



The Blake Annex | 1 Steuben Place | Albany, NY 12207
ph. 518.465.4162 | fx. 518.465.0812 | www.lwvny.org | email: lwvny@lwvny.org

Testimony for Rockefeller Institute Hearings on Foundation Aid

July 16, 2024

Dr. Marian A. Bott
Education Finance Specialist
sydneymab@aol.com

The New York State League thanks the Institute for this opportunity to testify at these hearings. As mentioned in my application, because the focus of your task is on recommendations of changes to the Foundation Aid formula, it is appropriate that we take advantage of our allotted time to point out areas of the formula where we have expressed our views in the past on multiple occasions.

This led me to focus on 1) the Regional Cost Index and 2) the Poverty Measures in our existing state aid formula, within the Foundation Aid calculation. This leaves quite a few un-mentioned formula components such as special education adjustments, sparsity adjustments, and of course the entire “successful schools” per pupil cost allocation that underpins the basic number from which the Foundation Aid adjustments are derived.

In short, our State’s existing formula provides a mathematical calculation which is both simple and, in its details, quite complex. It is as follows:

[Foundation Aid Pupils¹ * Pupil Needs Index² * Regional Cost Adjustment] minus Expected Minimum Local Contribution. Foundation Aid Pupils are weighted.³

The Regional Cost Index and the Regional Cost Adjustment

- Currently the Regional Cost Index (RCI) consists of only 9 regions of NY State. In the late 1990s, when our State Education Department (SED) considered different models, it chose to follow the Oregon model using Comparative Wage Index data using non-education job descriptions. Attachment A hereto summarizes SED’s rationale for choosing the Oregon methodology and excluding teacher wages. The labor wage weighting methodology was designed by Management Analysis and Planning (MAP). One of my

¹ Cost of providing general education services measured by instructional costs of districts that are performing well. Adjusted to reflect % increase in Consumer Price Index (this past year a compromise of 2.8% was reached after much push-back on Executive Proposal of 10-year increase vs. 1 -year previously used). This then adjusted by a Phase-in Foundation Percent (PIFP) specified by statute, this past year was 1.000.

² Pupil Needs Index (PNI) recognizes added cost of providing extra time and help for students. Scale is 1+ the Extraordinary Needs % ranging from 1 to 2. Factors are: A) 3 year average Free and Reduced-Price Lunch count times .65 PLUS 2000 Census Count times .65, using % of persons ages 5-17 in poverty; B) English Language Learners count * .5; C) Sparsity providing a factor ((25 minus enrollment/square mile)/50.9) for districts with fewer than 25 pupils per square mile. SOURCE: State Aid to Schools A Primer, March 2024, Foundation Aid definition p. 18. https://www.oms.nysed.gov/faru/PDFDocuments/Primer_2023.pdf

³ A full day K-12 student in “average daily membership” counts as 1.0 or one Foundation Aid Pupil. A half-day Kindergarten student weights at .5. All pupils with disabilities are given the same weight of 1.41. Pupils declassified from Special Education retain a .5 weighting. Pupils in summer school are weighted at .12.

Teachers College former professors, Richard Rothstein, co-authored the Regional Cost Index 1997⁴ Oregon study. MAP recommended that Oregon use 25 regions (it has 36 counties) that they compiled by working with the State officials to clump “similar” counties into regional groups. By this logic NY State should have used many more than 9 regions to avoid the problems that the disparities amongst school districts in our 9 regions have caused. Here in New York City, we know we have high regional wage costs. But the RCI lumps us with Long Island, and the RCI includes Westchester County in a Hudson Valley region with quite a bit of disparity between its counties and school districts. This is done despite the knowledge that more discrete wage data would show inter-county differences. If all professions are not robustly represented for more regions, adjustments can be made to either reduce the number of professions or substitute professions that are robustly represented. The Labor Department, and indeed professionals at the Rockefeller Institute, are familiar with these data and use them frequently. There is no excuse for so few regions being used in such a large state as New York, and such out of date (2006) data on wages paid for occupations, which in and of themselves have changed dramatically in 20 years.

- The RCI was designed to be updated but that has not happened. The Labor Department annually produces data allowing 1/3 of the wage data (non-education job wages as well as education job wages) to be updated. The NYSED original blueprint for the RCA fully intended that from 2006 forward, the RCI would adjust for this new wage data. As seen from the base formula, it was supposed to be one of the high-level “levers” in the formula, equally as important as the Pupil Count, the Pupil Needs Index, and the Expected Minimum Local Contribution.

I examined many years of prior SED State Aid Handbooks to understand the evolution (or lack thereof) of the RCI. I contacted Richard Rothstein, currently with the Economic Policy Institute. He indicated that his co-author, James Smith, was more closely involved with discussions with New York State officials but to date I am unable to locate him. I was hoping he might provide help in understanding why New York State refused to adopt more regions. Having known Dr. Deborah Cunningham, one of the primary Fiscal Analysis and Research Unit experts at SED, since 1999, I contacted her and obtained SED’s original recommendations in 2006 as well as her extensive 2014 report in the Maisto case.⁵ To understand the politics and economics of the refusal to update the RIC, I conducted interviews with a former representative of the Senate Education Committee, a current staffer to State Finance chair, an Assembly Ways and Means staff member, a current representative of the State Education Department, an official of long-standing with NYSCOSS. Regional Cost Adjustments were first implemented for Building Aid in 1997-98. But the Regents struggled to get the Legislature to fully implement them for State Operating Aid. It started with “Tiers” applied to incremental State Operating Aid only.

I have recently filed a FOIL request with the SED for the necessary data to update the index with the most current data from the Labor Department.

I have been personally involved, going to Albany as a good government organization lobbyist from 1999 forward, advocating for the implementation of the RCI each year until it was finally implemented in 2006. My testimony reflects first a concern that we had no Regional Cost Adjustment (RCA) at all. In 1999-2001, I testified on behalf of the Educational Priorities Panel, a 26-member NYC based coalition of civic, education, and religious organizations. From 2002 forward, I have been testifying on behalf of the New York State League of Women Voters. I testified that it was insufficient to simply apply the RCA to incremental aid. The League fully supported the Campaign for Fiscal Equity’s goals both before the legal settlement and during the past 17 years of its rocky economic phase-in. The League also provided amicus

⁴ Adjusting Oregon Education Expenditures for Regional Cost Differences: A Feasibility Study Submitted by Management Analysis & Planning Associates, L.L.C. Submitted to Confederation of Oregon School Administrators Richard Rothstein James R. Smith May 30, 1997.

⁵ REPORT ON DEVELOPMENT, ENACTMENT AND IMPLEMENTATION OF THE 2007 FOUNDATION FORMULA On Behalf of the Plaintiffs in the Maisto et al. v State of New York Case by Deborah H. Cunningham, Ph.D. November 10, 2014.

briefs for the Campaign for Fiscal Equity lawsuit. My annual testimonies are available through our League offices in Albany, and the most recent ones are on our website, as is our Impact on Issues comprehensive position manual.⁶

The rationale for never updating the RCI since 2006 is both understandable and indefensible. Some of it is simple economics given New York’s intermittent fiscal distress since 2009. It was arguably hard enough to dole out school aid, let alone tinker with a major formula component. The League respectfully disagrees with this logic since all the other levers in the core calculation are manipulated every year, and much negotiation occurs over which districts would be harmed or helped by one change or another. From the beginning, the RCA should have been part of the dialogue. There was no New York City subcommittee of the Senate Education Committee or Senate Finance Committee at the time; perhaps that would have added a voice to the cause. No other constituency or advocacy group would have had a vested interest in an adjustment that would have been perceived to help higher wage paying school districts such as Westchester, parts of Long Island, and New York City.

During the years of the Gap Elimination Adjustment (the Cuomo Governorship) one of my interviewees commented that the powerful constituents were all trying to fight for restorations, even if piecemeal. Now the Legislature and the Executive are in a new and different time. The League highly recommends that the Legislature and this Commission work together to re-formulate the regions and use the Department of Labor’s existing data base to update, on a three-year rolling basis as originally recommended, the RCI. If the politics over establishing more regions takes more time than the five months of 2024 before the next legislative session begins, at the very least the updated 2021, 2022, 2023 or 2024 RCI as already computed could be used since the data already exist and are available through the SED. One interviewee commented that “SED never gave us the data”; another said that a change in the index would require changes to legal language. Both comments are irrelevant compared to the importance of obtaining updated data, which is the focus of this inquiry.

For reference, this is the 2023-24 RCI, identical to the Handbook Indices published 2009-10, 11-2, 14-15, and 17-18.

Region	Regional Cost Index Value
North Country	1.000
Mohawk	1.000
Southern Tier	1.045
Western New York	1.091
Central New York	1.103
Finger Lakes	1.141
Capital District	1.124
Hudson Valley	1.314
Long Island/New York City	1.425

The Pupil Needs Index and specifically the Poverty Index

⁶ <https://lwny.org/wp-content/uploads/2024/01/Impact-on-Issues-2024-LWVNYS.pdf>.

To begin this section, we need to reiterate what the New York State Aid Pupil Needs Index is, referenced earlier in the testimony and explained in a footnote. Isolating only the portion of the index that deals with student poverty, it is calculated as follows:

3 year average Free and Reduced-Price Lunch count times .65 PLUS 2000 Census Count times .65, using % of persons ages 5-17 in poverty

- **Free and Reduced-Price Lunch (FRPL).**

In its early days of implementation, FRPL allowed school administrators to distinguish between income classes of all their students, K-12, ascertaining which students should receive a) free or b) reduced price and if b), how reduced the price should be. Measures of poverty have ranged from “at” poverty to 130% above to 185% of poverty – these were the measuring sticks for this way of distributing school meals. Over time it was recognized that high school students’ data were unreliable, thus forcing policymakers to use only grades K-6 to measure the counts (using a % as a proxy for poverty). The State has given up on distinguishing degrees of poverty and uses “Economically Disadvantaged” based on eligibility for programs including the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF)—see longer list below. State Aid policymakers multiply the last three years’ available K-6 FRPL count, average that count, and multiply by .65. This gives one side of the poverty equation its somewhat shaky base. What about the other side of the equation?

- **U.S. Census Poverty – what is it?**

Poverty Income for various household sizes has been published annually by the U.S. Census Bureau eternally. In 2023, \$30,900 was considered to be the level below which a family of 2 adults and 2 children were in poverty. Around 2017, the U.S. Census Bureau began publishing a Supplementary Poverty Measure, counting government cash benefits that reduce actual poverty. In New York State, for school aid, the traditional (non-supplementary) measure of poverty is used. It relies on the actual census response rate from the decennial census, no matter how low the percentage of respondents in any community might be. Moreover, poverty income levels are the same throughout the State and indeed, throughout the U.S. without any adjustment for regional cost differences.

Nonetheless, whatever the census number is for a school district, we multiply that number by .65 to produce a count of our “Census Poverty” students.

Everyone agrees that 2000 Census data is a bad metric for counting students in 2024, whether those students are “in poverty” or not. The issue is whether anyone can reach agreement with newer or different data on students “in poverty”. After the 2010 census data were not used by New York State due to the failure to collect school level data, the years ticked away such that now two years have passed since 2020 census data might have been used. One might ask what has caused such an inexcusable delay in updating, similar to the question about the Regional Cost Adjustment.

During the era of 2008-2016, nutritional school food became a national issue. Community Eligibility programs were instituted under the Obama Administration. The incentive for parents to fill out forms required by the United States Department of Agriculture’s Food and Nutrition Service to allow their children to eat breakfast and lunch at school went away for Community Eligible school districts. School finance academics nationwide sounded the alarm that student poverty statistics would be materially jeopardized because they were based on counting meal applications. Pressure has built over time to allow all children to eat breakfast and lunch at school, with no discriminatory distinction known as food shaming; the proof document for the national poverty metric has lost its credibility (see criteria below).

In 2016 New York State recognized the flaws in its poverty measures, not just those caused by Community Eligibility, and directed the Commissioner of Education to report recommendations.⁷ My assessment is that the report did a good job of laying out options. The use of data available from the Office of Temporary and Disability Assistance, Office of Children and Family Services, Internal Revenue Service, New York State Department of Taxation, New York State Department of Health (Medicaid), and the Bureau of Indian Affairs Financial Assistance office were laid out as alternative sources of poverty statistics. However, the criteria used to rate the options left the Legislature with paralysis since the tradeoffs were:

“Burden” meaning were data available, difficult to collect by either parents, administrators or state agencies

“Credibility” meaning even if available, would data be suspect due to biases of collection method

“Distribution” meaning even if data were easily available and credible, would there be discomfort with the conclusions of redistribution of aid within the State

No alternative was deemed clearly superior to warrant a strong recommendation in the report—a lesson to be learned for these hearings.

(Note these same principles will hamper any change in the RCI).

So, how is a school district to report student poverty with any accuracy in 2024? There is uniform agreement that FRPL and Census data produce undercounts, and that they conflate levels of poverty by as much as a ratio of 1:185,⁸ and even perhaps more if standards other than income are used. New York State uses Economically Disadvantaged as a label, blending degrees of poverty.

Excerpting from my prior testimonies:

- Direct Certification data should be used where possible, increasing accuracy of data for those school districts who fall within the criteria, but also those who do not. Direct Certification data increase efficiency for serving meals to students in districts in which 25% or more⁹ “identified students” can be counted through identification other than a household application. Those means of identification include:
 - Supplemental Nutrition Assistance Program (SNAP)
 - Temporary Assistance for Needy Families (TANF)
 - Food Distribution Program on Indian Reservations (FDPIR)
 - Medicaid
 - Homeless students (but must have proof of homelessness)
 - Runaways
 - Migrants
 - Foster Care
 - Head Start
- Small Area Income Poverty Estimates (SAIPE) are compiled by the U.S. Government but do not segregate students in public schools from students in private schools. In the past,

⁷ Poverty Measures in New York State School Aid Formulas—Chapter 54 report, September 30, 2016.

⁸ If a student in a family in New York had a family income of \$30,900 i.e., at the 2023 US Census Poverty level, they would receive the same New York State poverty “count” as a reduced-price lunch eligible family with a \$57,165 income.

⁹ Reduced by the United States Department of Agriculture (USDA) from 40% effective October 26, 2023.

SOURCE: hungersolutionsny.org.

when experimenting with a shift to SAIPE from 2000 Census Bureau Data (apparently the Census Bureau failed to compile school district level data at all...), it was learned that it suppressed the % poverty in large school districts such as New York City due to the large number of students enrolled in expensive private schools being included in the data base in the “school district” but not attending public schools. Although the League testified in the past that this data would be more current, we were not on the inside of the negotiations and at the time not aware that the shift would be a step forward for more current data but would at the same time be an aid distribution step backward for New York City.

Current Recommendations:

- Discontinue use of the 2000 Census data altogether, instead substituting Direct Certification data derived directly from each of the State’s school districts.
- To provide the most updated data, require, this Fall, that School Districts provide a count of newly enrolled school-aged Migrants in their Pre-K-12 school programs. This would allow the State to estimate poverty percentages for students ENROLLED in October 2024 but currently not considered to be in poverty at all—statistically some percentage of them would be. Within a few years, depending on which data Government agencies decide to collect, these estimates may provide a truer picture of student poverty than our existing metrics. This update will resonate in all parts of the state, where migrants have been appearing in record numbers in the past two years.
- If SED’s Economically Disadvantaged definition stems from a wide range of family income/circumstances that should be distinguished and separately weighted, make a discerning adjustment for this using the best current data available.

We defer to those with special expertise in Direct Certification to know which of the bullet-pointed identifiers will distinguish between income levels and which forms adapt best to data meshing between agencies. However, the thrust of our recommendations is to break ties with old Federal data altogether. This requires a change in state statute, so be it. It would be a mistake for New York State to rely on more current data just because it is more current. Accuracy is equally important, and we should rely on our local school district administrators who are closer to their students to supply that accuracy.

ATTACHMENT A: Regional Cost Adjustment Based on Professional Salaries: excerpt from 2005-06
Regents Proposal

Regional Cost Adjustment Based on Professional Salaries

2005-06 Regents Proposal

A regional cost index was generated using an approach first developed by education finance researchers in the state of Oregon. Their method recognized that school districts are often the dominant purchasers of college-educated labor in a community. As such, they exercise unusual market influence over the price they pay for such services, so that differences in cost may be the result of choices school districts make. For this reason, teacher salaries were specifically excluded from the construction of the index, and selected professional salaries used as a proxy for the purpose of determining regional cost differentials.

The index includes 63 titles for which employment at the entry level typically requires a bachelor's degree, and excludes teachers and categories that tend to be restricted to federal and state government. The wage data are provided by the Bureau of Labor Statistics and are drawn from the 2001 Occupational Employment Statistics (OES) Survey. The OES survey is an establishment survey and according to U.S. Department of Labor analysts, "wages and earnings tend to be more accurately reported in establishment surveys as they are based upon administrative records rather than recall by respondents." Additionally, the survey is administered on a three-year cycle where each year one third of the establishments are surveyed and wage data are aggregated using a technique known as wage updating. Thus, the approximations of wages become increasingly accurate and are most precise in the third year. Unchanged from the 2004-05 Regents proposal, the RCI calculations are based on the third and most accurate data-year in the cycle. The triennial nature of the data means that the RCI need only be updated in those years in which the most accurate data in the cycle are available. The next scheduled update of the data would occur in 2006.

See page 44 of Cunningham Expert Report (pdf page 59)

For a detailed discussion of regional cost and the construction of the Regents Cost Index see, Recognizing High Cost Factors in the Financing of Public Education: A Discussion Paper and Update Prepared for the New York State Board of Regents SA (D) 1.1 (Sept., 2000) and the technical supplement entitled Recognizing High Cost Factors in the Financing of Public Education: The Calculation of a Regional Cost Index (Nov., 2000). Copies can be obtained by contacting the Fiscal Analysis and Research Unit at (518) 474-5213 or visiting their web site at <http://www.oms.nysed.gov/faru/articles.html>.