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The Rockefeller Report: An Impressive Effort—Now What?

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On December 2, the Rockefeller Institute of Government released its highly anticipated review of the state's Foundation Aid formula. It is an impressive effort, especially given the compressed timeline for completion (just over seven months) and its authors' limited prior engagement with School Aid issues.

The report addresses nearly every aspect of Foundation Aid. More than a year ago, the Educational Conference Board outlined an approach to reviewing the formula, suggesting some aspects which could be updated immediately, while recommendations on others would require more time and funding to review and develop. But the Rockefeller Institute managed to be both comprehensive and detailed, offering ideas that could be adopted in the next state budget cycle on each of the core elements of the formula.

The formula as it is

Foundation Aid can be thought of as comprised of five essential parts:

1. a **Foundation Amount**, a uniform per pupil figure for all districts which grew out of court decisions directing the state to determine the cost of providing a sound basic education; the underlying methodology considers spending by districts deemed successful on an assortment of state assessments;
2. a **Pupil Needs Index** which takes into account student poverty as calculated using 2000 Census data and Free and Reduced-Price Lunch (FRPL) program counts, English Language Learners, and a sparsity factor to assist sparsely populated rural districts;
3. a **Regional Cost Index** which divides the state into nine regions and assigns each a cost adjustment based on compensation of workers in the region in occupations requiring credentials similar to those of educators;
4. an **Expected Local Contribution**, an amount to be raised from local sources (chiefly the property tax) which varies based on district wealth, measured using both property values and resident incomes; and
5. a weighted pupil count—**Selected Total Aidable Foundation Pupil Units (TAFPU)**—an enrollment-based figure which gives extra weight to students meeting specified criteria; most significantly, students in special education are counted as 1.41 additional students.

Expressed as an equation, the formula would look like this:

$$\text{Foundation Aid} = [(\text{Foundation Amount} \times \text{Pupil Needs index} \times \text{Regional Cost Index}) \\ - \text{Expected Local Contribution}] \times \text{Selected TAFPU}$$

Another step in calculating Foundation Aid is **save-harmless**, which ensures that whatever the above formula would generate, a district will not receive less than it did the year before. Save-harmless has been a factor in calculating funding under Foundation Aid since its enactment in 2007 and in formulas which preceded it, going back to at least the 1970s.

Report recommendations on Foundation Aid

What follows is an illustrative but not exhaustive summary of the Institute’s formula recommendations.

Foundation Amount: Recognizing that there are multiple ways to determine the cost of providing a sound basic education and that related research efforts are underway, the Institute essentially recommends a placeholder, suggesting that the pool of successful schools used under the current methodology be identified based on results on the state’s grades 3 through 8 English language arts and mathematics assessments. The ECB had recommended identifying districts using a high school completion measure. The Institute does not recommend expanding the costs covered in the model to include mental health services and school security measures, as advocates had recommended.

Pupil Needs Index: Replacement poverty measures are recommended for both the 24-year-old Census data and the increasingly flawed FRPL counts, a step the ECB recognized as possible to do at once. It also recommends scaling one poverty measure so that greater percentages of students in poverty yield a higher weight in the formula. It also recommends varying the weight for ELLs based on the extent of services provided; currently, a weight of 0.5 is applied for all ELLs. It recommends no specific changes to the sparsity factor, but suggests funding might be distributed through a separate formula.

Regional Cost Index: In place of the current construct of nine regions with a state-developed index, the report recommends using the Comparative Wage Index for Teachers (CWIFT) calculated by the National Center for Education Statistics. CWIFT can be calculated for counties or for districts. This could fix defects of the current measure: with large regions, real cost differences *within regions* are discounted, while neighboring districts *across regions* may have implausibly steep variances in their RCI values.

Expected Local Contribution: Most notably, the report recommends districts be allowed to use the most favorable blend of property wealth and income in one aid calculation—the current 50%/50% mix, or 70% property/30% income or the reverse. It also recommends eliminating the existing .650 floor on an Income Wealth Index used in another calculation, overstating local ability to pay in roughly half the state’s districts.

Selected TAFPU: Consistent with one of our recommendations, the report endorses extracting funding for special education from Foundation Aid, distributing it instead through a separate formula, as was the case before Foundation Aid was enacted. The report also recommends varying the weighting for students in special education based on the intensity of services they receive, again similar to pre-Foundation Aid designs.

Save-Harmless: With a preface that starts, “*Once updates and revisions have been made to the Foundation Aid formula [emphasis added]...*,” the report suggests save-harmless funding should be reduced based on district wealth, enrollment declines, and excess fund balance. The section concludes by suggesting, “Policymakers could establish a three- or five-year ‘phase-out’ schedule for any planned reduction in save-harmless allocations.”

In the Council’s testimony for the Institute’s final regional hearing, we stressed the value of predictability in aid results for school district financial planning. The report is strong in recognizing this priority and accordingly recommends phasing-in changes and using multi-year rolling averages for some aid factors in order to smooth-out disruptive bumps that might occur with changes from a single year to the next.

One gap in the report’s content is its cursory discussion of the interaction between two major school funding reforms enacted four years apart—the 2007 Foundation Aid formula and the 2011 school district property tax cap. We did not expect the Institute to recommend changes to the property tax cap itself. But we had hoped it might address our observation that, while an increase in local wealth could cause a district to lose Foundation Aid, the tax

cap might preclude that district from realizing an offsetting commensurate increase in local revenue, at least not without seeking a voter over-ride of the cap.

How will this affect my district?

A perfectly reasonable question is, how will this affect my district? An honest answer—the only honest answer—is, it depends.

The Foreword to the report makes crucial observations: Many of its recommendations are presented and costed-out in isolation, while in actual implementation they could interact, either offsetting or compounding their effects. Also, it is impossible to know which of the report's recommendations policymakers might adopt and whether they might be modified. How changes are phased-in would also affect both initial and ultimate aid results.

Many of the report's recommendations are sensible. It is impossible to justify using poverty data from the 2000 Census, or Regional Cost Index values that have never been updated. There are some districts which could lose aid if the state does abandon use of 24-year-old poverty data, but that effect could be offset by other changes, including updates and improvements to the RCI. It is very probable that if every recommended change were enacted many districts—perhaps most—would come out ahead with net aid increases, including some which would otherwise absorb reductions through the save-harmless proposals.

Other recommendations

The report ventures into topics beyond the Foundation Aid formula itself. Matching one of our requests, it endorses re-establishment of a Growth Aid formula that would provide aid for enrollment growth in excess of a threshold in the same year that growth occurs. Recognizing the theme we and others have stressed that schools are doing more to help children and families with needs outside of academics, It outlines a plan for expanding student mental health services. It proposes increasing the unrestricted fund balance limit for districts not on save-harmless to 10%, with a requirement that they have a plan for using those funds approved by voters and the State Education Department. On the state's carelessly imposed zero-emission bus mandate, the report advises, "New York should fully underwrite the costs of this state initiative to transition each school district to an all-electric bus fleet."

The first word, not the last

As it became known that the Rockefeller Institute had been assigned the task of reviewing the Foundation Aid formula, we stressed that its report, good, bad, or in-between, would be the first word, not the last. Next will come Governor Kathy Hochul's Executive Budget proposal, due by January 21. Then the Senate and Assembly will engage, as always.

Governor Hochul wasted no time at all in adding to discussion over what might happen next. The same afternoon as the report's release, her office issued a response to a media inquiry stating, "As we craft the upcoming Executive Budget, the Governor believes we should avoid proposals that would negatively impact school budgets, such as eliminating the hold-harmless provision of the Foundation Aid formula."

So a renewed effort to cut save-harmless appears to be off the table. But the Governor's task in constructing a budget proposal will be complicated by a gap between what her Budget Division has been forecasting as a School Aid increase for 2025-26 and the increase that would result from continuing formulas in current law, as estimated by the State Education Department.

The Division of the Budget forecasts a very small overall structural deficit for the state for next year—about \$1 billion, or 0.7% of projected spending exclusive of federal aid. Included within that calculation is the assumption that School Aid will increase by \$994 million, or 2.8%. But SED now calculates that total School Aid will increase by

\$1.67 billion (4.7%) if current law formulas are continued. Consequently, the Governor and DOB would be required find nearly \$700 million just to fund the difference between their baseline assumption and what current formulas would drive while also closing any gaps needed to propose a balanced budget, as required by the State Constitution. So it is hard to predict what, if anything, the Governor’s budget might incorporate from the Rockefeller report. We also cannot rule out the chance that there could be proposed aid reductions, at least from what existing formulas might generate, if not from what the state is spending on School Aid this year.

Again, the state’s overall financial position is strong for the near term, with a comparatively small structural deficit expected for next year, reserves at record levels, and legislative fiscal committees projecting revenues greater than the Governor’s Budget Division. Changing federal priorities could darken the state’s outlook with the advent of the second Trump Administration, but the fate of its initiatives would not be settled for some time.

Conclusion

Whatever becomes of the Rockefeller Institute’s Foundation Aid study, it has made a valuable contribution to debates over school finance in our state. The report is impressive in both its comprehensiveness and specificity – the range of topics it covers and the degree to which it makes detailed recommendations on those topics. It has helped illuminate many of the issues that policymakers and advocates need to understand about Foundation Aid. The authors deserve gratitude for their effort and for their willingness with the Council’s staff and our members.

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