



Two Penn Plaza ■ Fifth Floor ■ New York, New York 10121

## Testimony on Education Proposals in Executive Budget for Fiscal Year 2021

*Submitted to the New York State Joint Legislative Budget Hearing on  
Elementary and Secondary Education*

*February 11, 2020*

*David Friedfel, Director of State Studies, Citizens Budget Commission*

Thank you for the opportunity to submit testimony.

The Citizens Budget Commission (CBC) is a nonprofit, nonpartisan think tank dedicated to achieving constructive change in the finances and services of New York City and New York State government. Due to education's vital role for New York, now and in the future, CBC has long supported achieving a sound basic education for all students as required by the State Constitution.

CBC's testimony focuses on three key points about the education proposals in the Executive Budget for Fiscal Year 2021:

- The Executive Budget provides approximately \$750 million more than is needed to fund a sound basic education statewide;
- Folding ten types of State aid into Foundation Aid is a step in the right direction, but the Executive Budget proposal is structured poorly; and
- Changes to other formula-based aids are beneficial, but more fundamental change is needed.

### **The Executive Budget provides \$750 million more than is needed to fund a sound basic education statewide.**

During the 2020 State of the State address, Governor Andrew Cuomo urged "us[ing] State funds to raise those at the bottom," and the Governor could not be more correct.<sup>1</sup> However, the Fiscal Year 2021 Executive Budget school aid proposal fails to provide all districts with enough funds to provide a sound basic education (SBE), despite increasing aid 11 times more than is needed to ensure all districts have sufficient funds. The increase is not sufficiently targeted to those that are underfunded.

In school year 2018, the most recent year for which data are available, school districts in New York spent more than \$72 billion using local, State, and federal funds, which CBC estimates is \$13.6 billion more than is necessary to fund an SBE as defined by the Foundation Aid Formula. (The methodology is summarized in the Appendix.) Based on our analysis, 25 districts lacked the resources necessary to fund an SBE, and 21

of these are high-needs districts.<sup>2</sup> The total amount of funding needed to bring the 25 underfunded districts' funding to the level needed was \$75 million in school year 2018.<sup>3</sup>

The Fiscal Year 2021 Executive Budget increases total education aid by \$826 million, \$751 million more than the \$75 million needed. Assuming nothing has changed since school year 2018, the Executive Budget proposal does not solve the problem for all the underfunded districts; 13 districts will continue to have insufficient resources for an SBE, with a funding gap of \$30 million.<sup>4</sup> (See Table 1.)

The additional \$750 million increase goes to districts that do not need it to fund an SBE. These include 129 districts that raised enough revenues solely from local resources to fund an SBE, but still received \$1.6 billion in State aid in school year 2018.

**Table 1: Districts With Insufficient Revenues to Fund an SBE Despite \$826 Million State Aid Increase, and Funding Shortfall in SY 2021**  
(dollars in millions)

<u>District</u>	<u>Funding Shortfall</u>
Brentwood	\$21.21
Hannibal	\$1.66
Mount Morris	\$0.09
Marathon	\$0.18
Kendall	\$1.49
South Jefferson	\$1.22
Whitehall	\$0.03
Salem	\$1.14
Belleville Henderson	\$0.89
Taconic Hills	\$0.88
Thousand Islands	\$1.01
Ellicottville	\$0.33
New Lebanon	\$0.70
<b>TOTAL</b>	<b>\$30.85</b>

**Sources:** New York State Education Department, "Annual Finance Report (Form ST-3) for New York State Public Schools , ST-3 Data for Year Ending June, 2017" (accessed April 2019), <https://stateaid.nysed.gov/st3/st3data.htm>, "Fiscal Supplement Methodology with Account Codes" email to Citizens Budget Commission Staff (March 7, 2019), and "2020-2021 Executive Budget School Aid Files" (January 23, 2020).

The Executive Budget's proposed increase includes a \$200 million "fiscal stabilization fund." This is the third year the Governor has proposed a school aid allotment for the Legislature to allocate. The amounts have grown from \$64 million in fiscal year 2019 to \$157 million in fiscal year 2020. Rather than provide this unnecessary aid the State should dedicate these funds to the State's reserves in preparation for a recession, which could help offset possible school aid cuts during a recession.

## **Folding ten types of state aid into Foundation Aid is a step in the right direction, but the Executive Budget proposal is structured poorly.**

As CBC has previously advocated, certain expense-based aids (library, textbook, software and high tax aids) should be eliminated, and the associated funding should be distributed according to a revised Foundation Aid formula. The Executive Budget permanently folds ten different education aids (TDEA) totaling \$1.8 billion into Foundation Aid, but preserves their allocation methods rather than make them targeted based on need.<sup>5</sup> The proposed restructuring will have a profound effect on the future allocation of Foundation Aid. Since Foundation Aid distributions are based on the prior year's distribution, Foundation Aid in school year 2022 and beyond will also incorporate the TDEAs distributions, all of which are less progressive than the current Foundation Aid distribution.

Library, textbook, and software aids provide the exact same amount per pupil regardless of student need or district wealth and high tax aid actually provides more aid to wealthier districts.<sup>6</sup> The remaining TDEAs affected by this proposal provide greater reimbursements to higher-need districts, but are less progressive than current Foundation Aid distributions. This proposal should be improved by distributing the \$1.8 billion according to a revised Foundation Aid formula that fully accounts for student need and all revenue sources.<sup>7</sup>

By adding the TDEAs to Foundation Aid using their current distribution formulas, regressive (high tax aid) and less progressive distributions will be built into future Foundation Aid distributions and avoid future scrutiny. Likewise, TDEAs such as library, textbook, or software aid currently increase or decrease from year-to-year depending on district pupil trends. These TDEAs will now benefit from the hold-harmless provisions in Foundation Aid and become part of the base distribution that are artificially increased in years when a minimum increase is granted to all districts, regardless of student need or district wealth. The restructuring will likely make Foundation Aid **less** progressive.

## **Changes to other formula based aids are beneficial, but more fundamental change is needed.**

The Executive Budget proposal prohibits building aid for athletic facilities not needed for physical education and decreases minimum reimbursement received by wealthy district from 10 percent to 5 percent. The budget proposal would also limit growth in per-district transportation operating expense aid to inflation or pupil-adjusted inflation, whichever is greater, beginning in school year 2022. Taken together, these two aids account for more than \$5.1 billion per year and reining in their costs while targeting benefits to needed projects is a welcome change.

## **Conclusion**

The Executive Budget increases aid more than is needed to fund an SBE at a time when the State is proposing to close significant gaps with major year-to-year cuts in Medicaid, and does not tackle the most important shortcomings of current school aid formulas. By lumping less progressive forms of school aid into the Foundation Aid distribution without revising the underlying formulas, future Foundation Aid distributions will drift farther from the formula's original intent. Instead, the State should fold those aids into the Foundation Aid formula and distribute them based on need. To better distribute all Foundation Aid based on need, the formula should be fixed to more accurately reflect student need and local revenue efforts, relax hold-harmless provisions, and eliminate automatic minimum increases. Lastly, the State should move forward with controlling building and transportation aid costs while ensuring that schools have what they need to provide a sound basic education.

## Appendix – Methodology

This analysis uses data included in the School Year 2018 Enacted Budget School Aid Run and the 2017-18 Masterfile published by the New York State Education Department. These data are the best publicly available data that detail the calculations utilized in determining the costs of a sound basic education and State, local, and federal aid in every New York school district. The basic methodology employed in this analysis compares the total costs of a sound basic education to total revenues received by a school district.

- Costs for a sound basic education by district are determined by the addition of:
  - The Foundation Amount in school year 2017-2018 enacted budget school aid runs multiplied by number of total aidable Foundation Aid pupils (TAFPU); plus
  - Other necessary costs excluded from the Foundation Amount calculation pursuant to the successful school methodology and the Annual Finance Report (Form ST-3) for New York State Public Schools for school year 2017-2018.<sup>8</sup>
- 2017-2018 revenues available by district include:
  - Local revenues, including School Tax Relief (STAR);
  - Federal aid; and
  - State aid.

---

<sup>1</sup> Governor Andrew Cuomo, “Video, Audio, Photos & Rush Transcript: Governor Cuomo Outlines 2020 Agenda: Making Progress Happen”(January 8, 2020), <https://www.governor.ny.gov/news/video-audio-photos-rush-transcript-governor-cuomo-outlines-2020-agenda-making-progress-happen>

<sup>2</sup> Districts are classified as “high need” if they are in the lower half of all districts as measured by student need and district wealth.

<sup>3</sup> Testimony of David Friedfel, Director of State Studies, Citizens Budget Commission, before the New York State Senate Joint Standing Committees on Education and on Budget and Revenues, *Testimony on the Distribution of the Foundation Aid Formula as it Relates to Pupil and District Needs* (December 3, 2019), <https://cbcny.org/advocacy/testimony-distribution-foundation-aid-formula-it-relates-pupil-and-district-needs>.

<sup>4</sup> The \$30 million shortfall in 13 districts is the shortfall in school year 2018 offset by the increase in Foundation Aid (before adding the TDEAs) between school year 2018 and the Executive Budget proposal for school year 2021. For example, if a district was short of needed funding by \$1 million in school year 2018, and Foundation Aid increased by \$600,000 over the period, it would still have a shortfall of \$400,000.

<sup>5</sup> The TDEAs are: BOCES Aid; Computer Software Aid; Special Services Aid; Computer Hardware Aid; High Tax Aid; Library Materials Aid; Charter School Transitional Aid; Academic Enhancement Aid; Textbooks Aid; and Supplemental Public Excess Cost Aid.

<sup>6</sup> David Friedfel, “Ripe for Reform,” *Citizens Budget Commission Blog* (January 2, 2018), <https://cbcny.org/research/ripe-reform>.

<sup>7</sup> The ratio of Foundation Aid to the aids being lumped into Foundation Aid is approximately 10 to 1 for the highest need decile and 3 to 1 for the wealthiest decile. Proportionately, New York City is the most disadvantaged, with a ratio of almost 28 to 1.

<sup>8</sup> New York State Education Department, “Annual Finance Report (Form ST-3) for New York State Public Schools, ST-3 Data for Year Ending June, 2018” (accessed November 2019), <https://stateaid.nysed.gov/st3/st3data.htm>; and “Fiscal Supplement Methodology with Account Codes,” email to Citizens Budget Commission staff (March 7, 2019).