POLICY BRIEF · NEW YORK STATE SCHOOL FINANCE

Fixing New York's Foundation Aid Formula

Foundation Aid at 20: The Need for Cost-Based Reform

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What School Finance Systems Are For

01

Equal opportunity, not equal spending

Provide every child — regardless of where they live or attend school — an equal opportunity to achieve common, adequate outcome goals.

02

Costs are not uniform

Providing that equal opportunity costs different amounts in different settings, and for different children, individually and collectively, depending on their needs and context.

03

Accountability sets the bar

State accountability systems set common goals and rate, rank, and evaluate schools against them — goals often used to define constitutional rights to education.

04

Funding must match the goal

A fair finance system requires funding sufficient to provide equal opportunity to meet these common goals — for every district, not just some.

Basic Principles of “Cost” and “Equal Opportunity”

1

Higher outcomes cost more

All else equal, the per-pupil spending required to achieve higher and broader outcome goals is greater than the spending required to achieve narrower, lower goals.

2

Some children cost more to educate

Collective, social-context effects (concentrated poverty) and specific student needs (English learners, students with disabilities) raise the cost of reaching the same outcomes.

3

Some settings cost more

Economies of scale in small, sparsely populated, remote districts, and regional variation in the competitiveness of wages, both raise the cost of equal opportunity.

Two Ways to Measure Educational Cost

1

Outcome-Oriented

Education Cost Function Analysis

Evaluate aggregate spending per student as a function of student outcomes and cost factors — need, labor price levels, scale of operations, and other institutional characteristics.

Duncombe & Yinger, 2011; Levin et al., 2022

2

Input-Oriented

Resource Cost / Ingredients Method

Determine the personnel and non-personnel resources — and their corresponding costs — associated with the educational services used to generate student outcomes.

Levin et al., 2018; Baker & Morphew, 2007

Both approaches are used, in combination, to inform the cost-model findings presented later in this deck.

PART ONE

What's Wrong with New York's Foundation Aid Formula?

The Core Calculation

$$\textit{Adj. Foundation Amount} \approx \textit{Sound Basic Funding}$$

$$\textit{Base} \times \textit{PNI} \times \textit{RCI} \times \textit{TAFPU} \approx \textit{Sound Basic Funding}$$

How the Base is built

GEIE = IE – SEIE
Deflated GEIE = GEIE / PNI / RCI

Base = Avg. Deflated GEIE of

"Successful," "Efficient" Districts

Note: PNI (pupil need) and TAFPU (weighted pupil count) components were never grounded in an empirical cost analysis — only the Base draws, however imperfectly, on real spending data.

None of the Required Conditions Are Met

Required: Instructional spending is all a district needs to operate.

Reality: Instructional spending is only ~65% (national) to ~75% (New York) of current operating expense — the rest is left unfunded by the formula's design.

Required: PNI and RCI rest on thorough cost analyses.

Reality: No empirical analysis was ever provided to validate the weights on the components of the Pupil Need Index, by the rigorous methods of the day.

Required: Special-education spending removed from the Base is restored via TAFPU.

Reality: No empirical analysis was ever provided to validate the weights on children with disabilities embedded in TAFPU.

Formula Funding Has Drifted from Reality

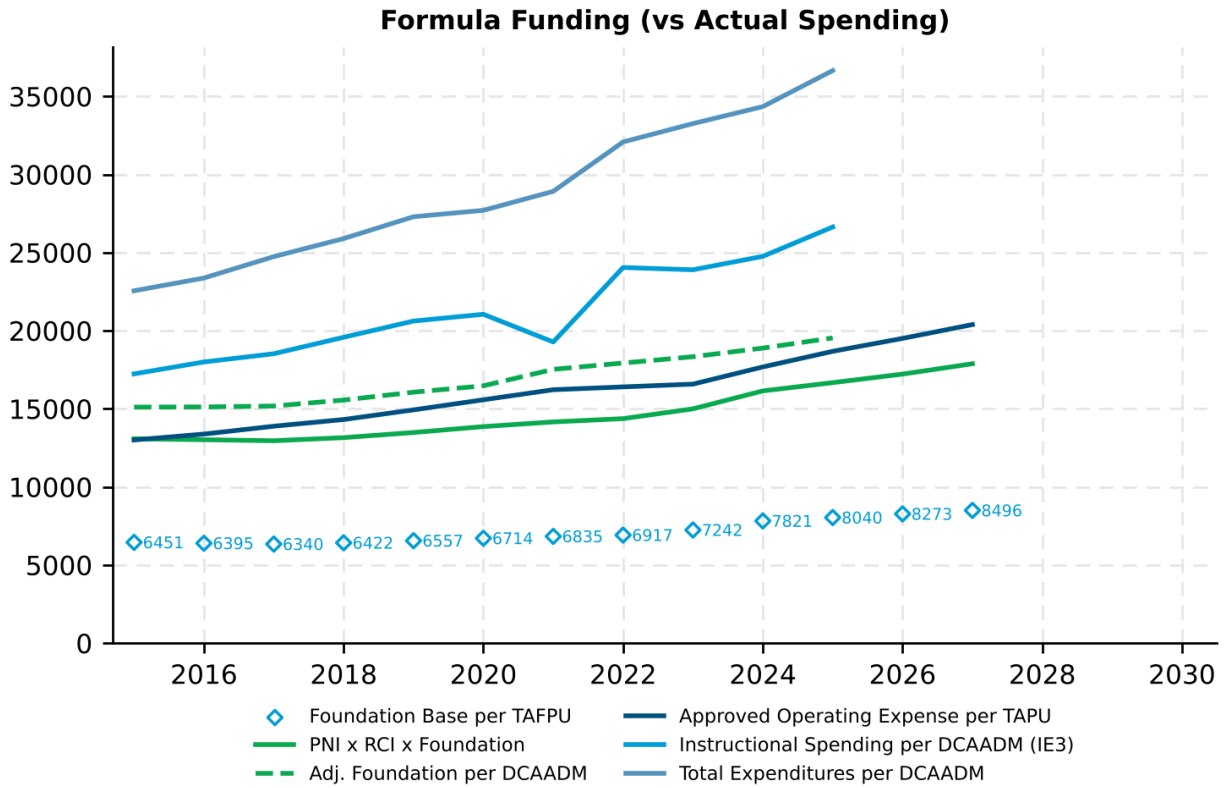


Figure 4. Foundation Aid Funding in Context

Even instructional spending alone now outpaces what the formula presumes adequate — by several thousand dollars per pupil.

Total operating spending has pulled even further away from the formula's implicit budget.

THE WIDENING GAP

The Base Has Fallen Far Behind

Recalculating the Foundation Aid base using districts' actual instructional-spending growth (2015–2027) tells a very different story than the adopted base.

$8,496

FY 2027 adopted Foundation Aid base per pupil

$10,229–$13,190

What the base should be, recalculated from actual instructional-spending growth for successful districts

$7,000–$11,000

Per-pupil gap between the formula's own implicit adequacy target and actual funding by 2027

For Poughkeepsie specifically: the gap between actual and corrected Foundation Aid reaches roughly $11,000 per pupil by 2027 — the largest gap among the eight tracked small city districts.

PART TWO

Preliminary Insights from Cost Modeling

EMPIRICAL COST MODELING

New York's Funding Isn't Progressive Enough

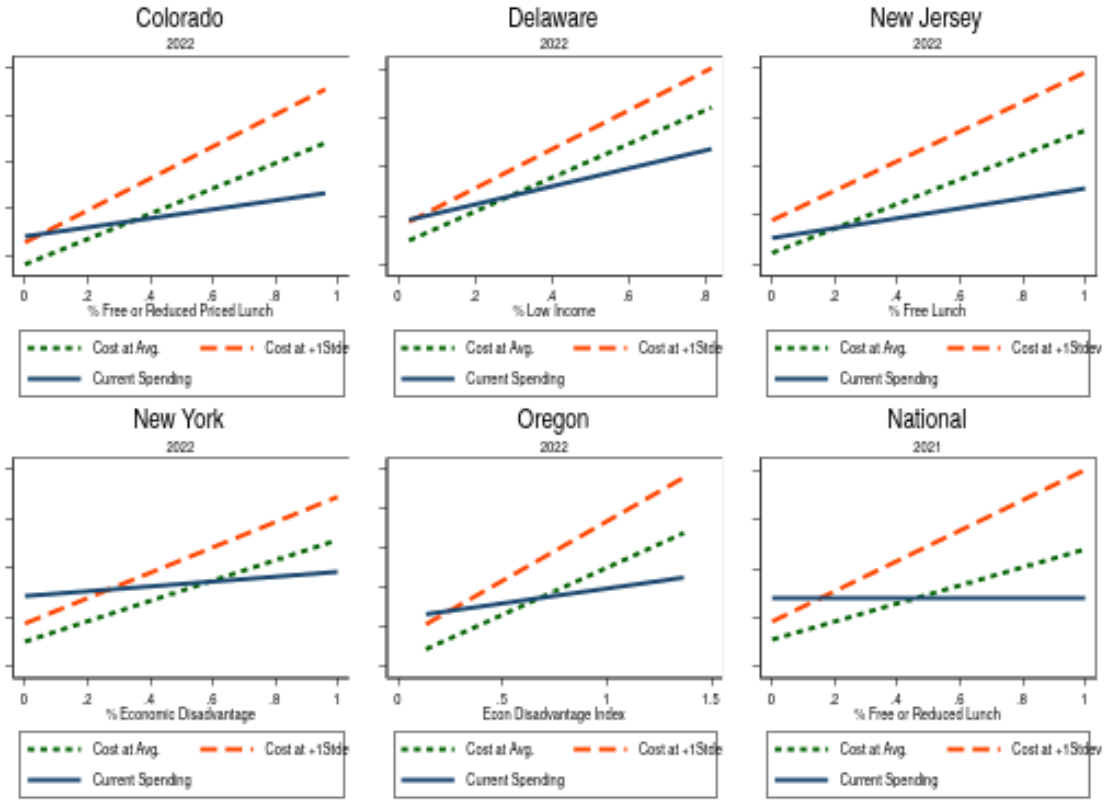


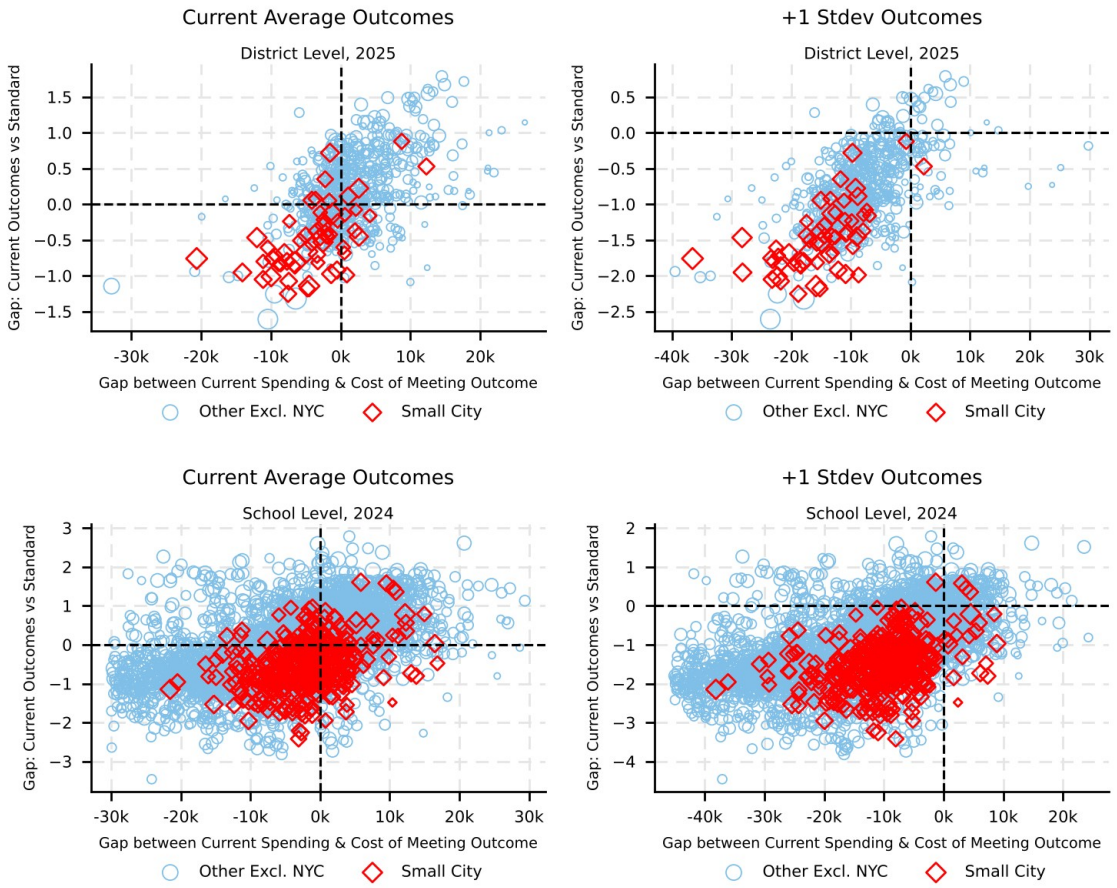
Figure 8. Current spending vs. modeled cost, by child poverty — six states + national

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Correlation between New York's state-specific cost model and the National Education Cost Model

Cost models across five states and the nation agree: the cost of equal opportunity rises faster with student poverty than current spending does.

Small City Districts Are Underfunded



45 of 57

small city districts spend below the cost of achieving current state-average outcomes

56 of 57

small city districts spend below the cost of achieving a higher outcome standard — gaps exceeding $15,000 per pupil in 27 districts

Districts with more adequate funding post higher outcomes than those with less — at every level examined.

WHERE THIS LEAVES US

Three Conclusions

01

The calculation is disconnected from cost.

The formula's method and measures do not rationally determine what districts need to spend — or what they actually spend — to achieve adequate outcomes.

02

The gap keeps growing.

The foundation formula has continued to drift further, over time, from funding even its own (already inadequate) hypothetical sound-basic-funding level.

03

Expectations have changed; the formula hasn't.

Standards, goals, and the context of the education system have changed — broader and higher expectations, alongside greater needs and cost pressures statewide.

WHAT NEW YORK SHOULD DO

Recommendations

Short Term

- Raise the base to reflect actual instructional spending of successful, efficient districts — a minimum of 10.75% above next year's inflation-adjusted base.

- Add and increase student-need adjustments — including for homeless, foster-care, and migrant students — and raise the English-learner weight, moving each toward 1.0 additional funding.

Longer Term

Over the next year and a half — with intent to reform Foundation Aid for FY 2028 — the state should conduct a rigorous, independent analysis of the spending required to achieve current, desired outcome goals for all children, in every school and district statewide.

THE ASK

Commission a Rigorous Cost Study in the FY 2028 Budget

to inform an overhaul or replacement of the Foundation Aid formula for FY 2029.

1. Engage multiple constituencies to determine desired outcomes and the programs and services needed to provide every child equal educational opportunity.

2. Produce a comprehensive, inclusive estimate of the cost for all children to meet those standards — accounting for student needs, district structure, geography, and regional wages.

3. Deliver school- and district-level per-pupil cost estimates, and recommendations for reforming or replacing Foundation Aid to meet the needs of every school and district.

LEARN MORE

Additional Resources

- AIR Equity Analysis Report (October 2024)
- AIR Student Outcomes and Student Needs Report (October 2024)
- AIR Using Cost Modeling to Inform School Funding Policies Report (November 2024)
- AIR's Review of the Rockefeller Report (December 2024)
- AIR's Equity Issues in Raising Revenue Report (January 2025)
- AIR's Review of the 2025-26 Executive Budget Projections (February 2025)

Full bulletins and reports: cee.tc.columbia.edu/ny-school-funding-project

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Companion policy brief:
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