

NEW YORK STATE EDUCATIONAL CONFERENCE BOARD



Building a solid base for Foundation Aid funding

Education organizations call for state to keep the promise of full Foundation Aid funding

Schools across New York State are recovering from the COVID-19 pandemic while navigating the rippling economic impacts of the pandemic, including four-decade-high inflation, labor shortages, and supply chain disruptions. At the same time, schools are being called on to provide a greater range of services and resources that meet the needs of the whole student, from expanded mental health services to addressing social-emotional learning through curriculum and programming. State lawmakers' commitment to supporting students during this turbulent time has made a significant difference. The continued phase-in of Foundation Aid will allow districts to continue closing the decades-long gap between student needs and the resources available to meet them. It is critical that the phase-in of Foundation Aid move forward as promised, with full funding in the 2023-24 state budget, and reflect the full impact of inflation on school operating costs and the broader economic climate.

Lawmakers' agreement to fully fund Foundation Aid is a significant milestone. At the same time, this is a critical juncture. As the state moves toward realizing the promise of Foundation Aid through its full phase-in, it is time to take steps to ensure that Foundation Aid is able to function as a driver of equity in public schools in the decades to come. The current formula was enacted in 2007 and has not been fundamentally updated in that time. The formula does not reflect many of the significant changes in community demographics that have occurred over the last 15 years, nor the broader array of programs and services schools are providing to help students succeed.

The New York State Educational Conference Board (ECB) supports the \$2.7 billion increase in Foundation Aid for 2023-24, plus the \$233 million in expense-based and other aids due to school districts under existing Education Law provisions, as projected by the State Education Department's calculations based on current school district data. Provision should also again be made to ensure at least a minimum level of Foundation Aid increase for all school districts to keep pace with cost pressures. This funding level would fulfill the promise of a full phase-in while addressing historic inflation levels. Beyond this year, a formal review of the Foundation Aid formula is an essential next step. In recent years, lawmakers have

begun reviewing the formula, including through a series of joint hearings held by the State Senate Committees on Education and Budget and Revenue in 2019. Our organizations are calling for the State Education Department to be the key hub in working with lawmakers, experts, school officials, and other advocates to make updates to the Foundation Aid formula.

The ECB, made up of the seven leading educational organizations representing parents, classroom teachers, school-related professionals, school boards, building administrators, superintendents, and school business officials commends state leaders for their commitment to fund Foundation Aid. Our recommendations are designed to ensure this funding continues to provide the sustainable base needed to prepare students for a bright future.

Educational Conference Board School Finance Recommendations

Recommendation #1: Finish the full phase-in of Foundation Aid

Fulfill the promise of a full phase-in with a \$2.7 billion increase in Foundation Aid funding for 2023-24, and ensure at least a minimum level of Foundation Aid increase for all school districts.

Recommendation #2: State Education Department lead a full review of Foundation Aid formula in coordination with lawmakers and stakeholders

The Foundation Aid Formula requires significant updates to reflect the current cost of educating students, changing community demographics, and levels of student need.

Recommendation #3: Invest in four priority areas of student need

Address the student mental health crisis; strengthen career & technical education by increasing the outdated caps on BOCES salaries and special services aid; make prekindergarten truly universal for all four year olds; and launch a universal school meals program to ensure all public school students are offered breakfast and lunch, free of charge.

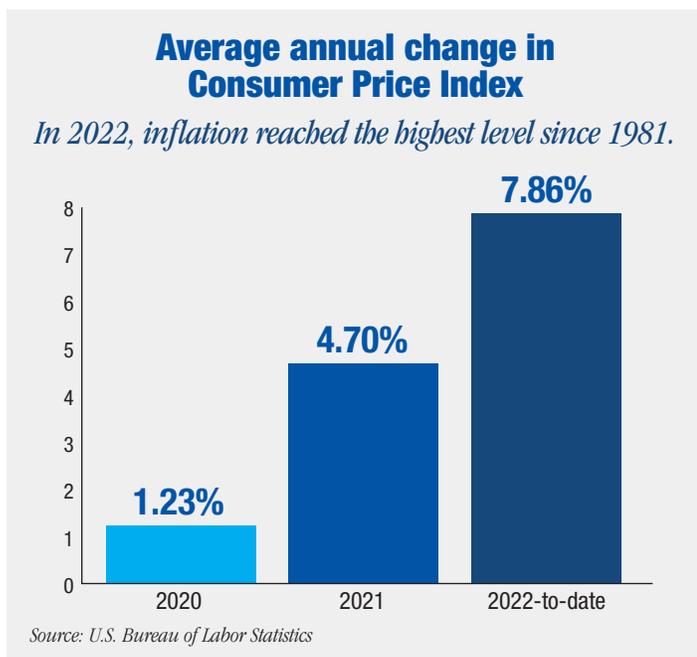
Recommendation #1: Finish the full phase-in of Foundation Aid while accounting for impacts of inflation

The Division of Budget’s mid-year financial plan notes that for the 2023-24 school year “growth in School Aid largely reflects the final . . . [year] of the three-year phase-in of full funding of the current Foundation Aid formula.” The Division’s estimates appear to have anticipated the inflationary growth expected when the formula data was updated for new CPI calculations in November. This inflationary adjustment is vital for the sustainability of both the formula and general school district finances in the face of ever-growing costs across a number of factors, from personnel to equipment.

Four-decade-high inflation rates have impacted every sector of our economy and schools are no exception. Inflation for the 2021 calendar year was 4.7%. In 2022, inflation averaged 7.86%. School districts are facing cost increases mirroring those experienced by households and businesses. At the same time, their ability to raise revenue is not able to keep pace with rising costs and the growing student and community needs they are being called on to fulfill.

In 2022-23, inflation was significantly higher than the statewide and median property tax caps for the first time since the tax cap was implemented. Ninety-two percent of school districts had tax caps below the inflation rate in 2022. This is resulting in a perfect storm of rapidly increased costs of operations on the one hand and constraints in raising revenue to keep pace with those costs on the other.

The data match the lived experience we have all felt in the post pandemic years. School district costs, from diesel fuel to food to health insurance, have all risen significantly.



Despite the approaching full phase-in of Foundation Aid, school districts are feeling significant cost pressures. While annual Foundation Aid funding has increased significantly to account for decades of underfunding, the median 2022-23 Foundation Aid increase is less than the inflation rate. A review by the Association of School Business Officials found this to be a recurring issue. In three out of the last four years, the median school district Foundation Aid increase was less than the rate of inflation. While one-time federal education aid helped support student learning during the extraordinary disruptions schools experienced at the height of the pandemic, federal relief will expire and was not designed to mitigate multiple years of inflation rates above 2%. The ripple effects of high inflation will remain long after federal stimulus funds are phased out over the next two years. Additionally, districts must be mindful when building their budgets not to use one-time federal aid on recurring expenditures. In contrast, Foundation Aid is designed as a sustainable funding source for the programs and services that students need over the long term.

Unaddressed inflationary pressures are worsening challenges that existed before the pandemic and introducing new ones. Recruiting and retaining support staff and teachers has become more difficult for schools across the state. Hiring shortages are particularly acute in high-needs districts. Eighty-eight percent of superintendents in districts with the highest levels of student poverty reported that filling permanent teaching positions has become more difficult, according to a recent survey conducted by the Council of School Superintendents. A major factor school leaders identified as contributing to hiring shortages is that starting salaries for teachers and support staff are less competitive than those of other professions requiring similar levels of education and responsibility. Schools must be equipped with the funding needed to be fully staffed to serve students adequately.

Despite these challenges, the promise of Foundation Aid has helped to provide a sense of optimism in the field. According to the NYSCOSS survey:

Infusions of state and federal funding have enabled improvements in many key student services. For example, 82% of superintendents expect their district budgets this year will improve student mental health services, 79% expect improvement in extra academic help, and majorities anticipate improvements in core instruction at every school level, as well as in summer enrichment, prekindergarten, career and technical education, access to advanced classes, and school security. But concerns about financial sustainability are also widespread—54% of superintendents identified the end of federal COVID aid as one factor causing concern in considering financial prospects for their schools, for example.

Maintaining the funding commitment is key to helping our school district leaders create the future we expect for our children’s education.

Recommendation #2: NYSED lead a review and update of the formula

The phase-in of Foundation Aid is a critical step towards ensuring the state’s investment in schools matches the level of student and community need. Fully funding Foundation Aid was originally planned to occur within four years after its enactment in 2007. But instead, it has been a fifteen-year-long process, and in that time, significant changes have occurred to the demographics of school districts and the scope of programs and services students depend on. The Foundation Aid formula, however, has many components that have remained static or outdated. While Foundation Aid increases in recent years have been significant, the current formula is no longer able to accurately measure the level of need that it is intended to fill in the way that it once was.

Following the conclusion of the Campaign for Fiscal Equity lawsuit, which found that the state was not meeting its obligation to provide a “sound, basic education,” the current Foundation Aid formula was adopted in 2007. It was designed to drive funding to districts based on their relative level of need and close the gap between what districts are able to raise through their local levy and the cost of successfully educating a student. The formula is structured to take into account the cost of delivering a sound basic education, the level of student and community need, the regional cost of living and the expected level of local contribution relative to the district’s wealth.

Key elements of the formula have not been updated since 2007 and now rely on outdated data.

Foundation Amount

The Foundation Amount is the base level of funding required to successfully educate a student. This basic level of funding has not been updated since 2012, and the methodology used in the formula has not been reviewed since the formula was codified in 2007.

Pupil Needs Index

In order to target additional funding to districts that are highest in need, the formula takes into account the poverty rate of students and the community, the number of English language learners, and the district’s population density. As a result of statutory language, the poverty counts data used to calculate the Pupil Needs Index (PNI) are from the 2000 U.S. Census and don’t reflect the demographic and income shifts over the last 22 years.

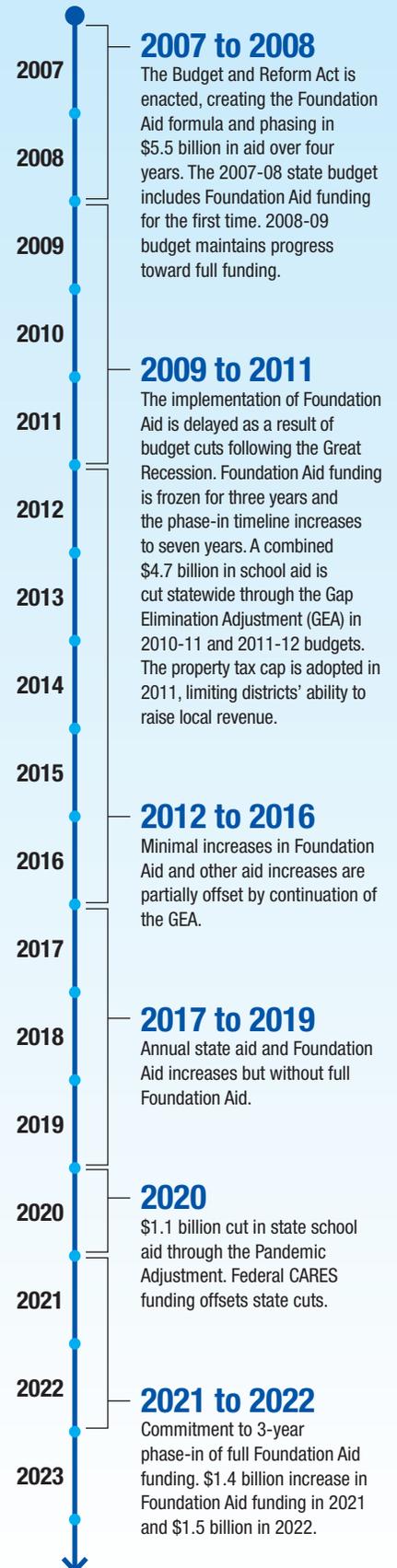
Regional Cost Index

The Regional Cost Index is the third element of the formula and accounts for the cost of living differences across the state. The RCI, too, is frozen in statute and based on data from 2006, despite the cost of living analysis being updated regularly by the State Education Department.

In order to continue to drive equity in school funding, the Foundation Aid formula must accurately measure a district’s population, level of student need and the true cost to provide a quality education. The State Education Department has an important role to play in maintaining the fidelity of the formula to ensure the state provides adequate Foundation Aid funding in the decades to come. SED officials should be tasked by lawmakers to serve as a hub for reviewing the formula components top to bottom, and be a key source for recommending improvements beyond the 2023-24 school year.

Without updates to the formula, state aid will lag behind the actual cost of providing students with a high-quality education.

A Brief History of Foundation Aid



Recommendation #3: Invest in four priority areas of student need

Recognizing the significant financial investment that the completion of the Foundation Aid formula will represent in the state budget, the Educational Conference Board is also proposing that consideration be given for additional investments in the following four program areas:

Student Mental Health

According to the National Center for Education Statistics, schools have seen a marked increase in mental health concerns among their students since the start of the COVID-19 pandemic. A survey conducted by NCES found that “77% of public schools reported an increase in the percentage of their students seeking mental health services at school and 76% reported an increase in staff voicing concerns about their students exhibiting symptoms of depression, anxiety, and trauma.” Schools are increasingly being called on to fill the gap caused by a shortage in community-based mental health providers. Some schools have been able to increase mental health staff and training. However, the scope of the mental health crisis far exceeds the resources schools currently have to address it. Addressing student mental health adequately will require sufficient state funding in 2023-24 and in future years to match the scale of the crisis.

Career & Technical Education

New York has been a leader in identifying the importance of pathways to the workforce and higher education through career & technical education (CTE) opportunities. However, the state’s funding structure has not kept up. While CTE programs prepare students for the workforce of the future, the caps on aid for the salaries of BOCES teachers and Special Services Aid for Big 5 school districts have not been updated in many years. This prevents school districts from receiving much-needed revenue to continue to provide these opportunities for students. The continued shortage of skilled workers will only get worse if critical investments in CTE and other workforce development programs are not made.

Universal Prekindergarten

Early childhood education is widely recognized for its critical role in supporting students’ academic success and personal development as they advance through school. Our state has made progress toward implementing universal prekindergarten for all four-year-olds. Yet, funding mechanisms have not enabled all districts to establish programs or meet all of the needs that exist. Prekindergarten is generally funded through state grants that don’t often keep pace with the growth in costs, which can lead to cuts in service or pressure on other areas of the budget that meet student needs. It is time to consider the potential for a recurring, allocation-based method for funding prekindergarten to ensure the sustainability of this critical investment in success.

Universal School Meals

Ensuring students have access to nutritious meals at school improves academic success and mental health. Universal school meals programs reduce the stigma for students unable to afford meals, increase the number of students fed during the school day, reduce paperwork for school staff and assist districts in streamlining their meal service operations. During the 2020-21 and 2021-22 school years, federal waivers provided all school children with free breakfast and lunch. When those waivers ended this school year, more than 726,000 students in nearly 2,000 schools across the state lost access to free school meals. ECB calls on New York State to launch a universal school meals program to continue to ensure all public school students are offered breakfast and lunch, free of charge.

Conclusion

This is a pivotal moment as students and families look to their schools for greater support. Districts stand ready with the programs, services, and thriving school communities to prepare students for success. Lawmakers’ continued commitment to fully investing in public education is crucial to this vision. Investment compounds over time, and nowhere is that clearer than with regard to Foundation Aid funding. Sound investments that reflect today’s economic climate, along with a prudent review of the Foundation Aid formula, will provide schools with a solid base to prepare students for the challenges and opportunities of the future.

The New York State Educational Conference Board is comprised of the Association of School Business Officials New York; the Conference of Big 5 School Districts; the New York State Council of School Superintendents; New York State PTA; the New York State School Boards Association; New York State United Teachers; and the School Administrators Association of New York State.