

I am Robert Lowry, Deputy Director for Advocacy, Research, and Communications for the New York State Council of School Superintendents. Thank you for the opportunity to testify today and for all your efforts to learn from our members and other stakeholders. Thank you, also, to the Guilderland Central School District for hosting us today.

Almost from its enactment, I have referred to Foundation Aid as an underappreciated achievement in public policy, noting that:

- it generally provided the greatest aid per pupil to the neediest districts;
- it promised all districts greater predictability in aid, at least for a time; and
- it used factors with an explicit rationale, making state funding decisions more transparent and decision-makers more accountable.

But 17 years have passed. Some formula factors have never been updated and problems have emerged with others, such as the use of free and reduced-price lunch eligibility data. We have also learned more in the years since about how school and life circumstances may affect learning for children. When the formula was enacted, there was no school district property tax cap potentially impeding districts from raising the formula's Expected Local Contribution.

General Approach

Last fall, the Educational Conference Board released a paper recommending an approach for reviewing Foundation Aid.¹ In brief, we noted there are five core pieces of the formula and, for each, we identified some steps that might be taken now and others which would require time and funding to complete. For example, there are alternative measures of student poverty which could be modeled right now, but re-evaluating the weight given to various student needs could require time and funding to research.

We also stressed that any one change could have a significant positive or negative impact on a class of districts and, therefore, it might be necessary to defer structural changes until a package of reforms can be considered. As an example, replacing 2000 Census poverty data with annually updated Small Area Income and Poverty Estimates (SAIPE) could disadvantage some districts, because the SAIPE data looks at poverty among all children ages five to 17 in a community, not just those attending district schools. That impact could be offset by other proposed changes to the formula. But if done piecemeal, some immediate choices might foreclose later, better options.

We continue to believe this is a sound overall strategy for review.

Excerpt: Foundation Aid—What’s Next. New York State Educational Conference Board, October 2023

Formula Element	ECB Update Priorities (Funding not required to conduct update)	ECB Study Priorities (Funding may be required for research)
Foundation Amount	Update Successful Schools Model and Foundation Amount using outcome-based measures to identify “successful” districts.	Review other methodologies for determining Foundation Amount. ECB is not recommending the inclusion of additional costs in the Foundation Amount.
Pupil Needs Index (PNI)	Model available alternative poverty measures to 2000 Census and FRPL—e.g., Small Area Income and Poverty Estimates; direct certification data.	Explore factors that might be incorporated into the PNI (e.g., effects of concentrated poverty, homelessness) and the weight given to any current or potential new factors within the PNI (e.g., the 0.5 weighting on behalf of English Language Learners).
Regional Cost Index (RCI)	Update data used to calculate index values (using a three-year rolling average); reconfigure regions to extent possible. Priority Level 2	Identify and develop alternative RCI models.
Expected Local Contribution	Eliminate 0.650 floor applied to Income Wealth Index. Determine whether any districts or municipalities may be precluded from raising ELC without a property tax cap override.	Assess how fiscal dependency and competing municipal needs affect raising the ELC in the state’s “Big 5” cities.
Weighted Pupil Count	None	Review and revise weightings within various pupil counts, including the 1.41 weighting on behalf of students with disabilities.

Suggested Principles

Before proceeding to offer specific recommendations for formula aspects to update, revise, or study, I would like to suggest a few principles to guide review.

- First, state aid formulas should treat similar districts similarly, so that inconsequential differences in characteristics do not result in steep variances in funding.

One way this could be addressed would be creating more regions in the Regional Cost Index, so that neighboring districts assigned to different regions do not have implausibly different RCI factors. We note that upstate (north of Westchester, Rockland, and Putnam Counties), over 40% of districts cross county lines.

Also, to the extent possible, formula benefits that vary based on district wealth, student needs, or both should taper down in a slope, rather than drop off in steep steps.
- Second, our state aid to education formulas are complicated in part because we are a complicated state. As one example, New York City has more school buildings than most districts have students. But transparency or “understandability” in aid calculations should be favored. They support both accountability in state funding decisions and predictability in local planning.
- Third, Foundation Aid need not be looked to as the solution for every problem in education funding nor should it be. Doing so may undermine the second principle, on promoting transparency. One area where this principle should be considered is in funding for special education.
- Fourth, it is necessary to consider how economic and demographic trends may affect aid calculations—to attempt to plan based on what will be, not only on what is, right now. As an

example, district wealth for state aid purposes is calculated in comparison to state averages; what happens in New York City drives roughly 40% of state averages, thereby affecting aid for all districts.

- Fifth, because our state government is uniquely dependent on volatile revenue sources, School Aid, the state’s largest single General Fund disbursement, is contingent upon those volatile revenues. But as much as possible, aid formulas should strive for predictability in state funding.

One way in which this goal could be promoted would be by using rolling three-year averages in applying some aid factors. This would lessen the occurrence of steep single year changes in aid factors. This might also reduce the impulse to lock-in figures for extended periods, to forestall disruptive aid changes.² Using 24-year-old Census poverty data and 17-year-old RCI data are current examples.

- Sixth, once again, it will be necessary to understand the interplay of possible changes and how one may offset or compound another.

Some Recommendations

This section offers some specific recommendations; this list is illustrative, not exhaustive.

Foundation Amount

The standard Foundation Amount and the study behind it should be updated using a measure based on high school completion—the Court of Appeals defined the state’s obligation as ensuring the opportunity for a “meaningful high school education.”

Any recalibration may need to be revisited upon completion of changes to high school graduation measures adopted by the Board of Regents. A theme of the Regents’ effort is that all students should have experiences in school which will prepare them for success in whatever they pursue upon leaving high school, whether a career, further education, or both. The Council has perennially supported increased funding for career and technical education through BOCES and Special Services Aids and for college in high school courses through early college high schools and Advanced Placement, International Baccalaureate, and dual enrollment courses. Sustained, predictable funding should be provided to support college in high school classes; this might be done outside of Foundation Aid.

There should be consideration of whether some additional costs are now part of what is required to ensure the opportunity for a sound basic education. For example, improving student mental health services has been the most widely cited priority for additional funding in Council surveys of superintendents since 2017.

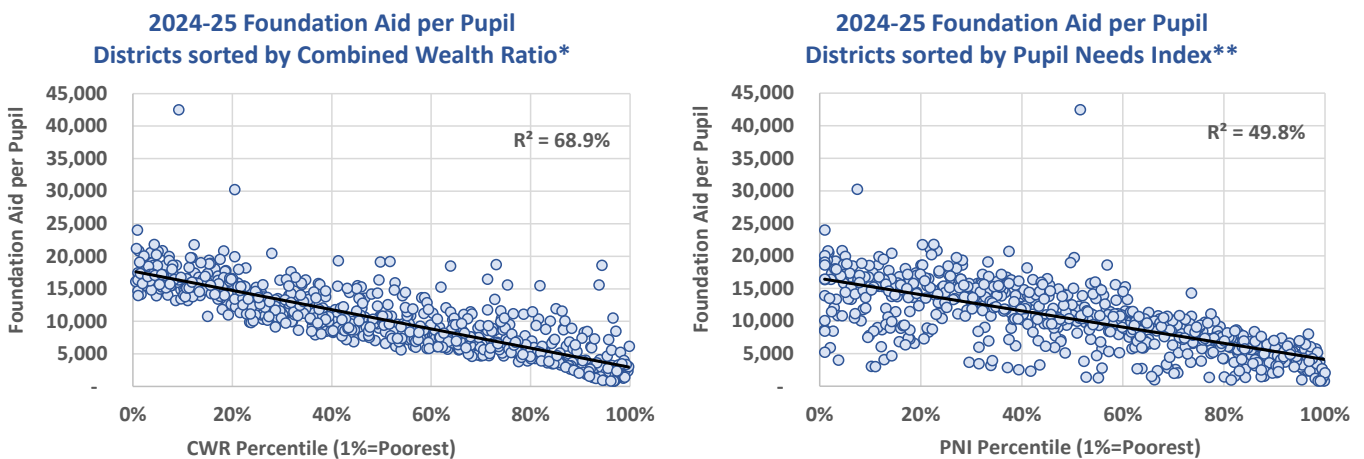
There can be trade-offs between precision and understandability in formula calculations. The successful schools model used to first establish the Foundation Amount is easier to grasp than some other methodologies, such as professional judgment models. What constitutes adequacy may also be in the eye of the beholder: participants in a professional judgment exercise are apt to think their school needs something more to ensure full adequacy, whether that school is objectively poorly-endowed or not.

Pupil Needs Index

In the Pupil Needs Index, currently available alternatives to 2000 Census poverty data and free and reduced-price lunch eligibility should be modeled and evaluated.³

Research should be devoted to re-assessing the weights given to various pupil needs factors such as the 0,5 weighting for English Language Learners, and to considering whether additional measures of student need should be incorporated, such as concentration of poverty or prevalence of homeless students.

We should also consider whether the overall impact of student needs in the distribution of aid should be greater. A change could be beneficial to districts where there is disparity between property wealth and student characteristics.⁴ Now, correlations between Foundation Aid per pupil and local revenue raising capacity are stronger than for those aid per pupil and student needs.



*The Combined Wealth Ratio measures district property wealth and resident income per pupil compared to state averages, each weighted at 50%.

** The Pupil Needs Index measures student needs using Free and Reduced Price Lunch Eligibility, 2000 Census poverty rates, English Language Learner status, and sparsity (students per square mile).

SOURCE: Analysis of NYSED School Aid data from 2024-25 state budget at time of enactment.

Regional Cost Index

The values used in the Regional Cost Index (RCI) have never been updated. This can be done now, but research should also be pursued to reconfigure the regions themselves. The current use of only nine regions contributes to steep differences in index values between neighboring districts, some of which straddle regional boundaries. This violates the principle of treating similar districts similarly.⁵

Using more regions, perhaps county indices, should result in fewer steep differences in index values among nearby districts. Again, using a three-year rolling average to calculate the RCI would support predictability in aid and should lessen the impulse to lock-in a single year's figures for extended periods.

Expected Local Contribution

The formula currently allows two options for calculating the Expected Local Contribution (ELC) from district revenues. One uses an expected tax rate, the other uses a state sharing ratio. Each scales the

expected contribution by both property wealth and taxpayers' adjusted gross income, so that poorer districts are expected to contribute less.

The expected tax rate is adjusted by an Income Wealth Index which is not allowed to drop below .650. This arbitrary floor has the effect of overstating ability to pay in very low income districts. It should be eliminated.

We note that the property tax cap was not in effect when Foundation was first enacted. Determining whether school districts can raise their Expected Local Contribution without seeking a tax cap override requires judgment calls to decide how much of their levy should be counted toward costs covered by Foundation Aid versus other expenses.

But no one can dispute that the cap drives decisions on local tax effort. We estimate that for 28% of districts this year, increases in their ELCs as determined by the formula were greater than the property tax levy increases they asked voters to approve last spring—and part of their levy increase must support costs not intended to be funded by Foundation Aid. For 62% of districts, the percent increases in their ELCs were greater than the tax cap's commonly advertised 2% benchmark.

A seldom discussed effect of the cap is that it locked in disparities prevailing when it took effect: districts which had been restraining property tax increases thus had a lower starting base to build upon. We will continue to explore options to help these districts.

Special Education Funding

One area where the principle that Foundation Aid need not be relied upon to solve every problem should be considered is in revising funding for special education. The 2007 Foundation Aid formula diverged from a consensus among stakeholders reflected in Regents' proposals in one way—by consolidating into Foundation Aid what had been the largest special education aid stream, Public Excess Cost Aid. Doing so also departed from the intended focus for Foundation Aid—to support adequate *general* education.

In our most recent annual surveys, rising special education costs were the most widely cited concern among superintendents in contemplating financial prospects for their schools. We do not have a specific recommendation at this time but will develop options to share.

Percent of superintendents identifying "Increasing Special Education Costs" as a factor causing concern in thinking about the financial outlook for their schools
(Superintendents were asked to check all applicable concerns)

	New York State	Long Island	Lower Hudson Valley	Mid-Hudson Valley	Capital Region	Mohawk Valley	Central New York	North Country	Southern Tier	Finger Lakes	Western New York
Percent	93%	88%	83%	100%	89%	86%	86%	95%	97%	95%	94%
Rank	1	1	1	1	1	2*	2*	1	1	1	1

* "Inadequate state aid, including possible changes to Foundation Aid" was the most widely cited concern among Central New York and Mohawk Valley superintendents

SOURCE: NYSCOSS survey, November 2023

Growth Aid

Another separate aid category discontinued and folded into Foundation Aid in 2007 was Growth Aid. Where Foundation Aid and other formulas typically base aid on pupil counts from prior years, Growth

Aid provided funding for enrollment increases greater than 0.4% in the same year that growth occurred. We recommend resurrecting that formula, with a tier or weighting added to provide current year support on behalf of newly enrolled English Language Learners.

Some Matters of Context

Enrollment declines and school district reserves were cited to justify proposed Foundation Aid cuts in the 2024-25 state budget. I will close by sharing a few observations on those topics.

Enrollment Declines and Save-Harmless

It is true that most of New York's school districts have experienced declines in enrollment. But virtually all are now doing more than ever before to help students and families with non-academic concerns. That is the number one theme that emerges when we ask superintendents what is most important for New Yorkers to understand about their public schools today. It is hard to quantify this because what schools are doing varies across communities. Nearly all have expanded and improved student mental health services, but offerings of health care, child care, after-school care, and food assistance are common as well. In rural communities especially, schools may be the only site for miles and miles around where such help for families is available.⁶

New York has a long history of providing save-harmless in its primary general purpose aid category, going back to at least the 1970s. The actual cost in Foundation Aid remains small, however. Save-harmless funding in Foundation Aid for 2024-25 totals \$374 million. That is 1.0% of total School Aid and less than 0.3% of state operating funds disbursements. But the impact of cuts can be catastrophic for affected districts: offsetting proposed cuts this year would have required local tax increases averaging 5.1%, on top of what was needed to meet cost increases. Seventy-eight percent of Foundation Aid save-harmless funding this year is going to average or high need school districts.

Action is needed on behalf of students attending districts which have experienced steep enrollment declines—to ensure they have access to all the opportunities they deserve. But abrupt, drastic cuts in aid for their schools can only diminish their prospects.

We commend the State Education Department's plans to promote regional discussions aimed at building upon the sharing already done by school districts, with a focus on improving access to learning opportunities for all students.

Reserves

It is alarming to imagine any proposal to link state aid and school district reserve levels. First, reserve amounts are likely to have changed since the completion of any compilation that might be used in a formula. Also, districts often have valid or at least idiosyncratic reasons for what might appear to be excess reserves—a plan to pay off debt for example, or a receipt or expenditure that occurred either earlier or later than usual.

But more basically, the current 4% limit on unrestricted fund balance is a relic of a time when school district and state finances were far more stable and predictable. Independent authorities recommend an unrestricted fund balance of no less than two months expenditures (approximately 15% of budget).⁷ As reported last December in Western New York newspapers, State Comptroller Thomas DiNapoli said "...he would not object if the state legislature raises the 4% reserves for school districts to

something like 6%.”⁸ Municipalities operate with a softer tax cap and fewer financial disclosure requirements than school districts, but have no percentage limit on unrestricted fund balance.

School districts build reserves for the same reasons Governor Hochul has sought to do so for the state—to be able to manage uncertainties over revenues and costs, including, in our case, unforeseeable changes in state aid. For over one-third of school districts, a 1% increase in their local tax levy would raise less than \$100,000—not enough to fund services for one additional child with severe special education needs, or to preserve more than a single teaching position. All districts have been preparing for one certain revenue loss, hoping to sustain program improvements funded with expiring federal assistance.

Conclusion

Thank you again for your time today. We look forward to continuing engagement as we all strive for a school finance system that can fulfill the promise of our State Constitution, “a system of free common schools, wherein all the children of this state may be educated,” wherever they live and whatever their circumstances.

¹ **Educational Conference Board:** [Foundation Aid—What’s Next? \(October 2023\)](#). The Educational Conference Board is a coalition comprised of the Association of School Business Officials—New York, Conference of Big 5 School Districts, New York State Council of School Superintendents, New Yorks State School Boards Association, New York State United Teachers, and School Administrators Association of New York State.

² But we see it as impossible to justify an inflation adjustment based in part on changes in the Consumer Price Index going back as far as 10 years, as was proposed in the 2024-25 Executive Budget.

³ **Alternative Poverty Measures:** The 2021-22 state budget contained a formula which allocated a portion of federal American Rescue Plan funds as “Learning Loss Grants.” The formula effectively replaced Free and Reduced Price Lunch eligibility data and 2000 Census poverty rates with “direct certification” data and Census Bureau Small Area Income and Poverty Estimates (SAIPE). Both measures have advantages over the poverty factors used in Foundation Aid. But they also illustrate our point that any one change may have dramatic effects and that reforms should be considered as a package. Specifically, New York City’s share of the SAIPE poverty count was 11 percentage points less than its share of the 2000 Census poverty count. But as explained below, this impact was offset by an update to the Regional Cost Index.

Part of the variance likely arises because SAIPE represents poverty among all five to 17- year-olds within a community, rather than only those attending district schools, as in the 2000 Census data. Consequently, SAIPE data would tend to understate poverty in districts where large numbers of students from more affluent families attend nonpublic schools.

Shares of Statewide Student Poverty Counts
Districts Grouped by State Education Department Need/Resource Capacity Categories

	High Need					Average Need	Low need	All Districts
	New York City	Big 4 Cities	Small Cities and Suburbs	Rural	Small			
Free and Reduced Price Lunch Eligible*	53.1%	6.7%	11.1%	5.6%		19.7%	3.8%	100%
Direct Certification**	52.3%	6.7%	11.2%	5.5%		20.1%	4.1%	100%
2000 Census*	64.7%	8.2%	8.7%	4.7%		11.2%	2.5%	100%
Small Area Income and Poverty Estimates**	53.3%	9.1%	11.2%	6.1%		16.7%	3.7%	100%

* Used in 2021-22 Foundation Aid calculations

** Used in 2021-22 Learning Loss Grants formula

SOURCE: Compiled from NYSED School Aid data

⁴ **Increasing the Influence of Student Needs in Aid Calculations:** Increased impact of student need factors could help moderate-wealth school districts which serve large numbers of economically disadvantaged students. Also, if SAIPE data were used in a revised Foundation Aid formula, increasing the overall influence of student needs in the formula could help offset the effect of New York City’s lower share of that poverty measure.

⁵ **Regional Cost Index:** As an example, the Margaretville Central School District straddles the boundary between the Hudson Valley and Southern Tier regions but is assigned to the latter. If placed instead in the Lower Hudson Valley region, its Regional Cost Index would be 1.314 rather than 1.045—all else held constant, its Foundation Aid per pupil would be over 25% greater.

The aforementioned 2021 Learning Loss Grant formula employed an updated RCI illustrating the potential impact of using more current data in that factor. The LLG formula also divided New York City and Long Island into separate regions.

The RCI for New York City rose from 1.425 to 1.659. This offset the negative impact of replacing 2000 Census data with SAIPE data. The full LLG formula reduced or denied aid to districts like New York City which received large base allocations in American Rescue Plan funding. But the City’s share of LLG funding before application of this cap would have been 39.6%, on par with its 39.8% share of Foundation Aid for 2024-25.

**Comparison of Regional Cost Index Values
Foundation Aid vs. 2021-22 Learning Loss Grants
Formula**

Region	Foundation Aid	Learning Loss Grants
North Country	1.000	1.000
Mohawk Valley	1.000	1.088
Southern Tier	1.045	1.148
Western New York	1.091	1.148
Central New York	1.103	1.146
Capital District	1.124	1.201
Finger Lakes	1.141	1.202
Hudson Valley	1.314	1.423
Long Island/New York City	1.425	---
Long Island	---	1.423
New York City	---	1.659

SOURCE: Compiled from NYSED School Aid data

⁶ [“NYSCOSS Survey Finds Schools Taking on Expanded Mission, State and Federal Aid Enabling Service Improvements for Students.” \(November 2022\).](#)

⁷ [“Best Practices: Fund Balance Guidelines for the General Fund.”](#) Government Finance Officers Association. September 2015.

⁸ [“Comptroller Shares Thoughts on Population, Spending,”](#) Jamestown Post-Journal. December 12, 2023.