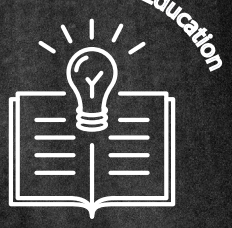
# Impact of Foundation Aid Proposals on New York City Revenue

New York City Independent Budget Office




New York City
Independent Budget Office
Louisa Chafee, Director

110 William Street 14th Floor
New York, New York 10038

Tel. 212-442-0632
www.ibo.nyc.gov
press@ibo.nyc.gov

This report was prepared by Kaitlyn O'Hagan and Youngwan Song with assistance from Joydeep Roy, and supervised by Julia Konrad and Sarita Subramanian. Report production was done by Tara V. Swanson.

Please direct any inquiries on this report to press@ibo.nyc.gov.

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# IBO Findings

Foundation Aid is the largest single state revenue stream for school districts in New York State. For 2024-2025 (fiscal year 2025), the State has committed to distribute a total of $24.9 billion in Foundation Aid, $9.9 billion of which is for New York City (25% of the New York City Department of Education budget). The Foundation Aid formula is complex, but at the highest level is a per-pupil dollar amount multiplied by a pupil count. The formula accounts for some student need (poverty, English language learners, and students with disabilities), district fiscal capacity, and regional cost variations. However, the State has not updated the formula since its inception in 2007 and only fully funded Foundation Aid last year (fiscal year 2025).[1]

The fiscal year 2025 Adopted New York State Budget included $2 million to fund a report on Foundation Aid by the Rockefeller Institute of Government (RI). RI held public hearings across the state in summer 2024. The Independent Budget Office (IBO) testified in July 2024 at one of the public hearings, building on prior IBO testimony, and met with RI staff in August 2024. On December 2, 2024, RI released proposed recommendations, which provided statewide estimates of the costs of some proposals.[2] On January 21, 2025, Governor Hochul's Fiscal Year 2026 New York State Executive Budget included proposals related to RI's suggestions for updating the student need portion of the Foundation Aid formula.

IBO reviewed the Rockefeller Institute of Government recommendations and estimated their impact on revenue to the New York City school district (New York City Public Schools, NYCPS). IBO used data on 2024-2025 Foundation Aid (fiscal year 2025) to estimate the impact of each recommendation. As in the RI report, IBO estimated the impact of these recommendations in isolation from each other.[3] Because of the complex nature of the formula, implementing multiple recommendations simultaneously could have an overall effect that differs from the sum of individual recommendations (some can have compounding effects). Figure 1 lists each recommendation, RI's estimated statewide impact, and IBO's estimated impact on New York City's revenue.

Based on IBO's estimates:

- NYCPS could benefit most from two RI recommendations that would require large increases in statewide Foundation Aid, which could be politically challenging to navigate. The Governor has not endorsed these proposals.
  - Increase per-pupil amounts by updating the estimated cost to successfully educate students ($4.2 billion for NYCPS).
  - Update the regional cost index measures for the per-pupil Foundation Amount ($306 million for NYCPS), using a school district-specific measure, rather than the current measure aggregated to nine regions across the state.
    - If this change was adjusted to have a statewide net-zero budget impact, however, NYCPS is estimated to lose substantial funding.
- The Governor proposed including two of RI's recommendations to adjust calculations of student need, one of which would have resulted in an estimated $390 million loss of funding to NYCPS in fiscal year 2025. RI's proposal for the poverty data update to be revenue-neutral for the State would partially mitigate this negative impact for NYCPS. The other proposal would have resulted in a $39 million increase in funding to NYCPS, slightly offsetting the negative impact of the poverty data update.
- The RI recommendation to adjust the weight of English language learners would also result in a loss of funding to NYCPS.

- RI recommended changing the minimum local expected contribution by switching to a single formula for all districts. Depending on the specific formula used, the impact of this change could vary widely in direction (positive or negative) and magnitude.

IBO's estimates provide an approximation of the impact of implementing the RI proposals for New York City as the fiscal year 2026 New York State budget is negotiated. This report also includes discussion of the New York State Board of Regents' recommendations for comparison.

Notably, RI did not make a recommendation related to funding for students experiencing homelessness, even though the topic came up in much of the public testimony. IBO's testimony highlighted the recent addition of a weight for students in temporary housing to New York City's own funding formula, Fair Student Funding.[4]

However, RI did recommend establishing funding (outside of Foundation Aid) for districts that experience unusual surges in enrollment, or in counts of English language learner (ELL) students and students with disabilities. These surges can create immediate need that is not met by Foundation Aid (which is always based on data that is lagged at least one year).[5] The Board of Regents similarly proposed providing additional funding to districts that experience large enrollment or ELL growth. Neither of these "growth" proposals specifically mention students in temporary housing. In situations like the recent influx of newcomers to New York City, many of whom were unhoused, this kind of current-year categorical aid could have resulted in additional funding to support this population.

Figure 1
**Rockefeller Institute (RI) Foundation Aid Recommendations and IBO Impact Estimates**

| Rockefeller Institute Recommendation | Implementation | Statewide Change in Foundation Aid (RI) | Impact on NYC Foundation Aid Revenue (IBO) | |
|---|---|---|---|---|
| | | Dollars | Dollars | Percent |
| **Per-Pupil Foundation Aid Amount** | | | | |
| Update "successful school districts" model | See Appendix for details | not estimated | $4,180,900,000 | 42.1% |
| Change inflation measure | | $125,900,000+ | $63,000,000+ | 0.6%+ |
| Update adjustments for regional cost differences | 1-year implementation | $1,100,000,000 | $306,400,000 | 3.1% |
| | 5-year implementation | $220,000,000 | $61,300,000 | 0.6% |
| | Scaled for $0 statewide cost | $0 | ($1,432,800,000) | -14.4% |
| **Adjustments for Student Need** | | | | |
| Use up-to-date census poverty data | Current weight | ($367,000,000) | ($384,900,000) | -3.9% |
| | Variable weights | $0 | ($195,200,000) | -2.0% |
| Use Economically Disadvantaged (ED) instead of free and reduced-price lunch (FRPL) | 1-year implementation | $238,000,000 | $39,100,000 | 0.4% |
| Replace single ELL weight with various weights | | not estimated | ($161,800,000) | -1.6% |
| Move funding for SWDs to a categorical program | | ($3,414,000,000)* | ($2,300,000,000)* | -23.2% |
| **Expected Local Contribution** | | | | |
| Change Option A formula | See Appendix for details | not estimated | $0 | 0.0% |
| Change Option B formula | See Appendix for details | not estimated | Varies widely | |
| **Other Proposals That Would Not Affect NYC's Total Foundation Aid Revenue** | | | | |
| Eliminate $500 minimum per-pupil funding | | ($41,000,000) | n/a | n/a |
| Eliminate "save harmless" | Fully eliminate | ($375,000,000) | n/a | n/a |
| | Transition Adjustment | ($167,000,000) | n/a | n/a |
| Replace set-asides with new categorical funding | See Appendix for details | -- | -- | -- |

SOURCE: IBO analysis of 2024-2025 (fiscal year 2025) Foundation Aid data
NOTES: + RI estimated a positive impact because the fiscal year 2025 budget deviated from the traditional methodology of using the one-year national CPI. IBO similarly estimated a positive impact for NYC based on the fiscal year 2025 formula. However, if the fiscal year 2026 Foundation Aid formula goes back to the traditional methodology, IBO estimates that RI's recommendation would have a negative impact in fiscal year 2026, statewide and for NYC. See Appendix for additional details.
*RI recommended replacing funding for SWDs with a categorical program. While this proposal would lead to a decline in Foundation Aid funding, RI proposed this state funding to school districts still be allocated, just though a different revenue stream.
If implemented, recommendations would take effect in 2025-2026 (fiscal year 2026) and therefore would differ somewhat based on updated pupil counts and other measures. See the Appendix for additional details on all estimates. ELL = English language learner. SWD = student with disabilities. IBO dollar estimates are rounded to the nearest hundred thousand.

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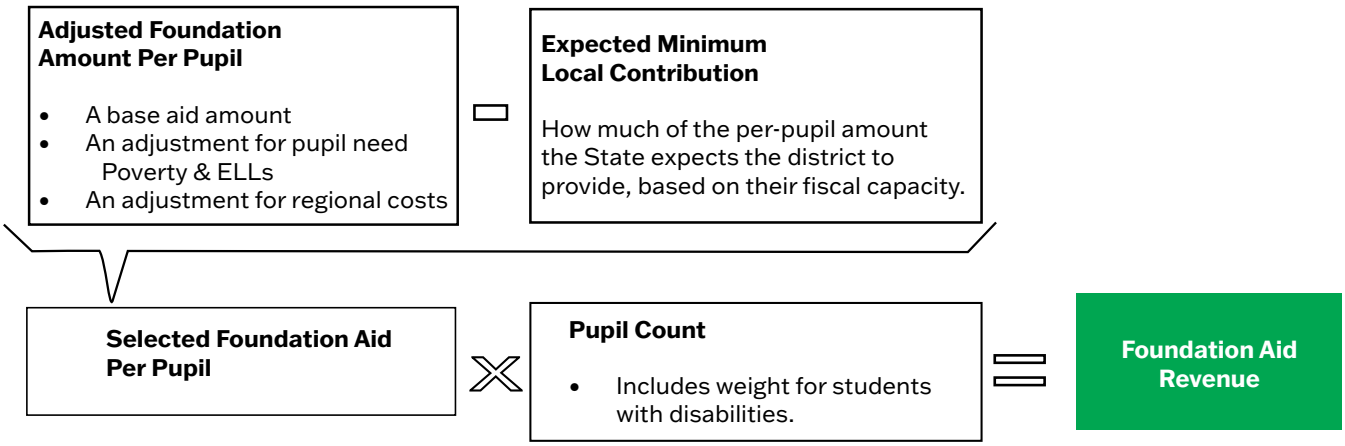
# Appendix

## Timeline of Proposals to Change State Foundation Aid Formula

- December 2, 2024: RI released proposed recommendations, which provided statewide estimates of the costs of some proposals.
- December 9, 2024: The New York State Board of Regents released budget and legislative priorities for the 2025-2026 school year, which included four suggestions for updates to the Foundation Aid formula that are similar to RI recommendations.[6]
- January 21, 2025: Governor Hochul released the Fiscal Year 2026 New York State Executive Budget, which included proposals related to the Foundation Aid formula, two of which are taken from RI recommendations:
  1. Using up-to-date census poverty data.
  2. Using Economically Disadvantaged (ED) student counts instead of free and reduced-price lunch (FRPL) student counts.[7]

## Details of Rockefeller Institute of Government (RI) Recommendations




### Per-Pupil Foundation Amount

***Update "successful school districts" model.*** The "Base Foundation Aid Amount" is a fundamental starting point for determining the per-pupil Foundation Aid for a school district before accounting for various educational needs, regional costs, inflation, district fiscal capacity, and other factors. To determine the base amount, the state used the "Successful School District" model, which identified a benchmark spending level based on the average per-pupil spending of relatively higher-achieving and lower-spending school districts.[8] However, the current Foundation Aid formula still uses a base amount that was determined in fiscal year 2017 (with adjustments for inflation).[9] Critics also highlighted concerns about the specific performance measures and estimation methods used.

RI proposed a revised model that excludes controversial high school performance measures, expands the grades used to identify high-achieving districts, and increases the number of "successful" districts. The proposed model uses a three-year average district-wide proficiency rate (Level 3 or Level 4) on the State's standardized tests (ELA and math) for grades 3-8 and selects the top 50% of all school districts based on performance measures.[10]

Following these suggestions, IBO estimated the base Foundation Aid amount would be $11,427 (see details in Appendix Figure 2). This would have increased New York City's Foundation Aid revenue by $4.2 billion, or 42.1%. However, there is significant variation in calculating the base Foundation Aid amount depending on the source of spending data, the type of spending included, using weighted or non-weighted enrollment, and the sample of "successful" districts. In addition, even RI suggested this as a "temporary measure" while "policymakers await the outcome of longer term, more detailed costing-out research and modeling efforts."[11] Still, IBO's estimate suggests a significant gap between an updated base per-pupil spending amount and the base per student funding amount currently used in the formula.

***Change inflation measure.*** The inflation factor is applied to the dollar amount from the successful school district model to update this per-pupil cost for changes in labor costs over time.[12] RI recommended using the five-year average consumer price index (CPI) for the northeast region, rather than the single-year national CPI rate used since 2018. However, following negotiations between the Governor and the state legislature, New York State used a lower rate of 2.8% in 2024-2025 instead of this traditional rate of 4.1%.[13] IBO estimates that relative to the 2.8% inflation rate used in 2024-2025, using the five-year average northeast CPI—3.45%—would have increased NYC's Foundation Aid revenue by $63 million in fiscal year 2025. However, the CPI for the northeast region is generally lower than the national CPI and implementing this proposal in fiscal year 2026—when the calculation will revert to the single-year national CPI—would have a negative impact on New York City's Foundation Aid revenue.

***Update adjustments for regional cost differences.*** Currently, the Foundation Aid formula adjusts for regional cost differences using a regional cost index (RCI) from 2006. Critics have pointed to this adjustment as outdated, as well as insufficiently differentiated: there are only nine regions, and New York City and Long Island are considered one region. RI recommended using a national measure, the comparable wage index for teachers (CWIFT).[14] CWIFT is available at the school district level, updated annually, and based on the average of the three most recent years' data.[15] RI estimated switching to the CWIFT would have increased Foundation Aid allocations by $1.1 billion statewide, and IBO estimated it would have increased the allocation to NYC by $306 million.[16] Given the significant cost, RI suggested a five-year phase-in, which IBO estimated would have increased the City's Foundation Aid revenue for one year by $61 million.

Finally, RI suggested lawmakers could switch to the CWIFT and multiply it by 0.83 while keeping the regional cost adjustment at the same overall cost. This choice of weight would prioritize keeping the total cost of Foundation Aid constant; it has no other relationship to regional costs. IBO estimated this combination would have resulted in $1.4 billion less Foundation Aid revenue for the City in fiscal year 2025.[17]

The Board of Regents also recommended updating the current RCI measure using 2024 values, rather than changing the measure. This Board of Regents recommendation would result in an increase in Foundation Aid to New York City because the regional cost index for New York City would be higher. RI considered a similar change but opted for the CWIFT because it differentiates by individual school district rather than nine or ten broad regions.

**Adjustments for Student Need**

***Use up-to-date census poverty data.*** The Pupil Need Index (PNI) is used to assign greater weight to high-need students when calculating Foundation Aid amounts for school districts.[18] One of the current ways districts receive a greater weight is based on poverty data from the 2000 U.S. Census, which is extremely outdated. RI suggested replacing the 2000 data with the three-year average of Small Area Income and Poverty Estimates (SAIPE) developed by the U.S. Census Bureau. Using SAIPE data allows the Foundation Aid formula to reflect annual changes in the population experiencing poverty.

RI estimated that using SAIPE data would decrease statewide Foundation Aid by $371 million if the current weight for students in poverty—0.65—is maintained.[19] IBO estimated this would have reduced the City's Foundation Aid by $385 million, or 3.9%.[20]

To mitigate these negative impacts, RI suggested that the formula use different weights to account for poverty concentrations—which they also suggest will have a net $0 impact on Foundation Aid statewide.[21] IBO estimated this would have reduced New York City's Foundation Aid by $195 million (2%) due to the substantial difference in the percentage of students in poverty between the two measures (34% in the 2000 Census and 23% three-year average poverty according to SAIPE), despite the higher weight of 0.80.

The Board of Regents similarly recommended using updated census poverty data in the PNI, with no mention of updating the weight.

The Fiscal Year 2026 New York State Executive Budget includes the RI recommendation to update the poverty measure to the three-year average SAIPE but does not update the weight.

***Use Economically Disadvantaged (ED) instead of free and reduced-price lunch (FRPL).*** The current Foundation Aid formula also incorporates the three-year average count of Free or Reduced-Price Lunch (FRPL) students, with a weight of 0.65, when determining PNI. While FRPL has been widely used in research to measure the number of students from low-income families, critics have raised concerns about its reliability, particularly given the expanded use of the federal Community Eligibility Provision (CEP), which provides universal free breakfast and lunch. To address this concern, RI recommended replacing FRPL data with the three-year average of Economically Disadvantaged (ED) student counts as a more accurate, updatable, and comprehensive measure of student poverty. RI also recommended maintaining the current weight of 0.65.[22] IBO estimated that replacing FRPL with ED would have resulted in a $39.1 million or 0.4% increase in Foundation Aid for New York City in fiscal year 2025.[23] This minimal impact is due to the similarity between the number of FRPL and ED students.

The Board of Regents similarly recommended using ED counts in the PNI.

The Fiscal Year 2026 New York State Executive Budget includes the RI recommendation to update the measure to the three-year average count of ED students.

***Replace single ELL weight with various weights.*** PNI also accounts for English language learner (ELL) students. However, critics have expressed concerns about the current use of a single weight (0.5) for all ELL students, as the length and intensity of educational services can vary significantly based on a student's level of English proficiency. RI recommended using differentiated weights for ELL instructional service tiers, using the state's ELL identification methods based on the Home Language Questionnaire and the New York State Identification Test for ELLs.

IBO found that applying the proposed weights would have reduced NYC's Foundation Aid by $117 million or 1.2%. IBO used student-level data from the New York City Department of Education to estimate the distribution of ELL students across the RI categories (see Appendix Figure 3 for additional details).[24] Additionally, IBO found that approximately 30% of New York City's ELL students are beyond their third year of service. This contributes to the estimated negative impact as these students would be excluded from receiving any ELL weight under RI's recommendation.

***Move funding for SWDs to a categorical program.*** The current Foundation Aid formula accounts for the needs of students with disabilities (SWDs) by applying a uniform weight of 1.41 to these students in the student count portion of the formula. As IBO and others suggested in testimony to RI, this is an insufficiently nuanced weight for a group of students with varied needs that differ significantly in intensity

and therefore cost. RI agreed with this assessment, and points to New York City's own Fair Student Funding formula as an example of "more precise and targeted allocation of these funds."[25] However, rather than adding varied weights for SWDs in the Foundation Aid formula, RI recommended moving funding for SWDs entirely out of Foundation Aid, into categorical funding. In addition, as with other recommendations, RI suggested structuring the weights so the total statewide cost remains the same, rather than calculating weights based on need.[26]

IBO calculated that $2.3 billion of New York City's Foundation Aid revenue was due to the weight for SWDs in 2024-2025. A categorical program would need to match that funding level—adjusted for increased costs in 2025-2026—in order for the City to not experience a revenue loss. In addition, most students with disabilities are served in classrooms alongside general education students. Moving all funding for students with disabilities to a categorical grant could lead to challenges in budgeting for inclusive service delivery.[27]

**Expected Local Contribution**

***Change Option A Formula for the Expected Local Contribution.*** The Foundation Aid formula currently includes two ways for calculating a district's expected minimum local contribution (EMLC): the portion of education costs the State expects a district to cover based on their fiscal capacity. The formula uses the method that provides more revenue for the district. Rockefeller suggested "meaningfully revising both options and evaluating district choices after a few years."[28]

"Option A" for calculating the EMLC uses the income wealth index (IWI). The formula for the IWI has arbitrary floors and ceilings, with the result that very low-income districts have a cap on the amount of aid they can receive (and high-income districts have a floor on the amount of aid they can receive). RI recommended eliminating the floor and raising the cap. The Board of Regents also recommended eliminating the floor on the IWI.

The IWI is currently based on a measure of wealth per pupil: that calculation counts only public school students and excludes children attending nonpublic schools. RI also recommended replacing public school pupil counts in this measure with the three-year average school-age population—so it would instead be a measure of property wealth per child.[29]

While changing the IWI calculation to use the school-age population would lower New York City's IWI from 1.220 to 0.944, the RI recommended changes to the IWI formula on their own would not affect New York City. The City's EMLC is based on the other methodology (Option B) because that option yields higher revenue.[30]

***Change Option B Formula for the Expected Local Contribution.***[31] "Option B" for calculating the EMLC is currently used by 611 school districts (most school districts).[32] Option B uses the Foundation Aid State Sharing Ratio (FASSR), which is the percentage of the Foundation Aid per-pupil amount that will be covered by the state. The FASSR declines as a measure of a district's wealth increases (districts with more fiscal capacity have a lower portion of the per-pupil Foundation Aid amount covered by the state). This measure is called Foundation Aid Combined Wealth Ratio (FACWR) and is based on both property wealth and income wealth.

First, RI suggested replacing the FACWR, which currently equally weighs income and property wealth, with a measure that weighs income and property wealth at 70%/30%, 50%/50%, or 30%/70%, whichever is most advantageous for the district. RI also recommended that the formula to calculate wealth use the total school-aged population in the district (using the three-year average from the SAIPE), as they recommended for the IWI, rather than the student population.[33]

Second, RI recommended replacing the four formulas that convert the FACWR to the FASSR with a single straight-line or curve formula. Though RI did not recommend a specific formula, they suggested "sloping the

line from the current maximum 91% at FACWR value of 0 to the minimum of zero at a FACWR of 2.0 is one option." IBO used this straight-line formula to estimate the impact of changing the FASSR formula on New York City and found it would have increased the City's Foundation Aid revenue by $4.8 billion, or 47%.

However, this specific formula is unlikely to be implemented, not only given the extreme impact on New York City and associated cost, but also because it would increase the FASSR for almost all districts. The change results in a higher FASSR than most of the current four formulas, which may be why RI did not include a cost estimate for this recommendation. Depending on the specific FASSR formula that is implemented, changes to this part of the Foundation Aid formula could have a widely varying impact on both statewide Foundation Aid allocations and New York City's Foundation Aid revenue, including a negative impact.

The Fiscal Year 2026 New York State Executive Budget includes two changes to the FASSR formula, neither of which would affect New York City.

**Other Proposals That Would Not Affect NYC's Total Foundation Aid Revenue**

***Eliminate $500 minimum per-pupil funding.*** The formula currently includes a minimum of $500 per-pupil funding for wealthy districts that would otherwise receive $0 in Foundation Aid revenue. This does not currently apply to New York City and therefore would not affect New York City's revenue, but according to RI would free up $41 million to be allocated to other districts based on the formula.

***Eliminate "save harmless."*** The formula currently includes a provision, known as "save harmless," that districts do not receive less revenue than they received the prior year—even if their enrollment declines or other changes suggest the district needs less funding. "Save harmless" does not currently apply to New York City and therefore its elimination would not affect New York City's revenue. However, according to RI, eliminating "save harmless" would free up $375 million to be allocated to other districts based on the formula.

The Fiscal Year 2026 New York State Executive Budget includes a proposal to guarantee 2% year-over-year increases in Foundation Aid revenue for each district, essentially expanding save harmless.

***Replace set-asides with new categorical funding.*** There are currently five "set-asides" in Foundation Aid revenue—specific amounts that must be spent on specific programs. These set-asides do not change how much revenue districts receive, rather, they create restrictions on how districts can spend Foundation Aid revenue. RI recommended eliminating all set-asides except for Contracts for Excellence, and, if the State wants to ensure programs funded through set-asides continue, create categorical programs to fund them. If these set-asides were eliminated from Foundation Aid and instead included as additional categorical grants, the City would receive an additional $278 million through these grants.[34] If the set-asides were eliminated but not replaced with categorical programs, the City's revenue would not change, but the City would have additional flexibility in choosing how to spend Foundation Aid funding. City spending may or may not change in response to that additional flexibility.

**Recommendations That Focus on Net-Zero Impacts Statewide**

In multiple instances, RI made recommendations that would allow lawmakers to update measures used in the Foundation Aid formula but keep the total statewide cost of Foundation Aid (or total statewide education revenue to districts) the same, for example, in their recommendations to use CWIFT instead of the RCI, and to use three-year average SAIPE poverty rates instead of poverty rates from the 2000 census (discussed above). Arbitrarily contorting the formula to have the same overall cost could cement funding at potentially inequitable levels, rather than reflecting an updated calculation of need.

Rockefeller did recommend revisiting the formula periodically going forward, as IBO and others have recommended.[35]

## IBO Methodologies

This section explains two estimates in greater detail. First, IBO summarizes the RI-recommended approach to updating the Successful School Districts (SSD) model. Second, IBO summarizes the RI-recommended approach to the updated English language learner (ELL) weights.

### Successful School Districts (SSD) Model Update

The RI report does not detail how to identify school district expenditures for the successful school districts (SSD) model used to determine the base Foundation Aid amount. Instead, RI suggested using "the existing, appropriate method to calculate per-pupil expenditures" for each of the newly selected successful school districts.[36] IBO refers to the methodology from the New York State Department of Education (NYSED) 2012 Update to the Successful School Study, which defines expenditures as:

> "general education instructional expenditures (including an estimated amount for fringe benefits) adjusted by the Regional Cost Index. The pupil count used was the same count used for general education instruction as defined in statute for the Fiscal Supplement to the School Report Card. This count was then adjusted to reflect student need by weighing the K-6 free and reduced-price lunch count at an additional 1.0."[37]

IBO follows this NYSED 2012 methodology as closely as possible, except for the adjustment for regional costs, which is included separately in the Foundation Aid formula. IBO follows the NYSED methodology cited by RI by weighing ED students at an additional 1.0 when calculating weighted per-pupil spending amounts. For example, in a district with 100 students, all of whom are ED, per-pupil spending would be calculated as total spending divided by 200, instead of total spending divided by 100. This reduces per-pupil spending to an amount that is unadjusted for student need (because spending is higher in districts with more ED students). Weights for these students—which increases the Foundation Aid amount—are added separately in the Foundation Aid formula.

Figure 2 suggests that the base Foundation Aid amount could vary substantially depending on:

1. the source of data on spending (i.e., ESSA data versus ST-3 data);
2. the specific spending measure (e.g., school-level data aggregated to the district level versus district-level data; data on instructional spending versus data on total spending);
3. whether enrollment is weighted as described above; and
4. the sample of "successful" school districts.

The three-year average instructional expenditure of the top 50% of school districts (ranked by average student pass rates on grades 3-8 Math and ELA exams) is $11,427 per pupil. This is the amount IBO used to estimate the impact of the updated SSD model on New York City's Foundation Aid revenue and is much higher than the fiscal year 2025 CPI-adjusted base amount of $8,040. However, the average spending at the 25$^{th}$ percentile—$8,149—is quite similar to the fiscal year 2025 CPI-adjusted base Foundation Aid amount. The 25$^{th}$ percentile represents the median (approximately the mean) of lower-spending "successful" districts. This is conceptually close to the original SSD model, which includes an "efficiency" filter and removes high-spending, high-performing districts.

### Varied Weights for English Language Learners (ELLs)

Figure 3 shows the number of English language learner students in New York City in the 2023-2024 school year that meet each of the RI categories for their recommended ELL weights. The total number of ELLs from NYCPS' 2023-2024 student-level data is higher than the total number of ELLs used in the 2024-2025 Foundation Aid formula; while the reasons for the discrepancy are unclear, it likely is partially reflective of

Figure 2
**IBO's Estimates of Per-Pupil Funding from Updating the Successful School Districts Model as RI Recommended Vary Depending on the Source of Financial Data, Measure of Spending, and Sample of Successful Districts**

| | Mean | 25th Percentile | 50th Percentile | 75th Percentile |
|---|---|---|---|---|
| Average Portion of Students Proficient on Grade 3-8 Math & ELA State Standardized Exams | 58% | 50% | 55% | 65% |
| **ESSA Financial Transparency Data** | | | | |
| **Using Weighted Enrollment** | | | | |
| School-level Instructional Spending | $11,427 | $8,149 | $9,941 | $14,255 |
| School-level Total Spending | $14,322 | $10,379 | $12,691 | $17,461 |
| District-level Total Spending | $26,900 | $20,794 | $24,084 | $30,368 |
| **Using Non-Weighted Enrollment** | | | | |
| School-level Instructional Spending | $14,571 | $11,143 | $13,275 | $17,075 |
| School-level Total Spending | $18,300 | $14,292 | $17,245 | $21,298 |
| District-level Total Spending | $34,611 | $28,496 | $32,569 | $37,298 |
| **Form ST-3 Data** | | | | |
| **Using Weighted Enrollment** | | | | |
| District-level Instructional Spending | $17,519 | $13,115 | $15,367 | $21,021 |
| District-level Adjusted Spending | $21,233 | $15,973 | $18,507 | $25,209 |
| District-level Total Spending | $25,374 | $19,300 | $22,314 | $28,798 |
| **Using Non-Weighted Enrollment** | | | | |
| District-level Instructional Spending | $22,451 | $17,979 | $21,587 | $25,556 |
| District-level Adjusted Spending | $27,232 | $21,975 | $25,892 | $30,285 |
| District-level Total Spending | $32,577 | $26,303 | $30,241 | $35,700 |

SOURCE: IBO analysis of NYSED ESSA Financial Transparency, New York State ST-3 Financial Report, IRS Enrollment, and New York State School Report Card data, for school years 2020-2021, 2021-2022, and 2022-2023
NOTES: All dollars are per-pupil measures. RI suggested identifying successful school districts as the top 50% of school districts based on three-year average proficiency rates for ELA and math standardized tests. Expenditures are three-year averages across school years 2020-2021, 2021-2022, and 2022-2023. IBO counted Economically Disadvantaged students with a weight of one to determine the weighted enrollment; enrollment and weighted enrollment are also three-year averages.

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the timing of State and City-level data. Because of this discrepancy, IBO used the portion of ELLs in each category to estimate the effect of RI's recommended ELL weights (that is, IBO held constant the total count of ELLs used in the 2024-2025 Foundation Aid calculation). IBO considered ELLs with zero or one year of service in the student-level data "newly classified." This results in a weighted ELL count of 48,972. This is lower than the weighted ELL count used in the formula in 2024-2025, which applied a uniform weight of 0.5 to all 151,246 ELLs, for a weighted ELL count of 75,623.

Figure 3
**IBO Estimates a Lower Weighted ELL Count for New York City Based on RI's Recommendation**

| Rockefeller Institute Category (Years of Service, Proficiency, Grade) | ELLs, 2023-2024 Number | ELLs, 2023-2024 Percentage | Number of ELLs Based on Total ELLs in 2024-2025 Formula | RI Proposed Weight | Weighted Count |
|---|---|---|---|---|---|
| Newly Classified, Entering, K-8 | 30,935 | 18% | 26,888 | 0.50 | 13,444 |
| Newly Classified, Entering, 9-12 | 6,355 | 4% | 5,524 | 0.65 | 3,591 |
| Newly Classified, Emerging, K-12 | 6,692 | 4% | 5,816 | 0.50 | 2,908 |
| Newly Classified, Transition/Expand, K-12 | 8,681 | 5% | 7,545 | 0.40 | 3,018 |
| 2nd or 3rd Year of Service, All Proficiency, K-12 | 60,399 | 35% | 52,497 | 0.40 | 20,999 |
| > 3rd Year of Service | 52,079 | 30% | 45,265 | 0.00 | 0 |
| SIFE | 8,872 | 5% | 7,711 | 0.65 | 5,012 |
| **Total** | **174,013** | **100%** | **151,246** | | **48,972** |

SOURCE: IBO analysis of student-level data from the New York City Department of Education
NOTES: See Appendix for additional details on this analysis.

*New York City Independent Budget Office*

## Endnotes

[1]Fortis, Bianca. (2024, Nov. 18). In Brief: What Is Foundation Aid, New York's School-Funding Formula? New York Focus. https://nysfocus.com/2024/11/18/what-is-foundation-aid-new-york-school-funding#:~:text=During%20the%202007%E2%80%9308%20and,amounts%20determined%20by%20the%20formula

[2]Rockefeller Institute of Government [RI]. (2024). A Review of New York State's Foundation Aid Education Funding Formula with Recommendations for Improvement. https://rockinst.org/issue-area/a-review-of-new-york-states-foundation-aid-education-funding-formula-with-recommendations-for-improvement/

[3]As RI wrote: the recommendations "are developed and priced out in isolation from each other" (p. 10).

[4]Rockefeller Institute of Government. (n.d.). Foundation Aid Study Written Comments. https://rockinst.org/upload/fa-written-testimony/index.html. Retrieved January 24, 2025.

[5] RI. p. 18.

[6]New York State Board of Regents. (2024, Dec. 9). 2025-2026 State Education Department Budget and Legislative Initiatives. https://www.regents.nysed.gov/sites/regents/files/SA%20-%202025-2026%20State%20Education%20Department%20Budget%20and%20Legislative%20Initiatives.pdf

[7]New York State Division of the Budget. (2025, Jan. 21). Description of 2025-26 New York State Executive Budget Recommendations for Elementary and Secondary Education. https://www.budget.ny.gov/pubs/archive/fy26/ex/local/school/2526schoolaid.pdf

[8]As RI summarizes, the model defined "Successful School Districts" as districts "where, on average, students achieved an 80 percent pass rate on six of the state's high school Regents exams and the fourth-grade and eighth-grade math and English Language Arts (ELA) exam for three years in a row. The districts were then ranked by the amount each spent per pupil on selected educational expenditures. An "efficiency filter" was then applied to exclude the 50 percent of districts with the highest spending, and then an average per-pupil expenditure of the remaining districts was calculated to provide the Base Foundation Aid Amount" (p. 45).

[9]The current base amount was implemented in the 2016-2017 (fiscal year 2017) Foundation Aid formula and is based on the successful school districts identified in 2011-2012 and fiscal data from 2014-2015.
New York State Education Department [NYSED]. (2012). Update to the Successful Schools Study. https://www.nysed.gov/fiscal-analysis-research/articles-school-finance.

[10]RI. p. 163.

[11]RI. p. 11-12.

[12]RI noted this adjustment might not be necessary if the base foundation amount is updated using current expenditure data (and updated regularly using actual expenditure data moving forward).

[13]RI. p. 167-168. The CPI for the northeast region is generally lower than the national CPI.
[14]Specifically, RI recommended using the "scaled" CWIFT—where the New York State school district with the lowest CWIFT value is given a regional cost adjustment of 1.000 and all other school districts' CWIFT values are adjusted proportionally. This would make New York City's 2021 scaled CWIFT 1.469 (note CWIFT data is data based on the Fall semester of the most recent school year used in its calculation, so the latest year of data used in the 2021 is data for the 2021-2022 school year). While the 2022 CWIFT had not been released when RI published their report, it was released in December 2024. If the 2022 CWIFT were used in fiscal year 2026, the impact on New York City's revenue would be even greater than IBO's estimates, because the City's scaled CWIFT based on this more recent data is higher, 1.497. In addition to recommending the use of CWIFT, RI suggested that "consideration should be given to whether an RCI adjustment is warranted" because "areas with higher labor costs likely also have greater local capacity to contribute to education spending due to their higher taxbase" (p. 190).
[15]As RI wrote, "updated data is released annually and is available on an LEA level" and "CWIFT indices are based on the average of the three most-recent years' data" (p. 194).
[16]The RCI currently used for NYC is 1.425, and the scaled CWIFT for NYC based on 2021 CWIFT data is 1.469.
[17]This is because 83% of the City's scaled CWIFT (1.219) is less than the RCI currently used (1.425).
[18]The current formula determines the PNI as 1 + the Extraordinary Needs (EN) percentage. The EN percentage is calculated as the EN count divided by K-12 enrollment. The EN count is the sum of weighted enrollment by four need factors: (1) poverty rate × enrollment × 0.65; (2) three-year average K-6 Free or Reduced-Price Lunch (FRPL) program rate × enrollment × 0.65; (3) English language learner (ELL) count × 0.5; and (4) sparsity.
[19]According to RI, under this change, 258 districts would see a total increase of $100 million in aid, 282 districts would experience little change, and 132 districts would face a total decrease of $79 million (p. 184).
[20]This closely matches RI's estimate; RI found this would have reduced New York City's Foundation Aid by $392 million (p. 183). This is the only recommendation for which RI estimated the impact on New York City specifically.
[21]RI suggested weights of 0.95 for districts with a SAIPE poverty measure of 30% or greater, 0.8 for districts with the measure between 20% and 30%, 0.7 for districts with the measure between 10% and 20%, and 0.6 for districts with the measure below 10%. RI also suggested if the weight was increased from 0.65 to 0.78 statewide, the statewide Foundation Aid poverty adjustment would be the same, though this is not their preferred recommendation. IBO does not separately estimate the impact of using a weight of 0.78 statewide on New York City, but it would be similar to this estimate—$195 million—because New York City's weight under the variable weight scheme is similar (0.80).
[22]RI. pp. 176 & 185.
[23]IBO used the portion of K-12 students who are economically disadvantaged (ED) to calculate this impact, following the methodology used by the New York State Department of Education (NYSED) in their Fiscal Year 2026 Executive Budget proposal (see fiscal year 2026 state aid projections for NYCPS: https://www2.nysed.gov/stateaid/dist/EXEC/FOUNDA25/300000.HTML). However, the FRPL counts used in fiscal year 2025 (and years prior) were K-6 counts, not K-12 counts. Using the portion of K-6 students who are ED would result in a slight loss of revenue to NYCPS of approximately $6 million. This is because the three-year average portion of K-6 students who are ED is 73.99%, while the three-year average portion of K-12 students who are ED is 75.07%. For comparison, the percentage of FRPL-eligible K-6 students used in the fiscal year 2025 Foundation Aid calculation was 74.01%. A change of just a few percentage points can lead to millions more or less in Foundation Aid revenue. RI's recommendation did not address the issue of K-6 counts versus K-12 counts.
[24]See Appendix Figure 3 for IBO's estimates of the number and portion of ELLs in each of the RI proposed categories, as well as their recommended weights for each category.
[25]RI. p. 210.
[26]As RI wrote: "New York State could structure weights for service categories in the adopted allocation matrix to ensure that no less than the projected $3.414 billion for 2024-25, adjusted for increased costs in 2025-26, is generated" (p. 210).
[27]Baker, B., Atchison, D., & Levin, J. (2024). Evaluation of New York School Funding Report Brief 4: Review of Rockefeller Report. American Institutes for Research [AIR]. https://cee.tc.columbia.edu/media/centers-amp-labs/cee/publication-pdfs/AIR-Brief-4.pdf
[28]RI. (2024). A Review of New York State's Foundation Aid Education Funding Formula with Recommendations for Improvement. https://rockinst.org/issue-area/a-review-of-new-york-states-foundation-aid-education-funding-formula-with-recommendations-for-improvement/. p. 202.
[29]As RI wrote: "the use of public school pupil counts can overstate local wealth capacity in school districts with relatively high rates of nonpublic school enrollment or relatively fewer students per capita" (p. 202). The statewide average gross income per student, which is used in the EMLC Option A calculation, would likely also change if it was measured per child instead, but IBO's calculation maintains the existing statewide average measure.
[30]New York City's IWI is not near the current floor (0.65) or ceiling (2.0), so the IWI changes would not affect the City's EMLC calculation based on the IWI methodology. However, using the IWI methodology, instead of the FASSR methodology, would result in a higher EMLC for New York City and therefore less Foundation Aid revenue.
[31]RI made two additional recommendations related to the FASSR that IBO does not model. First, RI recommended using SAIPE poverty levels to determine "high need" districts under the FASSR (these districts receive a 5% increase in their FASSR). However, RI does not recommend what threshold should make a district "high need" and eligible for this 5% increase. New York City is currently categorized as high-need and receives the 5% increase; IBO assumes the City would continue to do so under the RI alternate FASSR formula. Second, RI recommended using the county-level average Selected Actual Value (AV, a measure of property wealth) to calculate a district's property wealth in the FACWR, instead of the statewide average, if the RCI is not updated as they recommended. Since IBO does not have county-level average selected AV measures, and unlike most districts, New York City includes multiple counties rather than existing as a component of a larger county, IBO does not model this change.
[32]RI. p. 195.
[33]The student count measure used in "Option A" to calculate a district's EMLC is total wealth foundation pupil units (TWFPU), while the student count measure used in "Option B" is called "total wealth pupil units" (TWPU). RI wrote that TWPU "relies on outdated test score data, uses resident student attendance counts instead of enrollment, and includes the only weighted by grade level anywhere in the formula" (p. 204). RI recommended both replacing pupil counts with child counts from SAIPE (see #3b on pp. 203-204) and switching from TWPU to TWFPU (see #3d on p. 204), even though for Option A (which currently uses TWFPU) they recommend using SAIPE child counts (see #2 on p. 202). IBO used three-year average SAIPE child counts for NYC (1,213,700) to estimate the impact of RI's recommendations for both EMLC options. This three-year average child count from SAIPE is higher than NYC's TWFPU measure used in fiscal year 2025 (939,001) but lower than NYC's TWPU used in fiscal year 2025 (1,311,588). RI recommended changes to FACWR would slightly increase the City's FACWR from 1.102 to 1.187.

[34]The total amount of the City's Foundation Aid set-asides, not including Contracts for Excellence, is $278 million: $48.175 million for Magnet Schools, $62.707 million for Teacher Support, $50.5 million for the Attendance Improvement and Dropout Prevention (AIDP), and $117.7 million for Community Schools (note the magnet schools set aside only applies to 22 districts, the teacher support set-aside only applies to the "big five" districts, and the AIDP set-aside only applies to New York City). There is also a "Public Excess Cost Aid" set-aside required to support the education of students with disabilities that is required "to comply with federal reporting requirements on the use of Title I allocations for services for student with disabilities" (RI. p. 208). Because RI recommended separating funding for students with disabilities into a categorical program, that would eliminate the need for this set-aside; if SWDs continued to be funded through Foundation Aid, New York State would need to maintain the "Public Excess Cost Aid" set-aside.
[35]As RI wrote: "an essential part of this reform effort should be a commitment to revisit the Foundation Aid formula every three to five years" (p. 10).
[36]RI. p. 163.
[37]New York State Education Department [NYSED]. (2012). Update to the Successful Schools Study. https://www.nysed.gov/fiscal-analysis-research/articles-school-finance. p. 6.