

## Recommendations for Rockefeller Institute Foundation Aid Study September 6, 2024

### **Introduction:**

We are pleased to submit these comprehensive recommendations on the Foundation Aid formula to the Rockefeller Institute. It builds on the shorter testimony we provided at hearings in New York City and Albany earlier this summer.


EdTrust-New York is a statewide non-profit organization dedicated to educational equity. We work to attain educational justice through research, policy, and advocacy that results in all students – especially those who are from low-income backgrounds or students of color – achieving at high levels from early childhood through college completion. EdTrust-New York also supports the New York Equity Coalition, a group of civil rights, education, parent, and business organizations committed to fighting for higher achievement and greater opportunities for all students in New York State.

We are submitting this testimony because the Foundation Aid formula has a profound impact on the students, schools, and communities that EdTrust-New York and our partners represent and care deeply about. Across the state, this includes students of color, students from low-income backgrounds, students living in poverty, multilingual learners, students with disabilities, migrant students, foster care youth, and students who are housing insecure.

Students in these groups have a diverse set of needs and experiences, resulting in a wide range of services that school districts must provide, and rely on Foundation Aid funding to do so. While the needs of these students have been growing for many years, districts have been hamstrung in addressing them due to years of state underfunding of the Foundation Aid formula, which was not fully funded until the 2023-24 school year, 17 years after it was first passed by the State. A 2018 [Alliance for Quality Education](#) report showed that the state underfunded 25 high need, majority Black and Latinx districts by \$2.6 billion, contributing to the challenges faced by districts prior to the pandemic.

These challenges were only exacerbated by the impact of the pandemic on the academic and social-emotional well-being of students, with students and families of color and from low-income backgrounds most affected. For example, multiple studies have shown that students of color and students from low-income backgrounds disproportionately experienced unfinished learning due to factors such as limited access to technology, extended school closures, and lack of appropriate physical space during remote learning. This is illustrated by 2023-24 New York State Assessment scores showing that only 43% of NYS students were proficient in third grade reading and 41% in eighth grade math, two critical indicators of future success. Additional statewide data from the 2022 National Assessment of Educational Progress (NAEP) shows that New York ranks 37<sup>th</sup> in fourth grade reading and 46<sup>th</sup> in eighth grade math. While we are grateful the Foundation Aid





formula is now fully funded, much more needs to be done to address the challenges created by years of underfunding and the pandemic.

This study of the Foundation Aid formula is timely and critical for New York's education stakeholders. As you know, the Foundation Aid formula was designed to even the playing field by providing more funds to districts serving large numbers of students with diverse needs. For most of these high-need districts, Foundation Aid represents their largest allocation of state funding and the only unrestricted funds that can be used to meet the unique needs of their schools.


Unfortunately, the Foundation Aid formula is deeply outdated. The formula has not been updated since 2007 and continues to use 2000 Census data to calculate annual changes in aid. The formula also relies on inaccurate and outdated data and weighting systems that do not reflect current student needs, particularly for multilingual learners, students with disabilities, students in temporary housing, and foster care youth. Comprehensively addressing these issues is critical to ensuring that all New York students are provided with the "sound, basic education" they deserve.

Additionally, districts across the state have been making important new investments in evidence-based reading and math instruction and any reduction in state aid could jeopardize their impact. Current student outcomes make clear that any funding cuts to districts would likely only exacerbate the existing equity gaps across the state.

Before sharing our recommendations, it is important to note that EdTrust-New York is concerned about the aggressive timeline for this study and urges a comprehensive, thoughtful and data-driven process that puts the needs of students above any state fiscal or political considerations. Importantly, the process must engage both stakeholders and experts across the state, including those most affected by the flaws of the current formula. As a result, we hope this study will represent the first step in a longer-term, comprehensive process that includes the Legislature, Governor, and additional experts and stakeholders across the state before any legislative changes are made.

### **EdTrust-New York Recommendations:**

EdTrust-New York agrees that the Foundation Aid formula needs to be updated and improved. However, any changes must be equity focused and center the needs of students of color and students from low-income backgrounds. While it is necessary to adjust the mechanics of the formula, it is equally important to monitor how districts and schools utilize these funds. For example, based on EdTrust-New York's [school funding tool](#), while New York City (NYC) spends more per student in elementary/middle schools with the greatest need, that is not true across all groups of students. For multilanguage learners (MLLs) in NYC, for example, schools with the lowest shares of MLLs spend almost the same amount (\$25,430 per pupil) as schools with the highest share of MLLs (\$25,855 per pupil). This suggests that weighted funding for MLLs is not reaching students, but greater transparency of the data would be needed to know how schools spend funds on MLLs.



We look forward to working with stakeholders across the state to ensure funds are equitably and transparently distributed to schools and focused on evidence-based practices that improve student well-being and academic outcomes.

### **Base Cost**

New York currently determines the base formula cost using a Successful School District model (SSD). The model was adopted in 2006 and defined a successful school district as one where over a 3-year period an average of 80% of students achieved level 3 on the fourth and eighth grade ELA and math assessments and a 65 or higher score on six different Regents exams.

This model has not been updated by the New York State Education Department since 2012, does not reflect changes in state standards and assessments since that time, and is not generally representative of large urban and small rural districts. New York and Washington are the only states to have utilized SSD on its own. All other states who have utilized SSD have paired it with at least one other methodology and only utilized it to validate the findings of other studies and methodologies. As a result, the model does not accurately reflect the base cost of successfully educating students and is neither equitable nor adequate.

***Recommendation:** The study should explore alternative methodologies to accurately determine the base cost for the Foundation Aid formula. This process should include the design of a new adequacy study to determine a new base cost for the funding formula. The study should employ a mixed methodology, which may include SSD, to provide validation of the more qualitative approaches such as the professional judgement panel or the evidence-based approach. A new adequacy study must also include local stakeholders in the process, as well as a wide array of education experts on professional judgment panels. For example, New Jersey used a professional judgment panel to determine the resources needed to ensure that all students have the opportunity to meet state content standards and used these costs to determine a base funding level per pupil.*

*Additionally, any use of the SSD model should include growth measures for key student subgroups, account for socioeconomic factors such as family background to determine if success could be replicated in high-need communities, and include non-academic outcomes such as school climate and suspension rates as part of determining the success of a school district.*

### **Regional Cost Index**

The Regional Cost Index is a key component of the Foundation Aid formula that reflects analysis of regional labor market costs based on median salaries in occupations that require similar credentials as those in the education field. Unfortunately, that data has not been updated since 2006 and is not reflective of the current market costs in high priced areas such as NYC, particularly given the recent increases in inflation.

*Recommendation: The study should explore updates to the Regional Cost Index to better reflect the costs of salaries and services, which have greatly increased in the almost two decades since this data was first released.*

### **Weighting**

The Foundation Aid formula can only be effective if it utilizes updated data and accurate methodologies to determine both the additional costs of educating certain subgroups of students and the number of students in those subgroups. This information is then used to provide additional funding or “weights” in the formula to comprehensively address student needs. Unfortunately, New York’s formula needs significant updates and improvements to accurately determine the appropriate weights for students living in poverty, students with disabilities, students in temporary housing, foster care youth, and multilingual learners.

***Poverty:*** The current formula uses a combination of indicators to determine student poverty, including the number of students eligible for free and reduced-price lunch (FRL) and the number of school-aged children in families below the poverty threshold using U.S. Census data. The FRL measure is often inaccurate since it was not designed to measure socioeconomic status (SES), fails to holistically address student SES, and is less reliable since adoption of federal Community Eligibility provisions. Additionally, NYSED continues to use 2000 Census poverty data, even though annual updates are available. There have been significant demographic changes in many school districts since 2000, resulting in the use of inaccurate data to calculate poverty rates. At the same time, the formula does not identify or determine the amount of funding that would be necessary to provide effective programming that would best support students from low-income backgrounds.

### **Recommendations**

- *Determine a poverty weight based on the academic and social-emotional resources needed to improve outcomes for students from low-income backgrounds such as evidence-based instruction in math and reading, tutoring, and mental health support.*
- *Consider alternative student poverty measurements that move away from FRL such as Medicaid enrollment records which have been successfully implemented in Maryland and are being piloted in Tennessee.*
- *Consider the use of differentiated weights based on a district’s concentration of poverty, like California’s Local Control Funding Formula (LCFF) which more than doubles the weight for high-need students in districts with a concentration of student need above 55%.*
- *Review other state weighting systems for students living in poverty. For example, Maryland and Massachusetts provide 100% to 200% more funding for students from low-income backgrounds.*

- *Use tiers of SES that reflect access to financial, social, cultural, and human capital resources. For example, [Jefferson County \(KY\) Public Schools](#) uses a tiered approach to socioeconomic status which then determines school enrollment and funding. Other examples can be found in [Dallas](#), [Chicago](#), and [Tucson](#).*

**Multilingual Learners:** Since the formula was created in 2007, there have been important developments in how to best serve these students. Yet, the outdated Foundation Aid formula provides only a single weight for multilingual learners that does not reflect the diversity of New York's student population. For example, students at different levels of English proficiency have very different educational needs and may require more intensive language instruction and supports. Additionally, there are three language instructional models (English as a New Language, Transitional Bilingual Education, and Dual Language) in New York State, each with different costs associated with implementation. Finally, there are recent increases in migrant students and unaccompanied minors across New York, who often require significantly more educational and social-emotional services that are not sufficiently funded.

***Recommendations:** The study should explore the cost of effectively supporting multilingual learners, including the use of differentiated weights by proficiency level and type of services and programs required. For example, some states provide the highest weights to beginner MLL students and decrease as they gain proficiency. The study should also look at the costs associated with educating additional subgroups of multilingual learners, such as students with interrupted formal education (SIFE) and long term MLLs who require additional supports to gain proficiency. Additionally, the study should explore how other states weigh funding for MLL students. For example, Maryland provides 100% more funding and Georgia provides 150% more funding for these students.*

**Students with Disabilities:** New York State has over 456,000 students with disabilities, representing 19% of the student population. Students with disabilities have diverse needs that require a wide range of services from districts. New York currently provides a single weight for these students, with additional funding available to support students with needs that result in higher costs. A single weight for students with diverse sets of needs and instructional models does not properly account for the funding districts need to educate students with disabilities according to their individualized education plan.

***Recommendations:** The study should explore options for better targeting funds to districts. This could include providing differentiated weights based on categorical student needs and instructional setting requirements instead of a single weight. For categorical needs, weights could increase depending upon disability level and service requirements, with higher weighting for costly services. Some states also use placement and service requirements to determine funding needs. We recommend studying the costs of various placement settings and staffing requirements for students with disabilities and differentiating funding weights accordingly.*

**Students in Temporary Housing and Foster Care:** Over 5% of New York State's K-12 students are experiencing homelessness, with over 40,000 newly arriving students living in temporary housing and attending NYC public schools, requiring significantly more resources from the state. Additionally, the state has over 8,000 students living in foster care, who also need more resources to meet their unique needs. Currently, there are only limited federal grant funds that can be used to target resources and support for these students.

*Recommendations: Since the current formula provides no extra funding for these groups of students, we recommend targeted support through an additional weight for both groups as part of an updated formula that reflects current needs. For example, Texas provides a .275 weight for students experiencing homelessness. Districts also provide additional weights for these students. Washington, DC for example, includes homelessness and foster care under an "at-risk" weight that also includes other categories such as SNAP recipients.*

**Pre-K and 3K Students:** While the state uses different funding methods for each state-funded early childhood program (Universal Pre-K, Statewide Full-Day Pre-K, and 3K), each model relies on outdated data that results in insufficient funding to meet the needs of New York's youngest students. The Universal Pre-K per-pupil rate, for example, has not increased for more than 15 years and is based on the amount of Foundation Aid received by the district in 2007.

The statewide Full-Day Pre-K program is designed to provide anywhere from \$7,000 to \$10,000 per student, yet it provides much less. Generally, the per-pupil funding for this program is set at \$5,400 or half of the district's Foundation Aid allocation, whichever is higher. Since the Foundation Aid formula is outdated and flawed, this results in insufficient funding to serve children and compensate teachers. Advocates estimate that the rate should be at least \$10,000 per child. Furthermore, Full-Day Pre-K funding is based on the Foundation Aid allocation when the district opted into the program, resulting in flat funding. For example, if a district opted into the Pre-K program in 2012, per pupil funding would be frozen at that 2012 level despite annual increases in Foundation Aid allocations, inflation, and increasing needs.

*Recommendations: The study should explore how to weight all state funded Pre-K and 3K programs in the revised formula. It should also consider indexing state-funded UPK allocations to the K-12 Foundation Aid per-pupil amount. This would provide a sustainable and predictable formula that is aligned with K-12 funding levels. Finally, since preschool classrooms have different teacher-child ratios than K-12 classrooms, the formula should incorporate the costs of smaller class sizes, and the challenges associated with staffing early childhood classrooms.*



## **Data Transparency**

Improving and updating the Foundation Aid formula is only the first step in ensuring that all students receive a sound, basic education. Since districts have significant flexibility in how Foundation Aid funds are allocated to and used by schools, there must be strong public transparency and monitoring to ensure funds are equitably and effectively used to improve student outcomes.

For example, based on EdTrust-New York's [school funding tool](#), we know that elementary and middle schools in Buffalo with the lowest shares of students from low-income backgrounds are spending more per student than schools with the highest shares. For multilingual learners, schools with the lowest shares of multilingual learners also spend more per student than schools with the highest share of multilingual learners. This suggests that weighted funding for students from low-income backgrounds and multilingual learners is not reaching students, but greater data transparency is needed to know how schools spend funds.

EdTrust-New York was able to analyze this data for the school funding tool due to the New York State School Funding Transparency Forms (Education Law 3614) which were required from 2018-2023 and had schools provide a detailed statement of the total funding allocation for each school in the district for the upcoming school budget year. This data allows the public to examine if their districts are effectively allocating resources to the schools and students with the most needs. The required forms expired in 2023. While most of the information can now be found on the NYSED data website, the data is not easily understood or accessible for the public and requires significant time and resources from EdTrust-New York to analyze and make the data accessible via our school funding tool.

### **Recommendations:**

*NYSED should provide analysis and publication of school spending data that:*

- *Includes school and district-level data on demographic characteristics. This should be disaggregated to include percentages of students from low-income backgrounds, multilingual learners, students with disabilities, and students of color. It should also include student outcomes. This would allow the public to see spending differences between schools and understand how funding is connected, or not, to student outcomes.*
- *Includes data on spending across groups of schools with similar and different demographic characteristics or student outcomes, so that it is easy to understand whether spending is higher in high-need schools than in lower-need schools.*
- *Presents the data in a way that is easy for the public to find, understand, and use.*

*Additionally, NYSED should provide information on how the funding system is designed to work in clear, plain language by publishing easy-to-follow data. This information should demonstrate the amount of funding each district should receive according to its state*

*funding system and what it actually receives based on the components and inputs of the Foundation Aid formula. It should also analyze patterns to identify if districts are being underfunded.*


*Finally, this data analysis should be public and include an exploration of whether certain provisions in the formula are producing unintended equity-undermining consequences such as:*

- *Hold harmless provisions. While it is important for New York to provide stable funding for districts experiencing decreases in enrollment or other changes, any changes to hold harmless provisions should be phased out over time to ensure funds are being equitably distributed to the districts with the highest needs. Additionally, when considering changes to hold harmless, it should account for enrollment changes over time. Some districts may experience fluctuations in enrollment, such as New York City which saw a decline in enrollment during Covid, but then an influx of migrant students. Thus, any changes to hold harmless provisions should consider longer term under enrollment trends.*
- *Small district adjustments. States like New York often provide additional funds for small and rural districts due to increased expenses such as transportation. While sometimes necessary, New York should ensure these adjustments are not incentivizing the creation of smaller, homogeneous districts that lack racial and socioeconomic diversity and result in less funding to districts serving students with greater needs.*
- *Revenue shortfalls. If New York experiences revenue challenges, it should ensure funding is not cut in a way that punishes high-need districts and students by cutting supplemental funding for students from low-income backgrounds or reducing the amount of equalization funding provided to low-wealth districts. For example, if the state reduced every district's state aid by the same percentage, it might appear "fair" but would take a much larger toll on those districts relying most heavily on state aid due to their higher student need or low wealth or income.*

### **Periodic Review of Formula**

To avoid formulas becoming out of date and out of touch with changing student and resource needs, the state should regularly review the Foundation Aid formula. This review should assess whether funding levels are sufficient for districts and schools to support the social, emotional, and academic needs of students. This periodic review should also include whether the formula is leading to improvements in student achievement, funding adequacy, and equitable funding. Finally, this periodic review should include key stakeholders, including the Governor, legislature, New York State Education Department, practitioners, experts, and advocates.





*Recommendation: Regularly review the Foundation Aid formula for adequacy and effectiveness by enshrining in state law or establishing regulatory rules that require the legislative branch and department of education to conduct regular reviews and recommend policy changes. For example, [New Jersey's](#) state school finance law requires the Governor, in consultation with the Commissioner of Education, to review their formula every three years. [Illinois](#) requires their Professional Review Panel to publish a comprehensive assessment of whether their formula is achieving state goals every five years. [Arkansas](#) requires its State House and Senate Education Committee's to conduct adequacy and equity studies of its school funding every two years. Finally, state leaders should regularly review their formulas to assess whether funding levels are sufficient for districts and schools to support the social, emotional, and academic needs of students.*