



September 2024

Dear Rockefeller Institute of Government:

We write on behalf of the Palmyra-Macedon Central School District to provide written comments for consideration in the Rockefeller Institute's **Foundation Aid Study**.

It has now been more than 30 years since the Campaign for Fiscal Equity (CFE) challenged New York State's school funding system. And it has now been more than 20 years since the New York State Court of Appeals reaffirmed the State's constitutional obligation to ensure funding for all its children to have the opportunity for a sound basic education.

In response, Foundation Aid was promised in 2007 to ensure that schools would have the resources necessary to provide a quality education without overburdening local taxpayers - and to do so in a transparent and predictable manner. However, that promise has largely been an empty one. For example, according to the State's own annual State Aid Output Report calculations, New York State has withheld more than \$73 million of Foundation Aid from the Palmyra-Macedon Central District over the past 17 years.

School district students and taxpayers endured the withholding of Foundation Aid for more than a generation - through good and bad fiscal times. Students who entered Kindergarten in 1993, when the CFE first brought its challenge, are now adults in their mid 30's. The Class of 2020 who entered Kindergarten in 2007, when Foundation Aid was first promised, are now adults in their early 20's. It is too late for them, but it is not too late for you to impact today's generation.

The Rockefeller Institute now has the opportunity to finally help fulfill the original promise of Foundation Aid - to link "school funding to the cost of a successful education" and allocate "State Aid in a transparent, equitable and predictable manner." We encourage you to be guided in your work by the principles and process recommended by the New York State Educational Conference Board (ECB). Enclosed are the ECB's 2023 report, "Foundation Aid - What's Next?" and the ECB's Principles for School Finance Reform. The principles - Adequacy, Equity, Clarity, Predictability, Flexibility, and Accountability - were first endorsed by the ECB 20 years ago and they remain the priorities for students, parents, and taxpayers.

To borrow language from Foundation Aid's initial rollout in 2007, it is our hope that "the timetable will no longer be tomorrow but today."

Sincerely,

Laura Arrington
President, Board of Education

Robert R. Ike, Ed.D.
Superintendent

Enclosures

Foundation Aid – What’s Next? *Recommendations for Principles and Process*

All the public school leadership organizations comprising the New York State Educational Conference Board commend Senators, Assemblymembers, and Governor Kathy Hochul for their resolve in bringing about full funding of the Foundation Aid formula in the 2023-24 state budget. With the formula at last fully funded, the time has arrived for New York State to commence a carefully constructed review of how Foundation Aid now operates.

When first enacted in 2007, the Foundation Aid formula was an exemplary achievement in public policy. It still delivers the greatest benefit to many of the neediest school districts and their students. Together with federal COVID-relief aid, the final strides in attaining full funding of Foundation Aid have enabled schools across the state to improve educational opportunities for students and to expand the ways they support the families of those children.

But 16 years have passed. Some formula components have never been updated and others have grown faulty. In the intervening time span we have also gained deeper understanding of how the life circumstances of children may affect their learning, as well as what strategies can best enhance their prospects for success in school and in life beyond.

With this paper, the Educational Conference Board, representing parents, classroom teachers, school related professionals, school boards, principals and other school administrators, superintendents, and school business officials in all the state’s school districts, offers recommendations for principles and a process to guide that review.

Evaluating Foundation Aid—ECB’s Principles for School Finance Reform

The Educational Conference Board first endorsed six principles for school finance reform in 2004 as the state grappled with responding to the Campaign for Fiscal Equity court challenges which eventually led to the enactment of Foundation Aid. ECB has periodically made modest revisions to its reform principles over the years. In this section we summarize our school finance principles and analyze how the Foundation Aid formula measures-up against those principles now, 16 years after its enactment.¹

- **Adequacy:** The state must assure that all school districts have the resources needed to provide their schoolchildren with the opportunity for a sound basic education.

The formula still generally provides the greatest aid per pupil to the neediest districts. But the calculation behind the basic per pupil amount – the Foundation Amount – has not been updated since 2012. The Regional Cost Index has never been updated. The formula still uses poverty data from the 2000 Census and problems have emerged with the use of Free and Reduced-Price Lunch data as a poverty measure. Greater understanding of how life circumstances affect children’s learning should be considered in determining whether the weights given to various pupil needs factors still correspond with cost differences.

- **Equity:** The state’s school finance system must offset variations in communities’ ability to pay for education from local sources, so that all districts can give their schoolchildren the chance for a sound basic education without overburdening local taxpayers.

Each of our conclusions regarding adequacy apply to concerns about equity as well. Further, the design of the Regional Cost Index results in implausibly wide variations between neighboring districts on that factor – similar districts are not treated similarly as a consequence. Equity should be pursued by “leveling-up” support for poorer districts.

- **Clarity:** Making school finance as simple and easy to understand as possible can make funding decisions more transparent and decision-makers more accountable.

School Aid for New York State is complex because New York is a complex state, this limits the degree to which the aid system can be simplified. Foundation Aid still retains its original, relatively simple design. But it is hard to explain or justify the continued use of data elements which are outdated and no longer reflect conditions in school districts.

- **Predictability:** Schools need stability and predictability in funding in order to plan effectively on behalf of students and taxpayers.

In most of the years between enactment and full funding, most districts could not predict Foundation Aid from one year to the next. That should improve with the achievement of full funding, contingent upon future changes to the formula. Aid must be responsive to the ever-changing needs and priorities of schools. State aid should ensure that districts can meet the unexpected and challenging events that face our schools on a recurring basis. Using rolling multi-year averages could allow for continuous updating while moderating year-to-year changes. Save-harmless should be preserved – all districts must cope with the effects of growing student needs, high inflation, and expiring federal COVID-relief aid.

- **Flexibility** – Reforms should ensure districts have sufficient general purpose aid to help fund the resources needed to deliver the opportunity for a sound basic education.

Foundation Aid is intended to be unrestricted, general purpose operating aid for public schools. Over the years, Governors have made assorted proposals to dictate how districts could spend portions of their Foundation Aid. In some cases, ECB members have acknowledged the priority behind a proposal while opposing the mechanism of set-asides. State officials should be sparing in substituting their judgments for those of local leaders and their communities.

- **Accountability:** Any new accountability requirements should complement or adapt those already in place, not simply layer new mandates on top of old.

New York public schools are subject to an expansive array of accountability requirements – annual budget votes, financial disclosures, school and property tax report cards, and federal testing and accountability designations. State officials should exercise restraint before attaching new accountability mandates to Foundation Aid.

Moving Forward

There is widespread recognition that, with full funding achieved, the Foundation Aid formula is due for a review of whether it is meeting the needs of the state's schoolchildren and the public schools which serve them. For example, both the Assembly and Senate included in their 2023-24 "one-house" budget plans funding to enable the State Education Department to lead research in reviewing the formula. Bills have been proposed to create a sound basic education commission with the same objective.

The Educational Conference Board supported Foundation Aid research funding for the Education Department and continues to do so. We envision a multi-step process for any review. Some possible formula changes or updates can be modeled now; others will require research which has not yet been funded.

One fundamental point to bear in mind is that either a detrimental or positive effect from one formula modification for any districts may be fully offset by other changes. The reverse is also true. Accordingly, whatever the merit of any *one* intended improvement, it will be necessary to assess the *combined effects* of a package of changes. This might necessitate deferring any structural changes to Foundation Aid until all options can be evaluated.

Below we outline our priorities for review, dividing them between steps we believe can be taken now and those which will require further research, likely necessitating additional funding to complete.

Formula Element	Update Priorities (Funding not required to conduct update)	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. <i>Priority Level 1</i>	Review other methodologies for determining Foundation Amount. <i>Priority Level 3</i> **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. <i>Priority Level 2</i>	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). <i>Priority Level 1</i>
Regional Cost Index (RCI)	Update data used to calculate index values (using a three-year rolling average); reconfigure regions to extent possible. <i>Priority Level 2</i>	Identify and develop alternative RCI models. <i>Priority Level 2</i>
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. <i>Priority Level 3</i>	Assess how fiscal dependency and competing municipal needs affect raising the ELC in the state’s “Big 5” cities. <i>Priority Level 3</i>
Weighted Pupil Count	None	Review and revise weightings within various pupil counts, including the 1.41 weighting on behalf of students with disabilities. <i>Priority Level 3</i>

Conclusion

Foundation Aid is the largest aid formula, distributing nearly \$24 billion, or 70% of total School Aid. As such, it is the state’s most powerful tool for assuring all schoolchildren the opportunities and assistance necessary to achieve success in life beyond school.

But Foundation Aid is not the only funding stream and should not be regarded as the solution to every problem. The Educational Conference Board recommends re-establishing a Growth Aid formula to provide help to districts experiencing a surge in enrollment in the same year that it occurs (most formulas use pupil counts from the prior year); such a formula should include a tier or weighting to provide additional help on behalf of English Language Learners. The state should also restructure funding for prekindergarten to assure predictable and sustainable support.

Our membership encompasses the people responsible for managing district finances and school operations, for delivering instruction and other student support, and for raising children. A strength of the 2007 formula was that it largely reflected a consensus built among key stakeholders through a process supported by research led by the State Education Department. That path should be followed once more.

Now we are committed to working with all state policymakers to ensure that the great progress of recent years is not lost by failure to make timely and careful revisions to Foundation Aid. This is especially necessary now, as temporary federal assistance that schools have relied upon comes to an end. We must all work so that Foundation Aid remains a cornerstone in fulfilling our State Constitution’s promise of, “...a system of free common schools, wherein all the children of this state maybe educated.”

HOW FOUNDATION AID IS CALCULATED NOW

The Foundation Aid formula consists of five core pieces. A uniform per pupil amount (the **Foundation Amount**) is multiplied by a **Pupil Needs Index** and by a **Regional Cost Index**. That product is then offset by an amount to be raised from local revenue sources—the **Expected Local Contribution**. The result is then multiplied by a **weighted pupil count** which provides some additional support on behalf of students with disabilities. What follows is a concise explanation of each of those pieces.

- **Foundation Amount:** This is a uniform per pupil amount for every district. It was conceived as a proxy for the cost of providing a sound basic education to students without special needs, excluding costs aided through other state aid formulas (Transportation Aid, for example). The figure was derived from the average per pupil spending of districts deemed to be providing adequate education as determined by a “Successful School Model” using student performance on a collection of eight state assessments. As an “efficiency screen,” only results from identified districts in the lower half of per pupil spending were counted. It is adjusted for each school year by the average monthly change in Consumer Price Index over the prior calendar year.

Changes in state learning standards and assessments now make it impractical to update the Successful Schools Model calculation using the original methodology. However, a new methodology could be developed using the Successful Schools approach to generate an updated Foundation Amount.

- **Pupil Needs Index:** This factor considers student poverty, measured using a combination of Census data from the year 2000 and a rolling three-year average of the percentage of kindergarten through grade six students eligible for free or reduced-price lunches, plus counts of English Language Learners, and a measure of geographic sparsity (students per square mile).
- **Regional Cost Index:** To adjust aid to reflect variations in the cost of providing education, this factor divides the state into nine regions and assigns all districts in each region an index value based on the compensation of workers in that region in occupations requiring education comparable to that of teachers, reflecting a consensus that the measure should not use factors which could be influenced by school district spending decisions. These index values have never been updated.
- **Expected Local Contribution:** This factor determines an amount each district should be expected to raise from local revenues to support general education. It uses the more favorable of two options for every district; both adjust the expected amount based on district property wealth and resident incomes, so that poorer school districts are expected contribute less and wealthier districts more.
- **Weighted Pupil Count:** Where some state aid formulas reimburse districts for a share of approved expenses, Foundation Aid allocates an amount per pupil. The pupil count used in Foundation Aid starts with a district’s average daily membership (i.e., enrollment) and gives extra weight for students who are receiving special education or who moved out of special education in the prior year.

Here is the formula represented as an equation:

$$\text{Foundation Aid} = \frac{[(\text{Foundation Amount} \times \text{Pupil Needs Index} \times \text{Regional Cost Index}) - \text{Expected Local Contribution}]}{\text{X Weighted Pupil Count}}$$

For decades, with both Foundation Aid and its precursors, the state has taken a further step, applying “save-harmless,” so that no district receives less support than the year before. In many years, the state has also provided minimum percentage increases—in the last two state budgets, districts were guaranteed at least a 3% increase in Foundation Aid over the prior year.

ⁱ For a more detailed explanation of ECB’s school finance principles see <https://bit.ly/3tjDCJi>

Principles for School Finance Reform

- **Adequacy:** The state must assure that all school districts have the resources needed to provide their schoolchildren with the opportunity for a sound basic education.
 - The level of resources must take into account differences arising from pupil needs and regional variations in the cost of providing education.
- **Equity:** The state’s school finance system must offset variations in communities’ ability to pay for education from local sources, so that all districts can give their schoolchildren the chance for a sound basic education without overburdening local taxpayers.
 - Equity should be pursued through “leveling-up” state aid to poorer school districts.
 - Equity requires similar treatment of districts with similar characteristics.
 - A local funding contribution is expected. Increases in state aid intended to rectify educational inadequacies should not be used to diminish local efforts.
- **Clarity:** Making school finance as simple and easy to understand as possible can make funding decisions more transparent and decision-makers more accountable.
 - An easy to understand school finance system is essential and state aid calculations should be more self-evident, so that they can be understood, evaluated and debated by more people.
- **Predictability:** Schools need stability and predictability in funding in order to plan effectively on behalf of students and taxpayers.
 - State aid should be distributed through consistent, uniformly applied formulas with built-in regular adjustments for cost-based factors that are not subject to annual manipulation.
 - State aid factors such as the cost of a sound basic education, district wealth, regional cost factors and pupil needs adjustments should be reviewed and updated on a regular schedule.
 - Districts should be able to rely on receiving additional funding for additional recognized needs.
 - Save-harmless should be continued to protect districts against revenue losses – all districts must cope with the effects of growing student needs, high inflation, and expiring federal COVID-relief aid.
- **Flexibility:** Reforms should ensure districts have sufficient general purpose aid to help fund the resources needed to deliver the opportunity for a sound basic education.
 - The state should be cautious in substituting its judgment in setting funding priorities for that of local leaders and communities who are best positioned to know the needs of their students and the strengths and shortcomings of their schools.
 - Changes to or elimination of categorical programs should only be supported if it is clear the needs that led to their creation have been addressed or can be met through other means.
- **Accountability:** Any new accountability requirements should complement or adapt those already in place, not simply layer new mandates on top of old. Through annual budget votes, board elections, school report cards, property tax report cards, and financial audits, schools are already held to high standards of fiscal accountability. Reforms should streamline existing planning and reporting requirements for districts, and make the existing structures more understandable for parents and taxpayers.