Financing Higher Student Performance Standards:
The Case of New York State

Abstract - Many states have made performance standards the centerpiece of educational reform. Unfortunately, school aid systems have not kept up. Most aid systems ensure minimum spending per pupil instead of minimum student performance; that is, they fail to recognize that the cost of achieving a performance standard varies across school districts. This paper derives an educational cost index and incorporates it into an aid formula designed to bring all districts up to a performance standard. A district's performance can be moved toward a standard through a property tax rate increase, an efficiency increase, or increased state aid. In New York State, boosting efficiency to the current "best-practice" level would not bring large city districts even up to a minimal performance standard. In fact, these districts cannot achieve such a standard without large increases in state aid and local tax rates, accompanied by reforms that improve the productivity of teachers and administrators.