



Foundation Aid Public Hearing – Capital Region Rockefeller Institute of Government

August 14, 2024

Good afternoon. My name is Brian Fessler and I thank you for the opportunity to offer commentary on the Foundation Aid study, on behalf of the New York State School Boards Association and the 678 member school boards we serve.

This study is of critical importance. On the heels of the great recession, when the state began to again allocate moderate Foundation Aid increases, we almost immediately heard an emerging fix it or fund it debate. At the time, funding increases using one-off calculations mostly masked the growing problems with the formula. But when the state finally committed to a new three-year phase-in in 2021, it became clear that the state needed a plan to address the outdated or stale parts of the formula, to help ensure that when Foundation Aid was fully-funded, the formula was up-to-date and better reflective of the growing requirements and expectations of our schools over the past nearly 20 years.

In fact, during the state Senate hearings on Foundation Aid in September 2021, we stated “With a plan to finally fund the existing formula now in place, NYSSBA also calls on the state to look to the future of the formula by formally reviewing the impacts over the past two decades and the changes to the educational environment since the formula was first constructed.”

While working to ensure the state fulfilled its funding commitment, we pushed lawmakers to move forward with a study. We believe the overall intent of the formula – an attempt to calculate the cost of educating students in each district while determining how much of that cost each local community can and should afford – is still generally sound policy. But as we continued to advocate for a state study, NYSSBA joined with our partner organizations in the Educational Conference Board to develop and release a detailed set of our own recommendations, reflective of what we had seen and learned since the formula was enacted in 2007, as well as what we continued to hear from our respective memberships.

Released in the fall of this past year, we thoroughly discussed the challenge of addressing the clearly outdated parts of the formula immediately, against the importance of a more comprehensive study to adequately research more detailed or complex parts of the formula. Ultimately, we collectively decided that both paths were necessary, but that we could not ignore what could be tackled with current capabilities while hoping the state would provide the time and resources necessary for deeper study. As such, we organized our recommendations between shorter term “update” priorities and longer term “study” priorities.

Such “update” priorities include addressing many of the factors that you have heard throughout these hearings – including identifying more up-to-date and accurate measures for student poverty

instead of 2000 census poverty data and free and reduced price lunch counts, updating and evaluating more reflective methods for the regional cost index and addressing the external limits on the expected local contribution calculation such as the Income Wealth Index floor, the unique circumstances of fiscally dependent districts and the existence of a property tax cap.

Some of our more in-depth “study” priorities include examining the student need factors that make up the current Pupil Needs Index. For example, new requirements under Part 154 of the Commissioner’s regulations were placed on school districts for English Language learners since the formula was established; we have better appreciation for the impact of concentrations of poverty, not just basic poverty counts; and we also see that providing homeless students a sound basic education can often present challenges that the formula does not currently account for. In a similar vein, we routinely hear from members about the impact of students with disabilities. With nearly 1 in 5 students in the state receiving special education services, it is prudent to reevaluate the current weightings and methodologies student with disabilities generate in the formula. And lastly, we are long overdue for a new costing out study, paired with a full reexamination of the formula’s basic Foundation Amount calculation. The students who entered kindergarten when Foundation Aid was established are now graduating college. And the students whose data many components of the formula’s successful schools calculation is based off of – from the late 1990s and early 2000s – already have kids of their own. Our formula needs to keep pace.

At the same time, much of what we hear about Foundation Aid from school board members ties – both directly and indirectly – into other parts of the broader school funding equation, and we believe it is prudent for your work to consider the interplay of these other school funding factors.

First is the property tax cap. Under current law, the Foundation Aid formula has no recognition or acknowledgement of the existence of the tax cap, and the tax cap has no recognition or acknowledgement of the Foundation Aid formula. This general concept is true for both fiscally independent districts who are directly subject to the tax cap, but also for fiscally dependent districts who rely on their municipalities for local funding, with little to no say in what those funding levels look like. This is simply inefficient public policy as it limits – either now or over the longer term – the ability of a district to reach the expected local contribution portion of the formula, while the disconnect also ignores the fact that districts must lean more on property taxes when Foundation Aid and other state aid is insufficient.

The other factor is the issue of fund balances and reserves. I mention them both because fund balance and reserves are two separate and distinct funds, and they should be recognized in that way. Reserve funds are essentially restricted savings accounts, which allow for districts to plan for expenses that are simply unrealistic to pay for in a single year or through a pay-go process. The capital reserve for school building construction and renovation is a common example. Fund balance is the small positive budget margin that school districts can end a budget year with. This fund balance is not only a natural result of annual budgeting, but is also a critical tool to address the unpredictable nature of public budgets – on both the revenue and expense side of the ledger. The recent rhetoric around Foundation Aid and fund balance is not only unfair to districts, but it is counterproductive as threats to state aid push districts to rely on the few tools they have in order to ensure their students continue to receive the programs and services they require and deserve.

As you continue to digest all the stories, thoughts and suggestions that have been shared during these hearings, I also want to highlight a few conceptual or overarching questions and challenges that NYSSBA strongly encourages you to consider.

First is save harmless. Despite being an important reality of the state's school funding strategy for literally generations, it surprisingly received quite a bit of critical attention this year. Within the context of the Foundation Aid formula, we do need something better than a formula that is simply not being applied to nearly half the districts in the state. But the answer can't be to just slash their funding. We all know that the districts on save harmless are overwhelmingly high and average need. We also know that many of those districts have experienced or are experiencing varying levels of enrollment decline. But if what might make sense in a vacuum or in a formula on paper ends up being so disconnected from the reality that our students, staff and school board members are seeing right in front of themselves each and every day, then we need a different answer. We need a formula or other process that better recognizes the economies of scale and where, when and how districts are able to account for enrollment changes, and where, when and how they cannot.

Second, which we saw unartfully grappled with this past year, is inflation. While imperfect, including inflation in an operating aid formula acknowledges the broader cost pressures that districts face across all expenditure areas. But if we're including it, we can't only include it when inflation is low and stable. The pressures created by higher inflation are certainly challenging for the state – but it's equally, and perhaps more, challenging for districts because 1) they don't have the authority to decide if their state funding is going to keep pace with inflation, 2) they are limited by a property tax cap that ignores any inflation over 2% - which has been the case for each of the past 3 years, 7 of the past 13 years, and is almost certain to be so again in 2024, and 3) their budgets are subject to direct voter approval. A formula that dismisses inflation when it's challenging will tie districts' hands in a way that creates structural and harmful imbalances.

Finally, we need to decide who and what we want a Foundation Aid formula to capture. Currently, the formula counts K-12 students, even though the state has justifiably placed a significant focus and funding on the importance of prekindergarten for three- and four-year-olds. Also, a recent court decision has newly required school districts provide educational services to certain special education students until the age of 22. Might it be appropriate to include such students in our basic operating aid formula? The student count used in the formula is also relatively fixed once the year begins, but we know that students can and do enroll midyear. In some cases those mid-year enrollment additions can have a tangible impact on a school budget after aid has been determined. We believe school districts should be supported in these situations, but prefer the re-establishment of a separate 'growth aid' so as to not unnecessarily muddy and complicate Foundation Aid from the state's perspective. Conversely, the state has occasionally used existing Foundation Aid to 'fund' new priorities, rather than providing additional funding to support those new programs or initiatives. These "set-asides," which total more than a quarter billion dollars annually, reduce local control and give the false impression that additional investments are being made. School boards and other district leadership, with approval by voters, must have the ability to determine where operating funds are most needed within their community.

For NYSSBA, our advocacy when it comes to Foundation Aid – and, in fact, all state funding for schools – is centered around five principles: adequacy, equity, flexibility, predictability and clarity. We are hopeful and optimistic that the Rockefeller Institute's recommendations will address all five of these equally important ideals, and we stand ready to support you and state policymakers in that effort.

Thank you.