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**Testimony of Sarita Subramanian  
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Before the Joint Hearing by the New York State Senate Committees on  
Education and Budget and Revenues  
On the Distribution of Foundation Formula Aid**

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My name is Sarita Subramanian and I am the supervising analyst for education research at the New York City Independent Budget Office. IBO is a city agency providing nonpartisan policy analysis and information for elected officials and the public. Thank you for the opportunity to testify at this briefing on New York State's approach to education financing.

My testimony will focus on the student needs that are factored into the Pupil Needs Index portion of the New York State Foundation Aid formula and its add-ons and how those needs are accounted for in formulae used in other states. Additionally, I will compare the student need weights considered in New York State's funding formulae with how those weights are included in New York City's own weighted student funding formula, known as Fair Student Funding. Finally, I will discuss how certain components of the Foundation Aid formula could be improved, and how the exclusion of a weight for students with disabilities or students in temporary housing in the Pupil Need Index could disproportionately negatively impact state funding for districts with large populations of such students.

There are three key points from my testimony that I would like to highlight. First, although New York State's methodology for distributing education funding is considered to be progressive relative to other states, the systems in place in two other more progressive states—New Jersey and Connecticut—provide context for ways to improve New York State's formula. Specifically, funding could be better targeted to student needs if adjustments were made based on students' grade level and the degree to which additional supports are needed for English language learners and students with disabilities. Second, certain components of New York State's Foundation Aid formula are based on conditions from 2007, when the formula was first created. This includes accounting for district-level shares of school-aged children in poverty, adjustments for different regional costs across the state, and the selection of weights for different student needs. Lastly, it is important to reconsider how the Foundation Aid formula accounts for students with disabilities. Currently, the needs for students with disabilities are accounted for in a separate part of the formula from the needs of students in poverty and English language learners—the last two factors are also adjusted for regional cost differences.

## Why Is It Important for Student Need to Be Factored Into State Funding?

Currently, 38 states use a student-based formula to distribute education aid to school districts.<sup>1</sup> According to a recent Urban Institute report, targeting funds to districts that serve large populations of high-need students enables states to distribute funds more progressively—the report measures “progressivity” by the difference in per pupil state funding for districts serving high shares of poor students compared with districts serving low shares of poor students.<sup>2</sup> States with a positive difference are termed “progressive,” those with a negative difference are termed “regressive,” and those with no difference are termed “neutral.”

The Urban Institute report identifies New Jersey and Connecticut as the two states that are most effective at directing state aid to districts with the greatest need—at least in part because they faced court orders to do so. The difference in state per pupil funding between high-poverty districts and low-poverty districts in New Jersey is more than \$4,900 per pupil and in Connecticut about \$3,000 per pupil. In comparison, New York State ranks as the ninth most progressive among the 50 states with a difference in state per pupil funding of about \$1,100 for districts serving high shares of poor students compared with districts serving low shares of poor students. Similar to New Jersey and Connecticut, New York State’s funding formula stemmed from a court ruling. In the *Campaign for Fiscal Equity v. The State of New York* case the Court of Appeals found that New York State was not fulfilling its obligation to ensure that New York City, and by implication other districts in the state, had sufficient resources to provide all students with a “sound basic education.”

Because local funding for education tends to rely on property taxes and poorer districts tend to have less property wealth and therefore less ability to raise revenue, the degree to which state funding is progressive plays a critical role in providing equitable funding to districts.<sup>3</sup> To see why, let us continue with the examples of New Jersey and Connecticut. The same Urban Institute study also found that these two states had the most regressive local funding among the 50 states. In New Jersey, the progressive nature of state funding overcomes the regressive nature of local funding such that total funding (state and local) ranks second most progressive in the country; only Alaska has a larger difference in per total pupil funding between high-poverty and low-poverty districts. In Connecticut, state funding is progressive enough to bring total funding to neutral, with almost no difference in per pupil total funding for districts serving high shares of poor students compared with districts serving low shares of poor students.

In New York State, the progressive nature of state funding does not compensate for the highly regressive nature of local funding (the sixth most regressive in the country). New York State’s tax relief program, the School Tax Relief Program, contributes to the regressive nature of local funding as it exacerbates inequities in district wealth—districts with high property values and a greater ability to generate revenue are allocated more property tax relief on a per pupil basis despite generally having students with lower student needs.<sup>4</sup> New York State ranks second-to-last among the 50 states because of the regressivity of its total funding (state and local); only Illinois is considered more regressive on total funding, according to the Urban Institute study. Even when also taking federal funding into account, the study ranks New York State as the fifth most regressive state.

## **Why Is New York State’s Funding Formula Not More Progressive?**

When the state’s Foundation Aid formula was introduced in 2007 in response to the 2006 Court of Appeals decision, it was intended to address inequities in the distribution of state education aid to districts in two ways. First, overall education aid across the state would increase by \$5.5 billion over four years. Second, the largest increases would be targeted to districts serving large populations of high-needs students—districts that were previously significantly underfunded. Over the first two years after the introduction of Foundation Aid, state aid increased by \$2.1 billion towards the planned four-year phase-in target of \$5.5 billion. But as the 2008-2009 recession took its toll on state revenue Foundation Aid was frozen in 2009-2010 and then cut in order to balance the state’s 2010-2011 budget, though these actions were partially offset by new federal funding available through the American Recovery and Reinvestment Act of 2009. Subsequent one-off Foundation Aid formula limits have been in effect every year since then and school districts collectively lost more than \$8 billion in cuts to Foundation Aid funds over the years that it was in place.<sup>5</sup> Although the state fully restored the cuts to Foundation Aid funds in 2015-2016, the original Foundation Aid formula has never been fully phased in. Furthermore, the formula has remained unchanged since it was initially introduced over a decade ago and could benefit from a more nuanced perspective on how to account for student need.

## **How Student Need Is Factored into State Funding Formulae: New Jersey, Connecticut, and New York**

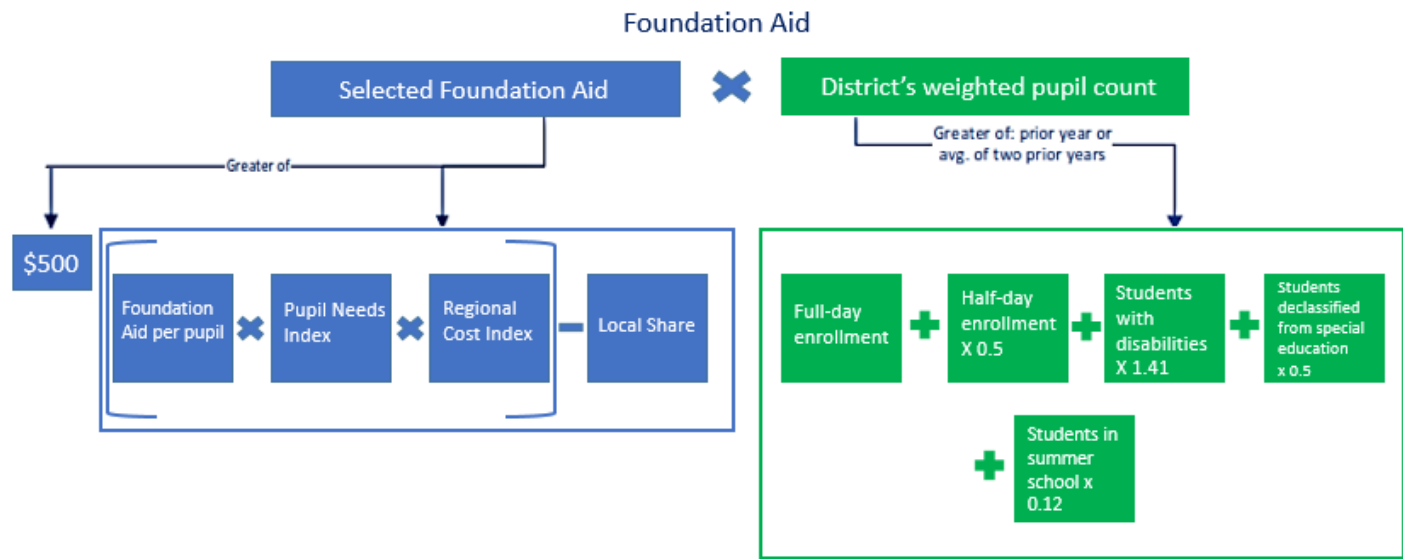
All three states provide a base per pupil amount and use multipliers to provide funding for certain groups of students that require additional educational supports. Each multiplier is therefore greater than 1. For example, if a particular student need was given a multiplier of 1.2, it implies that it costs 20 percent more to provide educational supports for that student—over and above what is provided by the base per pupil amount. The three states incorporate multipliers for all or some of the following student characteristics: grade, English language learner status, poverty, special education, and career and technical education.

### *New York State*

In New York State, a district’s total Foundation Aid amount is calculated by multiplying the “selected foundation aid” by a district’s weighted pupil count.

Selected foundation aid is the per pupil Foundation Aid that a district receives based on the district’s Pupil Need Index and Regional Cost Index after subtracting the district’s expected local contribution, which accounts for the district’s wealth. The Pupil Need Index incorporates weights for: English language learners, students in poverty (those eligible for free or reduced-price lunch, with household income at or below 185 percent of the poverty guideline for that household size), the district’s U.S. Census-based share of students in poverty, and a district’s sparsity count—applicable only for districts with fewer than 25 pupils per square mile. (New Jersey and Connecticut do not account for sparsity in their formulae.) Among the three states, a unique feature of New York State’s formula is the use of a Regional Cost Index to adjust the Pupil Need Index. The Regional Cost Index accounts for variations in purchasing power in nine different regions of the state and ranges from 1.0 to the 1.425 used for Long Island and New York City. This means the multipliers for the student need categories included in the Pupil Need Index are adjusted based on which of nine regions a district is located in. Once the selected foundation aid per pupil is calculated, it is multiplied by the district’s weighted pupil count.

The weighted pupil count first considers full-day and half-day enrollment (weighted by 0.5). Then additional weights are incorporated for students with disabilities (weighted by 1.41), students declassified from special education (weighted by 0.5), and students in summer school (weighted by 0.12). While needs for English language learners and students in poverty are accounted for in the Pupil Need Index (which in turn is adjusted for differences in regional costs), the needs for students with disabilities and students declassified from special education are accounted for in the district’s weighted pupil count.



*New York State Compared with New Jersey and Connecticut*

New Jersey’s main per pupil formula provides the most nuanced perspective of individual student need characteristics. It is the only one of the three states to provide additional funding for middle and high school students, with multipliers of 1.04 and 1.16, respectively—the base funding amount is for an elementary school student. New Jersey is also alone among the three states in including all students with disabilities and students in career and technical education in its need index.

While New Jersey incorporates weights for students with disabilities and students in career and technical programs into the need index portion of its per pupil formula, Connecticut and New York State account for those students outside of their need indices.

For students with disabilities, New Jersey assumes the same average classification rates for all districts to prevent districts from over-classifying students, and that a certain share will require speech services only. The state provides flat amounts of funding per pupil, with less per pupil for those requiring speech services only. New York State uses a multiplier of 1.41 for all students with disabilities—regardless of the level of services needed—in their calculation of weighted pupils. Connecticut reimburses districts only for expenses for students receiving high-cost special education services; New Jersey and New York State additionally provide reimbursement for students receiving high-cost services.

New Jersey provides a multiplier of 1.25 for students in career and technical education programs. (It is important to note that in New Jersey’s formula, the multipliers for students enrolled in career and

technical education programs and English language learners are based on the student's own base funding amount, incorporating the adjustment for grade level, which provides an additional boost.) Connecticut provides direct support to the Connecticut Technical Education and Career System. New York State also provides support to Boards of Cooperative Educational Services (BOCES) and for students in grades 10-12 in career and technical programs in districts not served by BOCES, reimbursing approved services at a rate that incorporates district wealth.

Two student-level categories that are incorporated into the per-pupil formulae in all three states are for English language learners and students in poverty. The multiplier for English language learners in Connecticut and New York State are 1.15 and 1.5, respectively. New Jersey provides a multiplier of 1.47 for English language learners, but for English language learners who are also in poverty, the multiplier is adjusted down to 1.099. New York State provides a flat multiplier of 1.65 in all districts for students in poverty, while New Jersey and Connecticut provide higher multipliers in districts with greater shares of students in poverty (1.41 to 1.46 in New Jersey and 1.3 to 1.35 in Connecticut).

### **What Can We Learn From New York City's Fair Student Funding Formula?**

Around the same time that New York State began implementing its Foundation Aid formula, New York City implemented its own version of a weighted student formula—Fair Student Funding—to distribute funds to schools based on the needs of the students they served. Since its implementation in 2007-2008, the Fair Student Funding formula has evolved over time, both in terms of the student needs incorporated as well as adjustments to the multipliers for each weight category. For the current school year, 2019-2020, there are 33 different student need weights incorporated across five broad categories: grade level, academic intervention, English language learner needs, special education needs, and students attending portfolio high schools. When identifying the multiplier for each weight, the Fair Student Funding formula takes into account the student's grade level as well as differences in the type of programming needed to support the student.

The grade level weights provide the base per pupil amount for all students enrolled in a school, with the weights in the other four categories providing additional funds. An elementary school student in grades K-5 with no additional needs represents the base per pupil amount. Middle school students (grades 6-8) have a multiplier of 1.08 and high school students (grades 9-12) have a multiplier of 1.03.

The academic intervention weights take into consideration the incoming academic achievement for students that schools serve. Poverty is used as a proxy for need for academic intervention services when prior test scores for incoming students are unavailable—for students younger than grade 3 (the earliest grade tested in New York State standardized tests), or for students from outside New York City's public school system. Other weights within this category vary by students' grade level and the degree to which their prior performance is below standards or well below standards, or if they had not amassed an appropriate number of course credits or exhibited other challenges necessary for graduation.

For English language learners, the formula looks separately at students in grades K-5 and 6-12, and also factors in the type of program students are enrolled in—whether they are enrolled in English as a New Language classes or bilingual education classes. There are also multipliers for students who are declassified as English language learners for two years after testing out of being identified as an English language learner. Finally, there is an additional weight for all students whose formal education has been interrupted.

As with English language learners, weights for students with disabilities vary by the frequency at which they receive those services (less than 20 percent of the week; from 21 percent to 59 percent of the week; and greater than 60 percent of the week) and a distinction in the type of services they receive. Students with disabilities in integrated co-teaching classrooms—classrooms that serve students with disabilities alongside their peers without disabilities and provide both a general and special education teacher—receive the highest multipliers. The formula also separately considers those placed in self-contained classrooms for the majority of the week. Self-contained classes only serve students with disabilities, have a maximum class size of 8 or 12, and may have a paraprofessional in addition to a special education teacher.

Finally, students in portfolio high schools receive additional support for the specialized career and technical education programs offered (ranked into four different tiers), or for any required specialized academic or arts-related instruction. There are also multipliers for students who transfer, with different multipliers depending on the degree to which they present as difficult-to-graduate based on whether they enter a school under-credited and/or with Regents exam proficiency challenges.

The nuances in New York City's Fair Student Funding formula and the formulae used in other states such as New Jersey and Connecticut may suggest ways to improve upon New York State's own Foundation Aid formula to more equitably distribute state funding based on the needs of the students in each district.

### **Potential Adjustments to New York State's Foundation Aid Formula**

Several components of New York State's Foundation Aid formula have been frozen in time, much like the formula itself. In the Pupil Need Index, the weights (or multipliers) for different needs have remained the same since the formula was created in 2007. In addition, the U.S. Census-based share of students (age 5-17) in poverty is still based on the 2000 decennial Census. IBO compared the poverty rates in 2000 with those in 2016 for New York State's school districts based on the Census Bureau's Small Area Income Poverty Estimates (SAIPE).<sup>6</sup> Almost 80 percent of the state's districts experienced an increase in the share of school-aged residents in poverty, with increases ranging from 1 percentage point to 19 percentage points. For school districts that experienced an increase in poverty over those years, the average district experienced a 4.5 percentage-point increase (the median was 3.6 percentage points). New York City's share of students in poverty was roughly the same in 2016 as it was in 2000—about 27 percent—although it fluctuated during that time, reaching a high of almost 31 percent in 2012. Finally, the Regional Cost Index remains at its 2006 levels.

In addition to taking into account a student's grade level and the type of programs that are needed for English language learners and students with disabilities, another useful adjustment to New York State's formula might be to include students with disabilities and students in temporary housing in the Pupil Need Index within the Foundation Aid formula. In New York City schools that received Fair Student Funding last year, over half of students with disabilities were in integrated co-teaching classes, for which the Fair Student Funding Formula provides the highest multipliers among all 33 weights (multipliers of 1.74 to 2.09).<sup>7</sup> When looking across New York State's school districts, all but one of "the big 5" school districts rank among the top 25 districts (out of a total of 673 districts statewide) in terms of their share of students with disabilities.<sup>8</sup> Buffalo is ranked 9<sup>th</sup> highest (with 23 percent of students with disabilities); New York City is ranked 12<sup>th</sup> highest (at 22 percent); Rochester is ranked 16<sup>th</sup> highest (at 21 percent) and Syracuse is ranked 23<sup>rd</sup> (at 20 percent). The number of students who experienced homelessness at any

point in the school year increased by 76 percent across the state from 2009-2010 to 2017-2018. In 2017-2018, there were almost 153,000 students who experienced homelessness, statewide. New York City, Rochester, Buffalo, and Syracuse were among the top five districts with students in temporary housing (these rankings exclude students in charter schools in each district).<sup>9</sup> New York City, in particular, could gain an additional boost when the Regional Cost Index is also considered. If students with disabilities were included into the Pupil Need Index, the counts for those students would additionally be adjusted for New York City's Regional Cost Index of 1.425.

Thank you for the opportunity to testify and I am happy to answer any questions.

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#### ENDNOTES

<sup>1</sup> Source: EdBuild, <http://funded.edbuild.org/national#formula-type>

<sup>2</sup> Matthew Chingos and Kristin Blagg, "School Funding: Do Poor Kids Get Their Fair Share?," Urban Institute, May 2017, <https://apps.urban.org/features/school-funding-do-poor-kids-get-fair-share/> (accessed June 5, 2019)

<sup>3</sup> States that rely on income taxes also tend to have more progressive statewide tax systems used to generate the revenue that is distributed through their education funding formulae.

<sup>4</sup> Bruce Baker and Sean Corcoran, "The Stealth Inequities of School Funding: How State and Local School Finance Systems Perpetuate Inequitable Student Spending," Center for American Progress, September 2012.

<sup>5</sup> New York State United Teachers, "Five Years of the Gap Elimination Adjustment (GEA): How much has your district lost?," September 15, 2014, <https://www.nysut.org/news/2014/september/five-years-of-the-gap-elimination-adjustment-gea-how-much-has-your-district-lost> (accessed June 10, 2019). See also New York State School Boards Association, "Issue Brief: Gap Elimination Adjustment," [https://www.nyssba.org/clientuploads/nyssba\\_pdf/CapitalConference/Gap-Elimination-Adjustment13.pdf](https://www.nyssba.org/clientuploads/nyssba_pdf/CapitalConference/Gap-Elimination-Adjustment13.pdf) (accessed June 10, 2019).

<sup>6</sup> Obtained from Urban Institute's Education Data Explorer. Analysis excludes two districts with small enrollments that experienced very large increases in poverty rates over time.

<sup>7</sup> This excludes students in the Citywide Special Education District (District 75), which is funded outside of the Fair Student Funding formula since it only serves students with disabilities.

<sup>8</sup> One district with 100 percent of students with disabilities is excluded from this portion of the analysis.

<sup>9</sup> New York State Education Department Student Information Repository System (SIRS), <https://nysteachs.org/topic-resource/data-on-student-homelessness-nys/> (accessed December 2, 2019).