

Foundation Aid Formula Testimony

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Devising and advancing an equitable approach to funding public education for an economically, demographically and politically diverse state like New York will prove to be a challenge for the Rockefeller Institute. That challenge has been made essential after successful legal challenges to New York's school funding system have been brought based upon the state's failure to provide all New York students a "sound basic education."

How Does NY State School Funding Compare Nationally: What Does the Baker Study Say

Since 2016-17, six annual studies have been completed comparing the adequacy and fairness of state school funding systems. Those analyses are titled, "*The Adequacy and Fairness of State School Financing Systems*," and were completed under lead investigator Dr. Bruce Baker. The Baker study examines and ranks fifty states on three school funding criteria, including:

- a. **Fiscal Effort**-The share (%) of Gross State Product utilized in support of K-12 public schools,
- b. **Statewide Adequacy**-What percentage of school districts obtain sufficient state funding to project they will be able to reach national average test scores, and
- c. **Equal Opportunity**-The extent that adequacy gaps exist in relation to district wealth (by quintiles).

In the most recent of the six analyses New York ranked fifth BEST on Baker's three measure composite ranking. But, New York's high overall ranking is deceptive as it is based heavily upon very high rankings on the two adequacy related measures--***Fiscal Effort (#7)*** and ***Statewide Adequacy (#8)***. In sharp contrast, NY is one of the lowest performing states on Baker's ***Equal Opportunity*** measure--- ranking at #47. ***The low ranking on Equal Opportunity measure strongly reinforces that NY must improve the formula(s) used for allocating state funding.***

Additional Concerns Arising from the Baker Study Data: Five Year Decline in State Share of K-12 Spending & Fiscal Effort

I was fortunate to serve as a research assistant under Dr. Richard Salmon, a nationally recognized researcher, consultant, and expert witness on legal challenges to state school funding systems. The first point Dr. Salmon emphasized in my training was, "That the higher percentage of funding for K-12 education that comes from state sources the more equitable you would expect that state's school funding system will prove to be." In that light, it is troubling that the Baker study shows a five year trend for New York's State's percentage share of total K-12 funding dropped from 40.8% in 2016-17 to just 37.8% in 2020-21.

The Baker fifty state comparative analysis also raises some concern as it indicates that NY's Fiscal Effort over the five-year period (2016-17 to 2020-21) has fallen from 4.5% of Gross State Product to 4.2%. Notably, NY's Fiscal Effort in support of K-12 education peaked at 4.7% in 2008-09 just before the national recession. *I hope the Rockefeller Institute is not being set up—asked to develop an alternative formula for a state looking to reduce their past and current level of support for public education!*

Complexity Concerns: Any Revision of the Foundation Formula Must Address the Tax Cap's Differential Impact

Devising and recommending a new, fairer formula, or formulas, for New York will prove challenging. Student counts, weightings for compensatory funding (Handicapped, ELL, poverty), adjustments for concentrations of second language and poverty, determining a valid local wealth measure and potentially defining an expected local effort all have a differential impact on how state funds flow to local districts. Beyond those complexities, New York must wrestle with the differential impact of the local tax cap. Statisticians, and finance people understand that when you apply a fixed percentage to very different bases yields will exhibit a "fan spread" effect. When you continue that practice over multiple years (or decades) the "fan spread" becomes more exaggerated each year. I have done some modeling of a straight 2 percent increase on local levy's for districts with similar enrollments but either low, or higher initial local levy's. Over the twelve years that the tax cap has been in place we see markedly different per pupil yields...when modeled out over another twelve years built in funding inequalities demand formulaic compensation. If desired I will share that data for your consideration.

THREE TRUTHS:

Hard Realities for the Rockefeller Institute's Consideration

- 1. Beyond court mandated reform, or, a much more severe budgetary crisis than NY State currently faces meaningful statewide reform to promote greater funding equity will be unlikely to occur UNLESS EVERY DISTRICT (OR, AT LEAST THE VAST MAJORITY OF DISTRICTS) COME OUT AS FISCAL WINNERS! ACROSS OUR NATION—EVERY RECENT STATEWIDE REFORM OF SCHOOL FUNDING SYSTEMS HAS BEEN ENABLED BY "LEVELING UP" OR, AN INFLUX OF NEW FUNDING SUFFICIENT TO OVERCOME THE POLITICAL RESISTANCE WHICH EMERGES WHEN A PROPOSED FORMULA SHIFTS MONEY FROM "WINNERS" TO "LOSERS,**

2. MOVEMENT TOWARDS EQUITY WILL PROVE VIRTUALLY IMPOSSIBLE SO LONG AS:

A. THE NY STATE SHARE OF TOTAL K-12 SPENDING IS SHRINKING, AND

B. WHEN NY'S FISCAL EFFORT (THE PORTION OF GROSS STATE PRODUCT USED TO SUPPORT PUBLIC EDUCATION) IS FALLING.

3. REFORM OF THE FOUNDATION FORMULA IS CRITICAL—AFTER FREEZES, GAP ELIMINATION ADJUSTMENTS AND OTHER POLITICALLY IMPOSED MANIPULATIONS YOU SHOULD UNDERSTAND THAT EACH YEAR NY STATE FAILS TO ADDRESS SCHOOL FUNDING INEQUALITY THE ULTIMATE COST OF A GENUINE FIX (NOT A PATCH JOB) WILL BECOME MORE EXPENSIVE—WHILE REMAINING AS POLITICALLY DIFFICULT TO ACCOMPLISH!

I wish the specialists from the Rockefeller Institute who are taking on this very challenging task the very best. Your work is very important to this state!

Respectfully Submitted,

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