

***Chair Krueger, Chair Weinstein, and other members of the Senate and Assembly:***

I am Robert Lowry, Deputy Director of the New York State Council of School Superintendents.

Thank you for the opportunity to offer testimony today on the Governor's proposed state budget and its potential impact upon our public schools. But more than that, thank you for your resolve in finally achieving full funding of the Foundation Aid formula.

Nearly from its inception in 2007, we characterized Foundation Aid as an underappreciated achievement in public policy. It generally provided the greatest aid per pupil to the neediest districts. It promised all districts greater predictability in funding. It used factors that could be understood and debated, making funding decisions more transparent and accountable.

But frankly, prior to 2019 and even as late as the start of the 2021-22 state budget process, we were inclined to doubt that full funding would ever be attained. Your commitment to achieving that goal was impressive and we are grateful.

Governor Hochul's leadership was instrumental as well. In the fall of 2021, she agreed to a lawsuit settlement committing the state to fully funding Foundation Aid within three years and then followed through in her proposed budgets.

That funding, plus help from Washington in federal COVID-relief aid, has enabled wide improvements in what schools can offer their students. [Attached](#) to this testimony are a few pages from a survey report we will be releasing.

One part of our findings shows unprecedentedly widespread expectations for improvement in key services, including extra academic help, mental health services, and general education at all three school levels. We also found that superintendents leading the poorest districts were most likely to anticipate their district budgets would improve those services, as were superintendents receiving greater increases in Foundation Aid.

### **Foundation Aid Reductions**

But now we see the proposed state budget for 2024-25 as threatening that progress and undermining a signature achievement of the Governor's administration.

The budget would reduce Foundation Aid by \$420 million (1.7%) below the level called for by the formula now in law. Half the state's school districts would experience actual year-over-year reductions in Foundation Aid totaling \$168 million (5.9%). The net statewide increase would be 2.1%, just over half of what districts would receive in total, if formulas now in law were followed (3.9%).

### Superintendents' Comments:

**Long Island:** Thanks to the federal grants, we were able to bring in additional social workers and a mental health partnership for struggling students. Now that the grants are gone and funding is not rising to the levels we need to keep this additional support, I will be excessing mental health professionals in the middle of a national mental health crisis. The same holds true for monies granted to districts for learning loss. We added Saturday school, extended day and year programs, implemented baseline testing utilizing NWEA. Now all of these supports will go away while we are still in the middle of trying to recover from a pandemic. My most vulnerable students, those needing mental health supports and those struggling with their learning will have those supports pulled out from under them. How is this allowed to happen?

**North Country:** With the injection of federal COVID-relief funding and increased state aid, our district witnessed a transformative shift... A significant portion of the funding was dedicated to implementing afterschool and summer programs, designed to provide students with additional educational and recreational opportunities... Moreover, the increased financial support allowed the district to establish the crucial position of a home/school coordinator. This role played a pivotal part in bridging the communication gap between families and the school, ensuring that parents were actively engaged in their children's education and well-being... While federal COVID-relief funding and increased state aid brought about positive changes for our district, the looming threat of the Governor's School Aid proposal underscores the fragility of these advancements.

The budget proposes two changes in the formula. First, a standard inflation factor would be reduced from 3.8% as calculated by the State Education Department to 2.4%.<sup>1</sup> Rather than apply the average monthly change in the Consumer Price Index over the preceding calendar year (i.e., 2023) as called for by current law, it would use the average annual change over the last 10 years, excluding the highest and lowest years.

For districts due an increase in Foundation Aid under current law, the inflation change typically has the effect of reducing that increase by around 1.4 percentage points.

The resulting statewide increase in Foundation Aid would fall short of the Division of the Budget's own forecast of inflation for the next state fiscal year—2.1% versus 2.6%. Two-thirds of districts would experience either cuts or aid increases below DOB's inflation forecast. This compounds the effect of the property tax cap, which also does not fully reflect inflation.

Inflation has also intensified hiring challenges for schools. They must offer compensation competitive with other employers to fill clerical, custodial, food service, transportation jobs, and other positions not requiring State Education Department certification. Poor districts must compete with better-off neighbors to hire and keep qualified teachers and administrators. Aid reductions would place those districts at a much more severe disadvantage.

The other change is targeted at "save-harmless." For decades, New York has applied save-harmless to Foundation Aid and the general purpose operating aid formulas which preceded it, ensuring that districts would not experience a reduction in aid from the prior year in that funding source. In 2023-24, 35% percent of the state's school districts are on save-harmless and 82% of save-harmless funding is received by average and high need school districts.

The budget proposal would reduce the amount of save-harmless funding a district may receive through a wealth-adjusted calculation. Fifty percent of districts would face year-over-year reductions in aid as a result. The poorest districts would experience reductions of 9% of their save-

<sup>1</sup> Complete data was not available to the State Education Department when it completed its November estimates. Using monthly Consumer Price Index changes for the full 2023 calendar year result in an inflation adjustment of 4.1%.

harmless funding, but over half the save-harmless districts would be expected to absorb the maximum reduction of 50%. Statewide, save-harmless districts would need to increase local taxes by 1.7% to offset the Foundation Aid reduction—this would be on top of whatever might be required to accommodate regular cost increases.

Seventy-five percent of the resulting cut would fall on average and high need districts. For high need rural districts, offsetting their Foundation Aid reductions would require cuts in general fund spending averaging 1.7%, or local tax increases averaging 5.1%, or a combination of the two. Again, these actions would be on top of whatever might be needed to accommodate other budget pressures.

Impact of Proposed Save-Harmless Reduction  
Districts Grouped by State Education Department Need/Resource Capacity Category

	Share of Proposed Reduction	Reduction in Foundation Aid	Total General Fund Expenditures	Reduction as % of 2023-24 Tax Levy
High Need Small Cities & Suburbs	3.0%	-2.1%	-0.5%	1.3%
High Need Rural	16.4%	-6.8%	-1.7%	5.1%
Average Need	55.3%	-5.7%	-1.3%	2.4%
Low Need	25.3%	-8.0%	-0.7%	0.9%
All Save-Harmless Districts	100.0%	-5.9%	-1.1%	1.7%

Source: NYSCOSS analysis of NYSED School Aid data

### An Abrupt and Alarming Shift by the State

The proposed cuts have alarmed school district leaders across the state. The scale of the cuts for some districts and the abrupt change in the state's posture are why the alarm level is high.

Proponents of the cuts have said that the increases of recent years were not sustainable. But future increases would moderate on their own, as we have repeatedly stressed to superintendents and others for more than a year. We advised that, with full funding achieved and with slowing inflation, a statewide Foundation Aid increase of around 4% should be expected for the coming year. This past November, the State Education Department released official estimates forecasting a 3.9% increase in Foundation Aid for 2024-25.

Another rationale for the proposed reductions is that schools have been benefiting from large increases in state aid. In the aggregate that is true, and we are grateful. But not all districts have. For the current school year, 35% of

### Superintendents' Comments:

**Southern Tier:** There is no question that the pandemic had a devastating and long lasting impact on the academic achievement, physical, and mental health of our students and their families. Additional funding support from state and federal sources was critical in expanding the necessary role of districts to address the compounded set of needs that many communities turned to schools to provide... In the wake of the pandemic, the need has not dissipated and with the return of accountability measures, districts have continued to focus heavily on providing additional academic, behavioral, and mental health support to students. In fact, districts have needed to find ways to sustain these programs long-term since the needs will undoubtedly outlive the funding.

**Central New York:** In this competitive job market, districts are struggling to keep pace with offering competitive wages. We are short on bus drivers, food service workers, and we are seeing limited candidates apply for both instructional and non-instructional positions. Our small district borders a major city center and we struggle to compete in the current job market... Districts are not receiving sufficient increases in revenue from the state or local sources to keep pace with rapid increases to wages.

**Long Island:** On School Aid, my biggest takeaway is that in the era of the highest inflation we've seen in decades, the Governor reduces the CPI factor. It's hard to think of a more apt metaphor for state aid being divorced from reality. Since the tax cap doesn't fully reflect inflation, and state aid is going in the opposite direction from inflation, schools will have no choice but to reduce staffing. So, there won't be the ability to fund existing efforts, much less new initiatives like "science" of reading.

### Superintendents' Comments:

**Mohawk Valley:** Federal COVID-relief funding and increases in state aid allowed us to improve and bolster mental health, instructional coaching, and nursing services for our students. In addition, the monies allowed us to provide a much more robust summer education program, where we offered instructional and mental health/SEL support to five times the number of students we were able to prior to the COVID-relief and state aid increases. We stand to lose all those gains with the Governor's proposal, and in addition, more direct opportunities and programming for children due to the removal of the "hold harmless" provision. With rising costs in health care, teacher retirement, employee retirement, and insurance costs, as well as very modest annual raises for employees, the governor's proposal is leaving our district with a nearly \$2 million gap.

**Finger Lakes:** The federal COVID-relief funding and increases in state aid have allowed us to maintain our instructional staff and increase our mental health and ELA/Math intervention teams. We have been able to provide after school tutoring and Saturday morning tutoring to our students who have needed the support through learning loss funds. We have increased our mental health programs within the district by providing inside/ outside staff and resources to our students, staff, and families alike. Losing Foundation Aid with the increase in inflation and other increased costs will be devastating to our small rural district. We receive about \$50,000 per 1% tax increase. It is anticipated that we will cut programs and resources that we have so heavily relied upon to support the mental well-being of our student population and to support their academic needs moving forward.

districts received minimum 3% increases and we calculate that over the last three years, approximately 40% of districts received increases that did not keep pace with inflation. The proposed cuts in save-harmless would now fall most heavily upon districts which have received the smallest aid increases.

Due to structural economic changes, lack of investment in rural job opportunities, and other shortages in essentials, many districts have seen significant enrollment declines that caused them to fall on to save-harmless. That is another rationale offered for the proposed aid reductions. But that was true a year ago and the year before. There were no proposed cuts to save-harmless in those years. Instead, state budgets guaranteed every district at least a 3% increase in Foundation Aid each year.

We all do need to consider how to ensure that our State Constitution's promise of at least a sound basic education is not imperiled for children in communities whose schools have suffered steep enrollment declines. But just cutting state aid to their schools will do nothing to improve prospects for those children.

School district reserve funds have also been cited in discussing the proposed reductions in Foundation Aid, noting that some districts have unrestricted reserves in excess of a 4% limit prescribed in law. But independent authorities typically recommend an unrestricted fund balance of no less than two months expenditures (approximately 15% of budget).<sup>2</sup> Also, as reported in Western New York newspapers, State Comptroller Thomas DiNapoli shared recently that, "...he would not object if the state legislature raises the 4% reserves for school districts to something like 6%."<sup>3</sup>

The 4% limit is a relic from a time when school district finances were far more stable and predictable. Municipalities have no percentage limit on unrestricted fund balance, and they operate with a much less restrictive property tax cap and far fewer financial disclosure and reporting requirements than do schools.

<sup>2</sup> Government Finance Officers Association. "Best Practices: Fund Balance Guidelines for the General Fund." September 2015.

<sup>3</sup> "Comptroller Shares Thoughts on Population, Spending," Jamestown Post-Journal. December 12, 2023.

School districts build reserves for the same reasons Governor Hochul has sought to do so for the state—to be able to manage uncertainties over revenues and costs, including unpredictable cuts in state aid. For over one-third of school districts, a 1% increase in their local tax levy would raise less than \$100,000—not enough to fund services for one additional child with severe special education needs, or to preserve more than a single teaching position. All districts are now preparing for one certain revenue loss, hoping to sustain program improvements funded with expiring federal assistance.

Past actions create expectations for the future. School districts made commitments in staffing and in collective bargaining based upon recent state budgets choices, including the preservation of save-harmless and the provision guaranteed minimum increases. Expectations of community members and parents have changed too, as schools expanded mental health services or added school resource officers, for example.

### **Mounting Concern About School Finances and Student Needs**

Schools may now be serving fewer students than in the past, but most are doing much more for their students and their families, helping with needs beyond academics—providing mental health services, health and dental clinics, child care, and after school care, food assistance, and adult literacy instruction, for example. In rural communities, a school may be the only agency where families can find the help they need. Absent health services provided by schools in many rural communities, low-wage parents would need to go without pay to travel to seek health and mental health services for their children.

That is the primary theme that emerges when we ask superintendents what they believe is most important for policymakers, the news media, and the public to understand about public schools today.

I mentioned our [survey findings](#) that superintendents widely continue to expect their school budgets will enable improvements in key student services. But we also found rising pessimism about longer-term financial prospects and this survey was conducted in November—*before* the proposed budget was released. Some of the pessimism arises from uncertainties over revenues, especially the expiration of special federal aid, and some is due to hardship in filling essential positions.

But a larger factor driving the pessimism may be the sense that student needs have grown faster than the capacity of schools to help. These needs existed *before* the COVID-19 pandemic struck and have been compounded by experiences then and since. The attachment to this testimony includes a few charts from our survey illustrating this point. In general, for example, the more pessimistic superintendents were in their financial outlook, the more likely they were to report a high level of concern about aspects of their students' well-being.

### **State Aid—What's Next?**

We ask that you reject the proposed cuts to Foundation Aid, both the lowered inflation adjustment and the reductions in save-harmless, and that you again provide a guaranteed minimum increase for all districts.

### **Updating the Foundation Aid Formula**

We support funding for the State Education Department to lead research needed to update the Foundation Aid formula. The formula's initial enactment and ultimate full funding were great



achievements in public policy. But some formula elements have never been updated. Problems have emerged with other factors, and we have learned more about how students' life and school circumstances may affect learning. Also, there was no school property tax cap when the formula was first enacted.

Together with our partners in the [Educational Conference Board](#), we have recommended a two-pronged process for updating the formula.

- First, some changes can be modeled for consideration without additional funding to the Department. These might include updating the standard per pupil funding amount or adopting alternatives to 2000 Census data or free and reduced price lunch eligibility as measures of student poverty.
- Second, other changes likely will require research funding; examples might include restructuring the Regional Cost Index or revising the weight given to various measures of student needs. We advised that it may be necessary to defer structural changes to the formula until a package of reforms drawing from both strands can be evaluated.

We and others have invested time and effort into considering how to update the Foundation Aid formula. We must also determine how best to help the students and schools in districts that are not “on the formula”—the 43% of school districts due to be on save-harmless in 2024-25, even if current law formula provisions are preserved in the budget you approve.

#### **Growth Aid**

ECB also stressed that Foundation Aid need not be seen as the solution to every problem, nor should it be. We call for resurrecting one of the formulas that was folded into Foundation Aid back in 2007—Growth Aid. Most aid calculations are lagged, using data from earlier school years. Growth Aid would provide additional help for districts experiencing enrollment growth above a threshold in the same year that the growth occurs. We recommend including a tier or weighting to fund additional support on behalf students who are English Language Learners.

#### **Career and Technical Education**

We hope that you will again support increasing funding for career and technical education through BOCES Aid and through Special Services Aid for the “Big 5” cities and a handful of other districts. The Board of Regents are now considering changes to high school graduation requirements. But no matter what changes may be forthcoming, a goal should be to ensure that all students have experiences in school that prepare them for success in whatever they pursue beyond school. Expanding access to CTE must be part of that agenda.

#### **Free and Appropriate Public Education to Age 22**

Last year a federal appeals court interpreted statutes to require students with disabilities be afforded the opportunity for a free and appropriate public education until they reach age 22. Prior interpretations limited that obligation to upon reaching age 21. This will add to special education costs, which are already the most widely cited cost concern among superintendents. We support the proposal by the Board of Regents to amend aid formulas to ensure that schools receive aid on behalf of these young people.

## Other Issues

- **Mental Health Services**

We commend Governor Hochul for prioritizing improving mental health services for school-children and other New Yorkers in need. Improving those services remains the most widely cited priority for new funding among superintendents whom we have surveyed, as it has been in every survey since 2017.

We support the Governor's proposals in this area—committing to ensure that every school desiring a mental health clinic can start one, guaranteeing access to commercial insurance coverage, expanding loan repayment for child mental health practitioners, and other initiatives.

We also support legislation sponsored by Assemblymember Amy Paulin which would clarify the authority for schools to offer telemedicine services to students and their families.

Increasing the availability of appropriately licensed mental health professionals is fundamental to any initiative to expand these services to rural areas of New York.

- **Zero-Emission School Buses**

Together with our colleagues in the New York State School Boards Association and the Association of School Business Officials—New York, we have shared [recommendations on transitioning to zero-emission school buses](#) (ZEB). Given the geographic and economic diversity of our state and the current limitations of alternative vehicles, we do not see universal conversion as achievable in the foreseeable future. But there are actions which could promote expanded use of zero-emission vehicles.

As a cornerstone recommendation, we recommend call for state-supported route feasibility studies for all districts. We said there should be a threshold end-of-route charge requirement, such as 20%, that a ZEB would finish its route/routes, before charging is necessary, even in the worst conditions. That route would then be considered achievable, and part of the district's mandated transition. Timelines for a transition would be individualized based on route feasibility.

Among our other recommendations, we called for independently certified range estimates before ZEBs could be offered for sale as meeting state goals and for shortening the state aid amortization period for ZEB purchases from 12 to seven years.

- **Hiring Shortages and Pensions**

School districts continue to struggle with hiring shortages. Difficulties in finding substitute teachers and bus drivers remain near universal. In our latest [survey](#), only 56% of superintendents reported their districts to be fully staffed with general education teachers and 10% see their schools as significantly understaffed for mental health professionals and school social workers.

Reforms in teacher certification adopted and proposed by the State Education Department will provide some help. One short-term aid we hope that you will adopt is to again extend exemption from the \$35,000 earnings limitation for public sector employees working in retirement.

The Tier VI pension reforms enacted in 2012 were intended to significantly reduce costs for school districts and other public employers. But some cost savings are offset by pressure to add steps in

salary schedules for workers who are staying on the job longer to avoid pension reductions. Our members see some provisions as hurting recruitment and retention of employees.

During the 2023 calendar year, 810 retirees in the State Teachers Retirement System worked in schools outside New York City using this provision. We do not have data on school resource officers and bus drivers (members of the State and Local Retirement System), so we assume this number totals over 1,000 employees.

We will support changes to Tier VI aimed at helping to address hiring challenges and retaining current employees. We are working on a proposed package of recommendations to share in the near future. We will not support one-shot minor changes to the system as those will only increase costs on schools and the state without addressing recruitment and retention concerns. Any future change to Tier VI should be done as a comprehensive package.

- **Science of Reading**

It should go without saying that school leaders are committed to providing the best literacy education possible. Reading skills are fundamental to the success of any learner. The methods by which students become successful readers has varied through time as research and new techniques have evolved. School leaders are committed to ensuring their students receive the soundest reading and literacy instruction possible.

The state should not be in the business of mandating specific curricula regarding reading instruction, however. If a school is failing to successfully teach reading, school boards and community members will hold them to account, without the state prescribing one-size fits all models. Many districts have adopted “science of reading” methodologies, while others have used varied methods of teaching reading and have also been successful. Recent scrutiny of reading instructional practices and results has heightened public attention. Policymakers should be confident that schools will not sit idly by and ignore new research and stonewall change.

- **FAFSA Completion**

The budget proposes to require schools to obtain documentation from high school students or their families that either they have completed and submitted the Free Application for Federal Student Aid (FAFSA) or signed a waiver form indicating that they have chosen not to do so. The legislation would also require schools to provide notice at least four times per year regarding availability of student aid and to provide “...access and/or referral to support or assistance necessary to complete the FAFSA.

For several years, we have collaborated with Education Trust—New York to support voluntary efforts to promote FAFSA completion. But our members are troubled by this proposed mandate. In part, their concern arises from a near ceaseless accretion of planning and reporting requirements. (Allowing the expiration of duplicative school-level financial reporting was a welcome exception.) Many districts are small, and staff are already stretched to meet current demands. We will be seeking recommendations from our members for actions the state could take to streamline existing reporting requirements.



- **Residential Placements Cost Shift**

The enacted 2020-21 state budget eliminated the 18.424% state share of these costs. The legislation also required school districts to assume the 50% of costs previously paid by the state toward maintenance costs of students at the state schools for the blind and deaf at Batavia and Rome, respectively. This provision was set to sunset at the end of that fiscal year but was extended in the in the last three budgets.

The new Executive Budget would make this state funding cut permanent and is projected to cost school districts outside New York City of \$28.6 million next school year. Schools already struggle with significant special education costs with prescriptive mandates that do not necessarily guarantee better outcomes for students.

This cost shift places an increased financial burden on local school districts. The impact can be especially dire for small, poor districts, where one additional placement might consume most or all of whatever revenue might be raised by a property tax increase within the tax cap.

### **Conclusion**

Thank you once again for inviting our testimony and for all you have done to support our schools in years past. We will do all we can to support adoption of a new state budget that fulfills the promise of our State Constitution—“...a system of free common schools, wherein all the children of this state may be educated.”

### **[Attachment \(Survey Results\)](#)**