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The Lower Hudson Education Coalition (LHEC) is a collaborative initiative representing the local superintendents and school board associations across Dutchess, Orange, Putnam, Rockland, and Westchester counties. Collectively, the coalition advocates on behalf of 96 school districts, serving 285,000 students and a community of 2.1 million residents. We appreciate the Governor and the Legislature's recognition that school funding, particularly Foundation Aid, needs to be revised. This presents a critical opportunity to recalibrate the system to better reflect the current realities and challenges of our educational landscape.

Acknowledging New York's Commitment to Education Funding

New York State is a national leader in its commitment to education, with per-pupil funding levels that surpass those of any other state and many countries. Foundation Aid, as the largest component of state aid to public schools, was initially a model of equity and access, designed to direct more resources to students and districts with the highest needs. This progressive and effective approach has been instrumental in ensuring that New York's children receive a well-funded education, and it stands as a testament to the state's dedication to educational excellence.

However, nearly two decades have passed since Foundation Aid was first introduced, and it is now imperative to update the formula to better align with the evolving dynamics of education and the diverse needs of students across the state. Education in New York is a complex and multifaceted endeavor, encompassing the largest school district in the country with over 1 million students in New York City, as well as some of the smallest among our 731 school districts. The following recommendations aim to address the challenges inherent in this diverse educational environment.

Poverty and Wealth Factors

Currently, Foundation Aid is reliant on outdated data, including figures from the 2000 census and Free and Reduced-Price Lunch (FRPL) eligibility metrics that do not accurately reflect contemporary measures of wealth, population, or poverty. The introduction of the Community Eligibility Provision has further complicated this by artificially deflating student poverty counts in certain districts. It is crucial that these inputs are updated to provide a more accurate representation of poverty and population. Options for improvement include utilizing updated census figures or alternative measures like the United Way's ALICE (Asset-Limited, Income-Constrained, Employed) index, which offers a more precise assessment of poverty and income challenges. We strongly recommend that whatever factor is used undergoes an annual adjustment or reflects annual changes.

Given the significant role of poverty and wealth factors in the formula, changes to these inputs will have far-reaching impacts on other aspects of the formula and must be carefully tested during the development of any new factors.

Pupil Needs Index and Diversity

Beyond economic considerations, our schools educate a broad spectrum of students with diverse learning backgrounds and varying levels of educational challenges. The current limited weighting system fails to adequately reflect this diversity. For instance, 10% of our students are classified as English Language Learners (ELLs), yet the formula does not accurately account for the unique needs of students, especially those who have recently arrived as asylum seekers and often come with trauma and other challenges not captured by a generic ELL weighting.

Similarly, children with disabilities or unique learning styles represent another group whose needs are not adequately addressed by the existing formula. With 19% of New York's students classified as requiring additional educational services, the costs to districts vary widely, from specialized placements in private schools to the provision of mandatory classroom aides.

Therefore, a more nuanced approach is necessary, perhaps akin to the stratification seen in the 13 disability categories under the Federal Individuals with Disabilities Education Act (IDEA), that would lead to a more accurate measurement and appropriate weighting of student needs. This concern is echoed by education leaders, with 83% of superintendents in the Lower Hudson Valley and 100% in the Mid-Hudson Valley citing rising special education costs as a critical issue in their financial planning.

Regional Cost Index

New York State's vast geographic diversity, encompassing 62 counties and over 54,000 square miles, is not adequately reflected in the current Regional Cost Index, which divides the state into only nine regions for funding purposes. This poses a significant challenge, particularly for the Lower Hudson Valley, which includes both some of the wealthiest areas on paper and some of the poorest. The current system's treatment of these varied regions as homogenous does not reflect the true costs of education in these areas.

Counties adjacent to New York City, with their higher costs, salaries, and real estate values, differ markedly from those further up the Hudson Valley. Therefore, we strongly recommend that the State consider the establishment of a new Metropolitan Commuter Transportation District for purposes of the Regional Cost Index.

Combined Wealth and the Tax Cap

The Foundation Aid formula's reliance on the Combined Wealth Ratio, which equally weighs property wealth and income wealth, often fails to accurately measure a community's true ability to support its schools. In today's housing market, where property values are high and housing supply is limited, many communities that appear affluent on paper are actually under significant financial pressure. This issue is further exacerbated by New York State's property Tax Cap, which restricts local school districts' ability to raise property taxes beyond 2% or the rate of inflation without a supermajority vote.

While the Tax Cap was intended to protect taxpayers, it has also constrained districts' ability to generate necessary revenue. This often results in underfunded schools, increased inequality between districts, and greater fiscal stress on communities. In districts where the Tax Cap limits revenue growth, schools struggle to maintain essential programs and services, leading to larger class sizes, reduced extracurricular activities, and cuts to crucial services like counseling and special education.

The cumulative effect is increased pressure on state aid to fill the funding gap, but this is also constrained by budgetary limitations. To address these challenges, it is crucial that revisions to the Foundation Aid formula consider the relationship between the Combined Wealth Ratio and the property Tax Cap. This might include adjustments to better reflect true community wealth and mechanisms to allow for greater flexibility in local revenue generation, especially in districts where the Tax Cap creates significant barriers to adequate funding.

Transparency and Predictability

As the Foundation Aid study progresses from recommendations to implementation, we strongly advocate for a final outcome that is both transparent and predictable. Transparency is essential to ensure that educators, school administrators, and community leaders can clearly understand the state funding process and the formula. Without this clarity, meaningful feedback, constructive changes, and overall effectiveness are hindered.

Predictability is also crucial, particularly concerning timing and financial planning. School budget votes occur in the third week of May, requiring budget proposals to be published by the first week of May. However, recently state funding levels are often unclear by these dates, forcing school boards to make estimates that may lead to confusion and uncertainty. Incorporating a predictable measure of state funding levels, even in the absence of a finalized state budget, could alleviate some of this unpredictability and support responsible local planning.

Population and Enrollment

While this study aims to adjust school funding based on population alone, we believe this is a flawed approach. The current formula includes mechanisms like Hold Harmless to account for the unique needs of New York's over 731 school districts, but it does not reflect the operational realities of gradual enrollment declines. Despite a slight decrease in K-12 enrollment, most schools are not experiencing significant drops. Operational costs, such as mental health services, security and safety, utility costs, staffing, and transportation, remain consistent regardless of small changes in enrollment. Any new formula must recognize this reality and develop a more appropriate measure to address it.

Relevant Factors Not in Foundation Aid

Although the primary focus of this study is Foundation Aid, we believe that these other critical needs must be addressed to ensure a comprehensive educational funding continuum.

Student Mental Health

Student mental health is one of the most pressing issues facing our schools today. The rise in counseling needs, emergency room visits, and incidences of anxiety and depression among students presents significant challenges that directly impact academic performance, discipline, attendance, and overall school safety. While Governor Hochul has taken steps to address this issue, we believe that dedicated funding for student mental health should be included as part of regular state aid funding, ensuring that resources are available to meet these growing needs.

Surplus Funds

The debate surrounding school districts with surplus funds exceeding the statutorily allowed 4% cap is misguided. School districts may accumulate surplus funds for various reasons, including restricted, committed, unassigned, or assigned funds. However, the 4% cap is not a substantial amount. Generally Accepted Accounting Principles (GAAP) recommend that nonprofits, a comparable sector, maintain cash reserves equivalent to 3-6 months of expenses. Governor Hochul's establishment of a 15% reserve fund as the "gold standard" underscores the need for greater flexibility in school district reserve funds.

Zero Emission Bus Transition

The mandate for electric school buses, while commendable in its sustainability goals, presents significant financial and logistical challenges for school districts to implement. The costs of electric buses are three to four times higher than traditional buses, and the necessary infrastructure for safe and efficient operation is not yet in place across the state. We support the move toward sustainability but strongly believe that transportation aid and building aid be updated to ensure that the higher expenses associated with achieving these goals are cost neutral to school districts.

Additional Policy Recommendations

Increased Flexibility in Funding Usage

We recommend increasing flexibility in how districts can use Foundation Aid, allowing them to allocate funds to meet their unique needs, such as supporting specific student populations, investing in technology, or enhancing teacher professional development. Therefore, we recommend that the study evaluate the elimination of set-asides that are currently required under state law.

Equity-Driven Funding Adjustments

We advocate for a phased implementation of funding adjustments, prioritizing the highest-need districts first. This ensures that the most disadvantaged students receive the necessary support as soon as possible, closing opportunity gaps. At the same time we are prioritizing the highest-need districts, we cannot have a formula that unilaterally decreases significant funding from other school districts without appropriate time for planning.

Regular Review and Adjustment of the Foundation Aid Formula

We recommend that the Foundation Aid formula be reviewed and adjusted regularly, to ensure it continues to meet the evolving needs of New York's students and districts.