



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

Public Hearing: To review how school districts are spending Foundation Aid increases and ARP funds

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My name is Brian Fessler and I am the 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, NYC Education and Budget and Revenues, and to Chair Mayer and Chair Liu, on behalf of the 670 member school boards we serve.

The past 18 months have certainly served as a period of tremendous upheaval and change. This is true even in the world of school finance. Following a 2020-21 state budget that was adopted with relatively flat funding, supported by federal stimulus dollars, in April 2020, school districts were almost immediately warned about the potential for upwards of a 20% mid-year cut to state aid. Such a reduction would have resulted in a loss of more than \$5 billion statewide, knocking education funding back to levels not seen since 2014-15. But fast forward to April 2021, following second and third federal stimulus packages in December 2020 and March 2021, respectively, state leaders turned one of the most dire school funding situations into one of incredible promise and opportunity.

The 2021-22 state budget increased traditional school aid by more than \$3 billion, including a state restoration of the 2019-20 Pandemic Adjustment state aid cut of more than \$1 billion, a \$1.4 billion boost in Foundation Aid and nearly \$500 million through the full-funding of expense-based aids and increases to other programs, such as prekindergarten. Beyond the dollars, the budget also included a commitment and plan to fully fund the now fifteen year-old Foundation Aid formula, representative of one of NYSSBA's top school funding priorities over the past decade. In addition, school districts have access to slightly more than \$12 billion in allocated federal stimulus funding, combined between the Coronavirus Response and Relief Appropriations (CRRSA) Act (\$3.85 billion) and the American Rescue Plan (ARP) Act (\$8.2 billion). The funding is generally flexible, and can be used over multiple years, while at least 20% of the ARP Act funding must be used specifically to address issues of learning loss amongst students.

The state legislature deserves tremendous credit and appreciation for their efforts to deliver and allocate this level of financial support to school districts. In the short term, this funding allows school districts across the state to meet the health and safety needs of students and staff as in-person instruction returns. In addition, the increase in Foundation Aid for 2021-22 applied to all districts,

representative of an approach that NYSSBA advocates for each year, recognizing that all districts face increasing operational costs each year – especially during the COVID-19 pandemic. NYSSBA was also particularly pleased that the Foundation Aid increase included a floor of percentage formula funding to support some of the state’s most chronically underfunded districts. This is a strategy for which NYSSBA has specifically advocated.

Going forward, hundreds of school districts will have the financial resources to address instances of learning loss and the health and mental health challenges brought on by the pandemic. They will also be able to further invest in technology and introduce and build upon the types of programs and services that will benefit students for years to come. And because the budget included a commitment to fully fund Foundation Aid, these decisions can be made with the confidence that districts will have the financial resources to sustain these investments.

Throughout the year, districts have engaged with school staff, students and community stakeholders in order to develop spending approaches that best fit the needs of their respective school communities. Often, areas of academic focus have included technology – from enhancing broadband capabilities to upgrading and expanding device usage, before and after school learning opportunities, summer enrichment programs and new universal pre-kindergarten (UPK) seats. School districts have also been able to invest in social emotional supports for students by way of school psychologists and social workers, professional development for staff to better recognize students who are experiencing challenges and even digital programs that assess mental well-being daily and provide tips on coping strategies. The effectiveness of these investments is measured through formal assessments and diagnostics, surveys from students and staff, and through data on student attendance, suspension rates, incident reports and general student performance.

Looking ahead, it is important that the legislature’s statutory commitment to Foundation Aid be recognized, as it is a necessary step towards achieving full funding. At the same time, we must acknowledge the cautiousness and hesitancy that many districts feel around this commitment. That is likely because this is not the first time the state has statutorily committed to fully funding the Foundation Aid formula. When Foundation Aid was first enacted in 2007, the original plan was for a four year phase-in. That schedule was funded for the first two years, until the Great Recession began to significantly impact the state’s budget. Foundation Aid was then frozen and the four year phase-in schedule was stretched out to a seven year plan. When that plan also quickly became unrealistic, the state effectively eliminated the schedule altogether.

As such, it is an absolute top priority of NYSSBA’s that the full-funding commitment be maintained in years two and three of the plan, and beyond.

With a plan to finally fund the existing formula now in place, NYSSBA also calls on the state to look to the future of the formula by formally reviewing the impacts over the past two decades and the changes to the educational environment since the formula was first constructed. As an important part of that process, NYSSBA believes strongly that the state should 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, upwards of 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.

Further, the following additional adjustments and improvements should be made:

- **Review and adjust the weightings for high-need students**

The number of high-need students continues to rise across the state. English language learner students now total nearly a quarter million statewide. Statewide special education enrollments increased by more than 16% from 2012-13 to 2019-20, even as total student enrollment decreased over that same period of time. 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 adjustment.

- **Improve data collection for measuring student poverty**

There are numerous examples of why the formula's measure of student need requires adjustment. 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 beyond that single year, effectively restoring the use of data that is now more than twenty years old. NYSSBA calls on the state to restore the use of SAIPE as a full replacement of the 2000 census poverty data. In addition, the state 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 calls on the state to use the direct certification as a 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 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 these reviews for data purposes every few years. The RCI should be updated in the formula periodically, to ensure that regional cost differences and boundaries are representative and up-to-date.

- **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 by student count. 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. Nearly all districts currently on save harmless under the Foundation Aid formula have experienced declines in enrollment, despite increases in student need and inflationary costs. The calculation of student-based district wealth factors should be reviewed 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 of 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 (Foundation Aid per pupil). 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 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 a district may not be able to realize that full amount.

- **Eliminate the use of “set-asides,” or restrictions, on the use of operational funding**

While funding is critical, how those resources can be used is often just as important. Under the 2021-22 state budget, a quarter billion dollars in Foundation Aid is restricted to be spent only on community school programs, regardless of whether or not a school district runs, or wants to run, a community school program. NYSSBA supports the concept of community schools, but is firm in its stance that 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. Should policy makers wish to provide funding for a specific purpose, it should be done through a separate appropriation to be used at local discretion.

Again, I thank you for the opportunity to offer testimony to you today. NYSSBA continues to stand ready to work with you on these, and other, important issues - for the betterment of our school districts and the millions of students they educate every day. For additional information, please contact NYSSBA Governmental Relations at 518-783-0200.