



Panel 6

Testimony of the New York State School Boards Association Senate Standing Committees on Education and Budget and Revenue

Public Hearing: To examine the distribution of the Foundation Aid formula as it relates to pupil and district needs

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My name is Brian Fessler and I am the Interim Director of Governmental Relations for the New York State School Boards Association (NYSSBA). I appreciate the opportunity to offer testimony to the Senate Committees on Education and Budget and Revenues, Chair Mayer and Chair Benjamin on behalf of the 676 member school boards we serve.

NYSSBA believes in five specific tenets of education funding: adequacy, equity, flexibility, predictability and clarity. They guide our work on all school funding issues and we enter this conversation with those principles at the forefront of our advocacy.

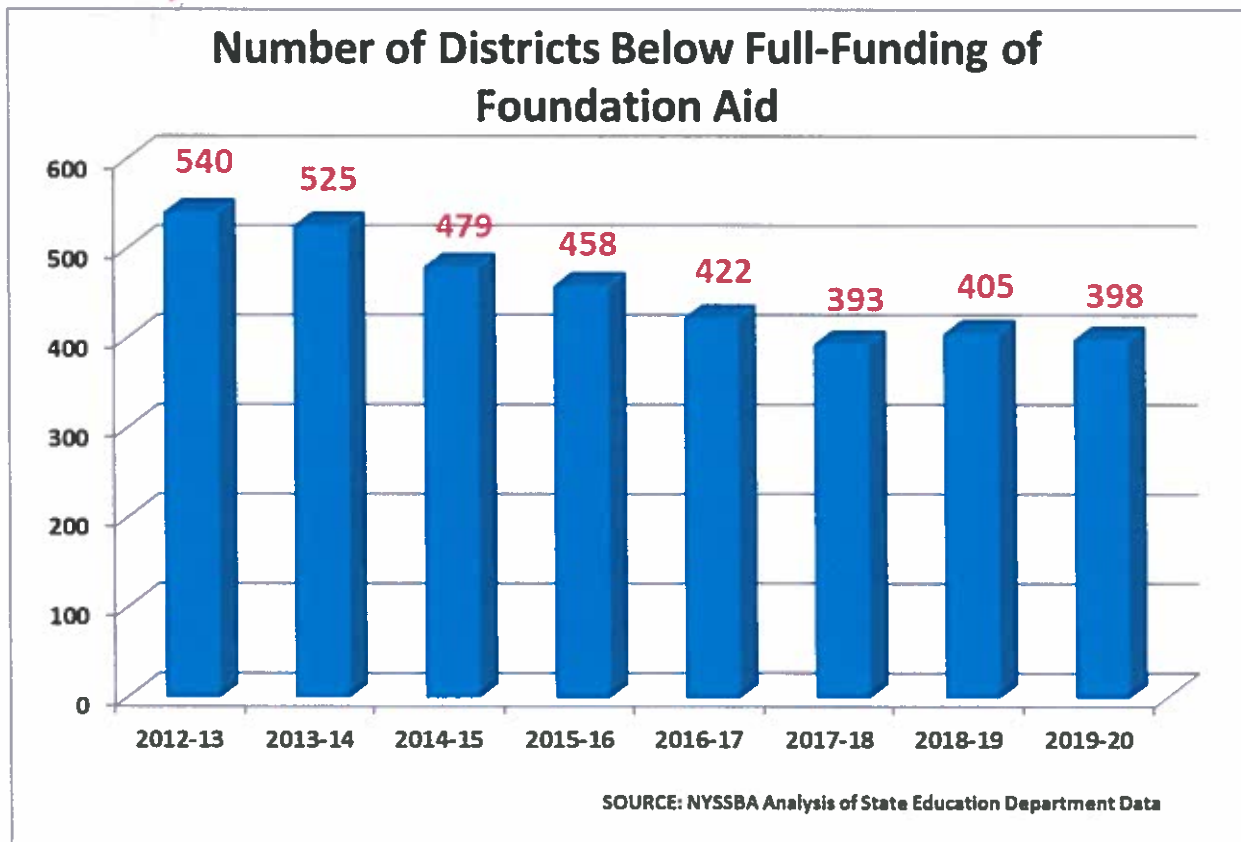
The state's Foundation Aid formula, enacted in 2007, represented a significant educational and fiscal policy success. Policymakers put in considerable time and effort into a process that consolidated dozens of small individual school funding formulas into a robust and detailed formula that was designed to offer the education community predictability, equity, clarity, adequacy and flexibility.

The formula analyzed the cost to educate a student in a successful school and then made adjustments to recognize the differing costs between students and geography. With that cost, the local school district community's capacity to support that cost was calculated, based on property and income wealth factors. The resulting figure, when a district's student enrollment was factored in, would be funded by the state. This formula would help guarantee the state's constitutional obligation to provide all students with a sound basic education as being met, while recognizing the different needs and capabilities presented by each of the state's nearly 700 school districts.

Unfortunately, the Great Recession took hold of the state and nation in the middle of the Foundation Aid's planned four year phase-in. An ambitious and well-intentioned effort was immediately put on hold, while districts statewide instead endured billions of dollars in state aid cuts. School districts were forced to shift their focus from incorporating a new funding formula, to struggling to maintain basic programs and services for more than two and a half million public school students across New York. In just the three years that the Foundation Aid formula was frozen, the state fell behind by more than \$5 billion in funding.

Despite the end of the recession and the ability to provide additional support to districts, the state has failed to restart the phase-in of the Foundation Aid formula. Increases in Foundation Aid in recent years have been distributed using single year formulas subject to conditions, priorities and preferences of the respective years. While the funding increases have helped many districts meet their students' basic needs, there is little predictability or stability from year to year; nor is the full scope of districts' financial circumstances and student needs being considered. For nearly two-thirds of the districts in the state, Foundation Aid remains billions of dollars below full-funding. In the

current school year, nearly 400 districts are receiving \$3.4 billion less than the statutory Foundation Aid formula would provide. On average, those districts are receiving slightly less than 80% of their full-funding amount - and more than 50 of the districts are receiving less than 60% of full-funding.



At the same time, districts are facing many more and different pressures than when the Foundation Aid formula was first enacted. These include implementation of another set of new learning standards, thousands of new high-cost special education students, increased requirements for English language learners (ELLs), growing threats to student safety, implementation of the state’s federal Every Students Succeeds Act (ESSA) plan and increased demands for school-based health and mental health services. While navigating this, there has also been little meaningful relief from existing major cost drivers.

When the state paused the phase-in of Foundation Aid, it also neglected any maintenance of the statutory formula itself, failing to consider if each underlying assumption remained true or how factors and circumstances may have evolved over time. While a clear plan to return to a functioning Foundation Aid formula is of critical importance, the formula itself should also be periodically reviewed. When appropriate, the formula should be updated, modified and otherwise improved to ensure that it is reflective of the current educational environment. As part of this process, NYSSBA calls on the state to address the following items with regard to the formula:

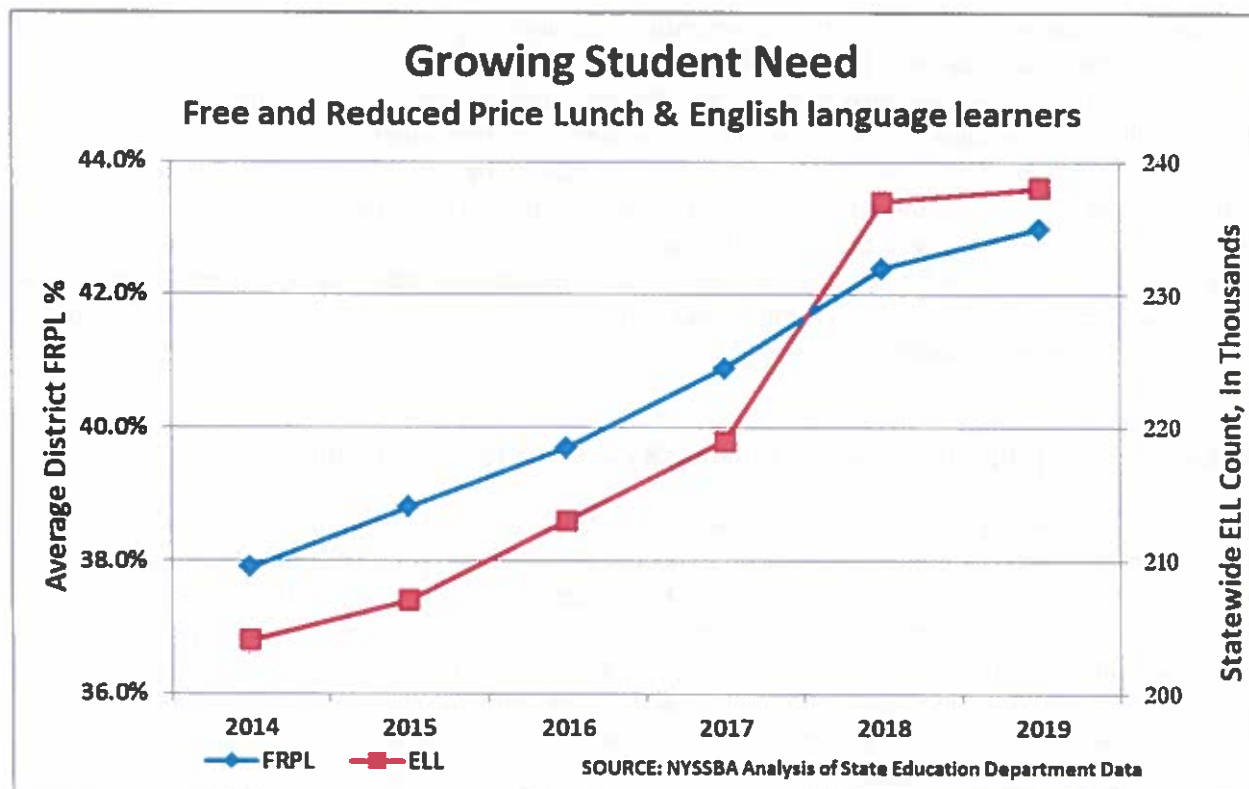
Conduct a new costing-out study to determine the current cost of educating a student

The Foundation Aid formula is rooted in the basis of the standard cost to educate a student, based on a calculation of such costs in “successful schools.” However, the data used in that formula is, in some cases, nearly two decades old. In addition, school districts and the state continue to adjust to changing educational standards, additional new programs and changing technology as well as growing student need. All of these factors should be reconsidered in a new costing out study. Given

the scope, a new costing out study should be conducted over the course of a full year, allowing for the investment of proper time and resources.

Review and adjust the weightings for high-need students

The number of high-need students continues to rise across the state. English language learner (ELL) students now total nearly a quarter million statewide and special education enrollments have increased by nearly 20% in the past decade. In addition to increasing populations, services provided to these high-need students are often required to be more comprehensive, and therefore, more costly, than a decade ago. The current formula includes limited weightings for these and other high-need students that require review and possible adjustment.



Improve data collection for measuring student poverty

In recent years, there has been a common understanding that the formula's measure of student need requires adjustments. The state acknowledged this issue in the 2017-18 budget by including the use of the modern "Small Area Income and Poverty Estimate" (SAIPE), as an alternative to the out-of-date 2000 census poverty count. However, the state failed to extend the use of SAIPE in the 2018-19 state budget or thereafter, effectively restoring the use of data that is now nearly 20 years old. NYSSBA calls on the state to restore the use of SAIPE, or similar data, as a full replacement for the 2000 census poverty data. In addition, the state recently required the collection of "direct certification" student counts. This measurement is an alternative to the traditional Free and Reduced Priced Lunch (FRPL) figure, which is known to undercount children in districts with the greatest need. NYSSBA supports the use of direct certification as a true replacement for FRPL data in state aid formulas. Further, the cost and effect of high concentrations of poverty (not just the counts) and inclusion of a poverty concentration factor should be considered.

Update and Review the Regional Cost Index

The formula recognizes that it costs more to educate students in some parts of the state than others. However, the Regional Cost Index (RCI) has not been changed since it was included with the original formula in 2007. The State Education Department already conducts regional cost reviews for data purposes every few years. The RCI should be updated in the formula periodically, to ensure that regional cost differences are measured accurately. In addition, the state should review the components of the index, for both geography and labor market composition, to ensure that the most appropriate calculation is being made.

Review impact of student-based district wealth factors

Because Foundation Aid is a per student operating aid, declining enrollment suppresses the amount of aid the formula generates for the district. However, many district wealth factors within the Foundation Aid formula are also adjusted for district pupil counts. When enrollment declines, the district will seem “wealthier,” even when actual wealth measures such as property value and gross income remain flat. These processes are understandable when viewed on their own, but when combined, the loss of enrollment can result in a “double hit” on a district’s Foundation Aid formula amount. The overwhelming majority of the approximately 250 districts currently on save harmless under the Foundation Aid formula have experienced declines in enrollment, despite limited local resources, increases in student need and other inflationary costs. The calculation of student-based district wealth factors should be studied to ensure that districts with declines in enrollment are not unduly punished by the formula.

Account for the property tax cap in a district’s expected local contribution

When the Foundation Aid formula was enacted in 2007, a central component was the measure of how much the local community should be expected to cover the total cost of educating a student, based on the resources in that community. That figure would then be subtracted from the total educational cost to determine the state’s portion (resulting in a Foundation Aid per pupil amount). The local contribution would, theoretically, be generated through the local property tax levy or other local revenue streams. Since then, the state enacted a property tax cap, made permanent this year, that places additional limits on a district’s ability to generate revenue at the local level. Therefore, the expected minimum local contribution calculation should be reconsidered to recognize the fact that districts are expected to propose levies that are at or below their respective tax caps.

Eliminate the use of set-asides

While funding is critical, how those resources can be used is often just as important. For example, in the 2019-20 state budget, \$50 million of the Foundation Aid increase was restricted for use towards community schools. This amount was in addition to the \$200 million in Foundation Aid already restricted for community school programs through the two prior state budgets, bringing the total restricted funding to \$250 million. The needs may be worthwhile, and NYSSBA strongly supports state resources for community schools, but funding for such initiatives should be separate from Foundation Aid. Foundation Aid was designed to be, and should remain, unrestricted. Set-asides reduce local control and give the false impression that additional investments are being made, whether it be for community schools, contracts for excellence or other needs. School boards and other district leadership, with approval by voters, must have the ability to determine where funds are most needed within their community.

Some of these reforms would involve replacing outdated information with modern data that is readily available, while others would represent more comprehensive adjustments requiring additional study and analysis. All are worthwhile to sustain an education funding system that appropriately serves all students and all school districts. But it is important that these efforts serve as something more than an exercise in policy study. Any work to improve the formula will be for naught if it is not partnered with a considerable increase in state aid. Adequate funding is an absolutely critical and necessary part of this conversation.

While hundreds of districts across the state are receiving billions of dollars less than what the Foundation Aid formula says they should be receiving, all districts are experiencing increases in needs and require additional resources to meet them. School districts need a state aid system that is dependable, predictable and responsive to the existing educational environment, with minimal manipulation by political processes. We look forward to continuing our work with state policymakers to make that a reality for the districts we serve and the students we educate.

