly correlated?
- Why should school size be considered an uncontrollable factor, earning a potential separate weight?
- And finally, how stable are the coefficients in the needs index factor, are they stable enough to support a state education aid formula over time?

There is also a question about whether there is an implied change in education governance structure built into this study with its heavy reliance on school level data. For some reason the largest school model was dropped from the analysis. Further, it is

not immediately clear what the base cost is for school districts and what the weights are for the various categories of student and school need. The courts, legislature and taxpayers need to know much more about what these figures are and how they work together before they are likely to work them into public policy.

Regarding the professional judgment panels, it appears that New York City educators did not have the opportunity to work on schools that look like the spectrum of New York City Schools either in terms of existing school size or existing levels of student need. Further, when the panel judgments were adjusted by the econometric analysis, the close connection between what the panels recommended (their judgment) and the level of each resource that was ultimately costed out was broken.

Regarding the adequacy proposal put forward by plaintiffs undertaken by AIR-MAP, the following points should be noted:

- The professional judgment approach to estimating the adequacy of education funding has been used by policymakers in many states.
- The linking of the professional judgment approach with the statistical approach is unique and has not been adopted by any other state.
- Despite several reports and a significant number of appendices, the rationale for this methodology and the underlying calculations are not readily transparent.
- Clearly all four adequacy approaches were not used sufficiently, if they had been used, four sets of target numbers would have emerged.
- The study set an achievement standard for its target that seems more appropriate for New York State in the 2013-14 school year, given the federal NCLB targets.
- The use of school size in the implied state finance funding formula is troubling because it is a factor that can be changed by school districts to generate additional state aid.
- Finally, it is unclear how easily this method can be updated and/or reproduced.

The Adequacy Studies of John Yinger and William Duncombe

The adequacy studies done by John Yinger and William Duncombe resulted in academic papers and an Amicus Curiae Brief. The court brief has its roots in the compilation of articles and analyses produced by this pair of professors from Syracuse University. In many ways the authors share the same interest, and faith, in econometric cost and production functions as economists generally and the AIR partners in the AIR-MAP study.

The four step process put forward by the authors in their brief are commonly accepted and can be translated into English in the following way. For any desired level of student performance, a base cost can be calculated; and that base cost must be adjusted to take into consideration the cost of helping all students (including special needs students) meet the standard as well as the cost of attracting the personnel needed to teach them. Or put even more simply, the cost to be paid for a given level of student achievement in a district is a function of a base cost, the student needs of that

district and the price the district needs to pay for the resources it deploys. Using this approach, Yinger and Dumcombe used four different levels of a student performance index. Each resulted in different target numbers for a school finance formula.

The authors open the brief with the following statement. It is the last statement in this quote that generates a question for us.

“We do not represent any particular constituency but instead present our views on this case based on over a decade of scholarly research concerning education finance in New York State. In its discussion of remedies for this case, the Court of Appeals declared that “the funding level necessary to provide city students with the opportunity for a sound basic education is an ascertainable starting point” (p. 50). This report demonstrates that the cost of a sound basic education in New York City is determined largely by two factors: (1) the operational definition of a sound basic education and (2) adjustments for the relatively high cost of education in New York City due to high wage costs and a concentration of disadvantaged students. We argue that defining a sound basic education is largely a legal/political issue, which must be decided by the state’s policy makers, including this panel, and that calculating cost adjustments is a technical issue, which should be resolved through a process that includes scholarly input.”

The problem with the last statement is the emphasis. Calculating technical cost adjustments is exactly what is required. That those technical adjustments should be influenced by scholarly input also goes without question. In the end, however, the political system must vote to adopt a set of technical adjustments to the school finance system in order for the money to flow to school districts and schools. We have yet to see a legislature adopt or a governor espouse, a set of technical adjustments that they could not explain to one another, to educators and to the interested public. What often happens is that well-meaning academics with complicated econometric equations try to convince policymakers that their strategy is technically superior. What often results is that policymakers step back from the innovation because they do not understand or trust what is inside the “black box.” From the policymaker’s perspective, “technically superior,” is just one of several lenses through which he or she judges the adoption of school finance funding changes.

In the brief, they raise technical issues with the cost adjustment developed in the AIR-MAP study, the student weightings put forward by the state and the successful school district approach to determining adequacy (among others). It is unclear what the authors hope will happen as a result of their raising these questions. Were they arguing that the consultants should redo their studies? Were they arguing that the court should undertake its own study and incorporate their suggestions? Were they arguing that they should be hired to settle the technical issues once and for all? In the end, in the real world, lay people not academics either on the court or in policymaking positions decide what technical approaches undergird the policies they adopt.

The Fiscal Policy Institute Report

Toward the end of the hearings in front of the Special Referees, it was clear that the Panel was looking for a compromise between the CFE plaintiffs and the State. The offer the state had on the table for operating costs were lower than the plaintiffs' request. In addition, the Panel was leaning toward using both the successful school district (State plan) and the professional judgment (offered by the plaintiffs) approaches to determine education adequacy in the case. They were looking, however, for some adjustments to the successful school district that the State had used to determine its cost estimate. They did not want to throw out the spending of the top half of the identified successful school districts. The Panel asked the state to make some alternative runs based on the entire distribution of successful school districts and different ways of calculating the cost index. The State refused to do these alternative runs because it technically did not have access to the Standard and Poor's data.

At one of the last hearings before the Panel, the plaintiffs produced an affidavit from Frank Mauro, executive director of the Fiscal Policy Institute that addressed what the Panel had requested.

"Plaintiffs have requested that I submit this affidavit in order to respond to several questions raised by the Panel of Special Referees in these proceedings: (1) what impact would eliminating the top-spending 5% of districts and the bottom-spending 5% of districts in the Standard and Poor's successful schools sample (and/or the top- and bottom-spending 25% of such districts) have on the resource gap estimates that are set forth in the S&P Study?; (2) what is the resulting regional cost index for New York City when the New York Regional Cost Index and the Geographic Cost of Education Index are averaged?; (3) what impact would using this average of the two indices have on the resource gap estimates that are set forth in the S&P Study, and on the estimates of those gaps determined in accordance with questions (1) and (2) above; and whether the Need-Scale Index for New York City that resulted from the AIR-MAP Study can be broken into individual weightings for economically disadvantaged, special education and limited English proficient students, which then might be applied to the base figures derived from another cost analysis?"

Colleagues at the Fiscal Policy Institute were able to enter the S&P online database and create the calculations requested by the Panel. This information is reported in the balance of the Mauro Affidavit. This information was helpful to the Referees. It reassured them that some of their adjustments to the State's proposal would yield reasonable numbers and that the successful school district approach could yield results in which they were comfortable.

	Standard and Poor's	American Institute for Research/ Management Analysis and Planning	Yinger and Dumcombe	Fiscal Policy Institute
Sponsoring Organization	Zarb Commission	Campaign for Fiscal Equity		Campaign for Fiscal Equity
Methodology Used	Successful Schools	Professional Judgment with Multiple approaches	Statistical	Reanalysis of Successful Schools
Advantages	State commission	Meeting high standards	Strong research basis	Final work for a compromise
Uses	State Response to court action	Public Engagement	Amicus Brief	Court Special Masters

DISSEMINATION AND IMPACT OF NEW YORK STUDIES

State Policy Traditions

In the best case scenario, a costing-out study would be done under the auspices of the state's leading policy makers. There would be a simple message that would be easy to disseminate and easy to convert to a school funding system. The report would tie needed resources to accepted state expectations. The impact of the report would be such that a new funding formula would be adopted.

The New York experience shows that none of the costing-out studies are close to the best case scenario. A new school finance formula has not been adopted in New York. In the previous section of this paper the costing-out studies were often put in the context of the court process. Each of the studies has contributed to progress in the court process, although, it can be argued that little or no impact can be attributed until policy makers complete a new school finance funding system.

The policy making traditions in the State of New York make it more difficult than most states to have a best case scenario. Most states have a more open system with the opportunity for public dialogue in education committees, appropriations committees or both. In other states there are times when rank and file legislators can move issues with limited leadership participation. The policy making traditions in New York would not allow for these options. The New York legislature is known as a place where major decisions are made through leadership negotiations.

Another reason why major education funding changes are difficult in the New York legislature is because of the number of "safe" legislative seats. The national trend

in legislative redistricting is the creation of legislative seats that are less competitive. An increase in “safe” legislative seats has contributed to less responsiveness to complex and politically challenging issues.

These policy making traditions put added pressure on any attempt to use better information and public engagement to change legislation. Still, CFE and a coalition of groups consisting of parents, students, educators and business leaders successfully used information on standards and the costing-out study to push policy makers. Below is a brief review of the context for how each of these studies were disseminated.

Differences in Dissemination

The results from each of the costing-out studies have been disseminated differently. The S&P study had the advantage of being done for the Zarb Commission. State commissions naturally have some press coverage and dissemination capacity. Results of the S&P study were included in the overall commission report.

The AIR/MAP study results had the advantage of the dissemination support from CFE. CFE and related grassroots organizations provided the largest effort to disseminate adequacy study results. They had success with the “eight is not enough” public engagement efforts in 2002 and 2003 concerning standards. The dissemination of information about the professional judgment study began as over 30 organizations joined in supporting its preparation. In 2003 several steps in the study and preliminary information was shared with the public. The final report in early 2004 provided the content for another dissemination effort.

None of the studies done by the other two groups were disseminated widely. The Yinger and Duncombe studies were disseminated in the academic community through journals and presentations at academic organizations. The Fiscal Policy Institute’s work was not designed for dissemination outside of the court process.

Impact of Studies

The first section of this paper highlighted the impact of the studies on the court activity. The work of the Fiscal Policy Institute was able to have the biggest impact on the most recent decision because it came at the end of the extended process that was searching for a compromise. Their reanalysis work, however, is not likely to have an impact outside of New York because it added little to the research field.

The court process would not have been at a point to use the work without the other studies. That is obviously true of the S&P study, because that study was used for the Fiscal Policy Institutes reanalysis, but the other studies also contributed. Although it is difficult to determine the impact of the Yinger and Duncombe amicus brief, it was built on their studies and continues to provide a strong research based contribution.

The AIR/MAP study’s contribution in New York is primarily with the plaintiff’s outreach and setting a high target that can make a compromise more politically acceptable. Despite the methodological concerns expressed earlier in this paper, the

AIR/MAP study is the best estimate of the funding needed to meet standards. It also has made an impact in the school funding research field.

IMPLICATION FOR PHILANTHROPIC ORGANIZATIONS

Suggestions for Three Processes

Any state that works successfully on school finance adequacy issues has to go through three processes: first, create a philosophical basis for what they want to do (including issues like the structure of the system, what role is local control going to play, etc.); second, resolve key technical questions (including issues like setting the base cost, adding a cost index, weights for special needs students, etc.); and finally, resolve the underlying politics of school aid distribution. Ignoring any one of these processes significantly decreases the likelihood of successful school finance reform.

For years, New York State has been struggling over school finance. The primary analytical tool available to analyze alternative funding options has been the “spreadsheet” and the key objective has been to keep to a minimum the number of districts that lose resources under the new plan. This typically results in a new funding system that looks similar to the previous system. What this means is that the State has not created a philosophical basis for change nor explored the technical options needed to get there.

The combined work of the costing-out studies has given the State the opportunity to create this new funding system. The shortcomings of the work done to date calls for an additional study based on a combination of professional judgment and successful schools approaches. A straight forward methodology designed to create the base cost plus adjustments needed for a state funding formula could lead to a new funding system.

We offer the following list of additional suggestions for the philanthropic community to help New York State move forward on the three processes described above.

- Invest in helping elected officials in New York create the philosophical basis for school funding in the state. It is unclear to us whether these officials should be a broadly representative group or whether it should only include the Governor, the President of the Senate and the Speaker of the House. Without an established philosophical basis progress is unlikely.
- Invest in helping elected officials and their staffs understand the technical ins and outs of school finance, in New York State and elsewhere.
- There are a handful of organizations, across the country, that work with policymakers on state school finance issues. In addition, there are probably a dozen or two other academics seriously devoted to state school finance issues, most often in their resident states. Encouraging more contact between and among these groups to understand the philosophical differences and to resolve technical issues would be helpful.
- Invest in the continued development of the existing four approaches to estimating adequacy and invest in the development of new approaches.

- States and Plaintiff districts must become better consumers of school finance consulting services. This includes clear specification of methodology used by consultants working for them.
- Continued work on the accountability side of the equation is needed. Policymakers are not going to invest more resources into public education until they know what they are likely to get.
- The Mayor of New York City and the Chancellor of the New York City Public Schools were very impressive witnesses before the Referees. They need additional ways to communicate about what the additional resources will buy.

CONCLUSION

It is likely that the school funding system in New York will be changed because of court activity that has been informed by several costing-out studies. Whether the studies were done for the State, the plaintiffs, or for academic purposes, they have contributed to a better understanding of the relationship between the State's educational expectations and the resources needed to meet those expectations.

**APPENDIX D: SUMMARY OF PRINT MEDIA COVERAGE
2000 – 2005**

A review of the New York Times, the New York Post, the Syracuse Post-Standard and the Buffalo News from 2000 to 2005 revealed a significant increase in the coverage school finance received from the print media. Given that 52 articles, editorials and other pieces appeared in the first two months of 2005, it appears likely that school finance reform will receive even more media coverage this year than in previous ones.

<u>Year</u>	<u>Pieces</u>
2000	16
2001	73
2002	50
2003	79
2004	208
2005	52

APPENDIX E: ABOUT KRONLEY & ASSOCIATES

Kronley & Associates has more than twenty years' experience in providing strategic consulting services to philanthropic organizations (including family, independent, company-sponsored and community foundations), nonprofits, corporations, public agencies and individuals. The firm's work includes policy and program analysis, strategic planning, evaluation and targeted advice on change issues. Substantive areas of interest include education reform, community and economic development, social services, youth development, equity, and philanthropic and corporate giving. The firm works closely with clients to chart pathways to change as well as to develop deep understanding about the impact of possible strategies on outcomes and goals. Each client is treated as a unique entity, and the firm strives to develop creative approaches to needs and issues.

Some current and recent clients include: the Annenberg Institute for School Reform, the Ball Foundation, the BellSouth Foundation, the Benwood Foundation, the Arthur M. Blank Family Foundation, the Carnegie Corporation, the Edna McConnell Clark Foundation, the Community Care Foundation, the Community Memorial Foundation, the Community Renewal Society, the Ewing Marion Kauffman Foundation, the Forum for Education and Democracy, The Foundation for the Carolinas, the Joyce Foundation, the Meridian Public School District, the Panasonic Foundation, the Rockefeller Foundation, the Southeastern Council of Foundations, and the Tupelo Public School District.

Robert A. Kronley is President of Kronley & Associates. Areas of focus include policy analysis, strategic planning, evaluation and program dissemination. Mr. Kronley has written extensively on education, philanthropy and public policy.

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