

February 6, 2019

Hello, and thank you for the opportunity to submit testimony today. I am David Friedfel, Director of State Studies for the Citizens Budget Commission (CBC). 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.

My testimony focuses on three key points:

- In the aggregate New York State spends enough to provide all students with a sound basic education; however, State school aid is not targeted well enough to achieve this goal in all districts;
- State aid distributed through the Foundation Aid formula does not accurately reflect local wealth or financial support; and
- Total education funding has increased significantly since Foundation Aid was created.

**1. In the aggregate New York State spends enough to provide all students with a sound basic education; however, State school aid is not targeted well enough to achieve this goal in all districts.**

In school year 2016-2017, school districts spent \$69 billion on public education in New York State using local, State, and federal revenues. Based on CBC's analysis (the methodology is summarized in Appendix A), New York education spending is \$9 billion more than necessary to fund a sound basic education, as defined by the Foundation Aid Formula.<sup>1</sup> Fully \$6.6 billion of State aid provided to more than 600 districts is greater than what is needed for them to fund a sound basic education.

- Based on this analysis, fewer than 35 districts lack the resources necessary to fund a sound basic education even if State aid were to remain flat in school year 2020. The total amount of funding needed to bring these districts' funding to the level needed is less than \$200 million.
- After including revenues from the Governor's school aid proposal, less than 30 districts would remain underfunded by an aggregate amount of less than \$150 million.

Please allow me to be clear. This does not mean that all students in districts with funding sufficient for a sound basic education receive one or the quality education we all desire. However, it does mean the increase in State aid from 2019 to 2020 needed to fund a sound basic education is less than \$200 million if directed only to districts where there are shortfalls.

**2. State aid distributed through the Foundation Aid formula does not accurately reflect local wealth or financial support provided by local taxpayers.**

The Foundation Aid formula is undermined by use of inconsistent local share calculations, arbitrary adjustments, and outdated data.<sup>2</sup> Particularly problematic is the use of six different ways by which to calculate the local contribution, none of which account for what districts actually contribute.<sup>3</sup> For example, the wealthiest decile of districts averages spending in excess of \$33,000 per student, and yet appears to be underfunded by \$67 million due to the shortcomings of the formula.



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**3. Total education funding has increased significantly since Foundation Aid was created.** Between school year 2006-2007 and school year 2016-2017, revenues to school districts increased by \$20 billion, or 40 percent. State education aid increased 30 percent, or \$6.5 billion, and local revenues increased 54 percent, or \$13.3 billion, including a 99 percent increase in local revenues in New York City. The increases in State aid were concentrated in the least wealthy districts, while local aid increased relatively evenly outside of New York City. Federal aid growth was more variable, but it represents a comparatively small share of school district revenues. During this time period, inflation was approximately 20 percent.<sup>4</sup> (See Table 1.)

On a per pupil basis, State aid increased 32 percent and local revenues increased 56 percent between school years 2006-2007 and 2016-2017. For this period State aid per pupil in New York City increased only 20 percent, equal to inflation, while local aid increased 80 percent.<sup>5</sup> (See Table 2.)

The Governor's Executive Budget would increase state aid by \$956 million, including an increase of \$338 million in Foundation Aid. The data show that less than \$200 million is needed to fund a sound basic education statewide. Given recent financial news, the State should target any increase in aid to those districts that need it most.

This concludes my testimony, and I would be happy to answer any questions from the Committee.

Table 1: School Revenues Increased Considerably Between SY 2006-07 & SY 2016-17 (dollars in millions)

Decile (10 = Wealthiest)	SY 2016-2017				Growth Since SY 2006-2007			
	State	Local	Federal	Total	State	Local	Federal	Total
1	\$4,573	\$1,477	\$392	\$6,442	43%	27%	2%	35%
2	\$1,548	\$939	\$100	\$2,587	33%	26%	-10%	28%
3	\$1,629	\$1,067	\$113	\$2,809	28%	30%	-10%	26%
4	\$1,152	\$863	\$65	\$2,080	23%	30%	-2%	25%
New York City	\$10,731	\$16,994	\$1,597	\$29,322	33%	99%	1%	61%
5	\$1,773	\$1,647	\$118	\$3,538	23%	31%	6%	26%
6	\$1,404	\$1,854	\$78	\$3,336	21%	31%	0%	26%
7	\$1,407	\$2,245	\$83	\$3,735	23%	30%	6%	27%
8	\$1,788	\$3,384	\$87	\$5,259	22%	29%	2%	26%
9	\$1,308	\$3,679	\$69	\$5,056	24%	31%	10%	29%
10	\$705	\$3,800	\$45	\$4,550	19%	32%	5%	29%
Total	\$28,016	\$37,950	\$2,748	\$68,714	30%	54%	1%	41%

Source: New York State Education Department, Fiscal Analysis & Research Unit, "2017-2018 Executive Budget School Aid Files" (January 17, 2019), "Masterfile for 2016-17," [www.oms.nysed.gov/faru/Profiles/profiles\\_cover.html](http://www.oms.nysed.gov/faru/Profiles/profiles_cover.html), and "Masterfile for 2006-07."

Table 2: Growth in School Revenues Per Pupil Between SY 2006-07 & SY 2016-17

Decile (10 = Wealthiest)	SY 2016-2017				Growth Since FY 2006-2007			
	State	Local	Federal	Total	State	Local	Federal	Total
1	\$15,748	\$5,065	\$1,348	\$22,161	42%	26%	1%	34%
2	\$13,350	\$8,102	\$859	\$22,311	41%	33%	-5%	36%
3	\$13,493	\$8,839	\$936	\$23,269	38%	39%	-3%	36%
4	\$12,886	\$9,655	\$725	\$23,266	43%	51%	13%	45%
New York City	\$9,546	\$15,117	\$1,421	\$26,084	20%	80%	-9%	46%
5	\$11,357	\$10,550	\$754	\$22,661	39%	49%	21%	43%
6	\$9,623	\$12,706	\$538	\$22,866	34%	46%	11%	40%
7	\$8,903	\$14,209	\$525	\$23,637	36%	45%	18%	41%
8	\$8,405	\$15,913	\$409	\$24,727	35%	43%	13%	40%
9	\$6,512	\$18,316	\$346	\$25,173	36%	43%	21%	41%
10	\$4,732	\$25,524	\$300	\$30,556	28%	41%	13%	38%
State Average	\$10,146	\$13,722	\$994	\$24,863	32%	56%	2%	42%

Source: New York State Education Department, Fiscal Analysis & Research Unit, "2017-2018 Executive Budget School Aid Files" (January 17, 2019), "Masterfile for 2016-17," and "Masterfile for 2006-07."

## Appendix – Methodology

This analysis uses data included in the School Year 2020 Executive Budget School Aid Run and the 2016-17 Masterfile. These data are the best publicly available data that detail the calculations utilized in determining the costs of a sound basic education and State aid in every school district in the state. More detailed data and information used by the State has been requested under the Freedom of Information Law. 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 2019-2020 school aid runs and multiplied by number of total aidable Foundation Aid pupils (TAFPU); plus
  - Other necessary costs excluded from the Foundation Amount calculation. This calculation includes: transportation; debt service; transfer to capital funds; operations and maintenance; and high cost public and private school pupils.
    - Expenses for transportation; debt service; transfer to capital funds; and operations and maintenance; are taken directly from the Masterfiles and increased by the State Fiscal Year Composite Consumer Price Index of New York as reported by the New York State Division of the Budget.<sup>6</sup>
    - Calculates total costs for high cost public and private school pupils using data provided in the school aid runs.
- Revenues available by district include:
  - Local revenues
    - For districts other than New York City, 2016-2017 local revenues increased by average property tax cap.
    - Since New York City is not subject to the property tax cap, used figure from FY 2019 New York City Executive Budget.
  - Federal aid
    - Equal to 2016-2017 federal aid; assumes no change in federal revenues.
  - State aid
    - Based on 2018-2019 formula-driven aid from school aid runs in base scenario to determine aid increase needed to fund sound basic education.
    - Subtracts State Executive Budget proposed school aid to arrive at current underfunding.
    - Remainder – if any – is the amount of underfunding per district in the coming fiscal year.

<sup>1</sup> New York State Education Department, School Year 2020 Executive Budget School Aid Run (January 16, 2019).

<sup>2</sup> David Friedfel, *A Better Foundation Aid Formula* (Citizens Budget Commission, December 2016), [www.cbcny.org/research/better-foundation-aid-formula](http://www.cbcny.org/research/better-foundation-aid-formula).

<sup>3</sup> This results in wealthy districts receiving considerable Foundation Aid. See: David Friedfel, *A Better Foundation Aid Formula* (Citizens Budget Commission, December 2016), [www.cbcny.org/research/better-foundation-aid-formula](http://www.cbcny.org/research/better-foundation-aid-formula).

<sup>4</sup> U.S. Bureau of Labor Statistics, *CPI Inflation Calculator* (accessed on August 30, 2018), [www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).

<sup>5</sup> U.S. Bureau of Labor Statistics, *CPI Inflation Calculator* (accessed on August 30, 2018), [www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).

<sup>6</sup> New York State Division of the Budget, *FY 2020 Economic and Revenue Report* (January 2019), p. 143, [www.budget.ny.gov/pubs/archive/fy20/exec/ero/fy20ero.pdf](http://www.budget.ny.gov/pubs/archive/fy20/exec/ero/fy20ero.pdf).