



*Adequate. Constitutional. Equitable.*

## BRIEFING BULLETIN | No. 3

### How Can We Estimate the Cost of Providing a Sound Basic Education to All Students? *Using Cost Modeling to Inform School Funding Policies*

The [Adequate, Constitutional, Equitable \(ACE\) School Funding Project](#) is a collaboration between the Center for Educational Equity, Teachers College, Columbia University, and American Institutes of Research (AIR). Our goal is to provide reliable independent research to contribute to New York State budget deliberations for the next fiscal year and to advance the development of a new school funding formula that will respond to current student needs and ensure students' right to a sound basic education is honored now and in years to come.

[Learn more about the ACE School Funding Project](#)

AIR's first two reports for the ACE School Funding Project detailed [the inequities](#) of the current Foundation Aid formula and [the extent to which these inequities are denying educational opportunity](#) to hundreds of thousands of students around the state. These reports show that (1) existing funding for New York schools and districts is not equitably distributed and (2) students, particularly in high-need districts, are not provided with equal opportunity to achieve the state's outcome goals. These findings demonstrate the need for a new school funding system.

[AIR's third report](#) examines how cost modeling can be used to help build a new school funding system. The report describes AIR's innovative approach to "cost function modeling," a method that uses extensive statewide data to estimate the cost of providing a sound basic education to all students and determine how funding must be distributed to ensure all students this opportunity.

#### Background

In 2003, New York's highest court held that all students are entitled under the state constitution to the "opportunity for a sound basic education" (*Campaign for Fiscal Equity (CFE) v. State of New York*, 2003). The court ordered the governor and the legislature to (1) determine "the actual cost of providing the opportunity for a sound basic education" to all students and (2) create an equitable formula that will ensure that all schools have the resources necessary for providing their students a sound basic education.

Today, the school funding formula the New York State Education Department (NYSED) created in 2006 to comply with the *CFE* decision is out of date—and unconstitutional. The formula is not providing all schools funding for the actual costs of a sound basic education. However, the state has failed to set up a process for meeting its constitutional school-funding obligations. The ACE School Funding Project provides independent research and analysis designed to advance the development of a constitutional school funding formula for New York State.

## AIR's Approach to Cost Modeling to Inform New York School Funding Policies

AIR's first two reports for the ACE School Funding Project detailed [the inequities](#) of the current Foundation Aid formula and [the extent to which these inequities are denying educational opportunity](#) to hundreds of thousands of students around the state. The two previous reports find that (a) existing funding for New York schools and districts is not equitably distributed and (b) students are not provided with equal opportunity to achieve the state's outcome goals. These findings indicate that the education funding system should be recalibrated to ensure that more resources are provided to high-need districts.

The next step is to examine the level of funding needed to meet the state's constitutional obligation to all its students. Education cost modeling is one method for generating reasonable cost estimates that can be used in evaluating the current school funding system and developing proposals for a new school funding system that meets students' needs. [In its third report](#), AIR describes the "cost function" modeling approach it will use to establish "empirical guideposts" that will help policymakers to determine the actual cost of providing the opportunity for a sound basic education.

This methodology uses a wide array of data on factors that influence the cost of achieving desired student outcomes and that vary across districts, including local resource prices, structural geographical constraints, and cost efficiencies. It then creates statistical models that account for the relationships between education spending, student outcomes, and cost factors. These models can be used to provide specific cost estimates for every school district.

For this project AIR will add a number of important advances to the standard cost-function approach. This makes AIR's methodology vastly superior to the largely discredited ["successful schools" methodology](#) the state used in the past to determine the cost of providing a sound basic education. AIR's advances include

- **Using a wide range of outcome measures** to calculate the costs of ensuring all students the opportunity for a sound basic education—not only current average statewide scores on standardized math and English language arts exams, but also with other important measures like graduation, chronic absenteeism, and advanced Regents' diploma rates.
- **Analyzing student needs and costs** at the school level as well as the district level.
- **Including a range of student needs** like numbers of homelessness and foster children, in addition to poverty, disability, and English learner status.
- **Considering some additional expenditures** for important and necessary aspects of education (e.g., music, art, and extracurricular activities) that may not be directly related to student outcomes traditionally captured in education data.

This methodology can be used as a building block for fairly and reasonably determining "the actual cost of providing the opportunity for a sound basic education" for all students in New York State. Before it can be applied to provide actual figures for use in the formula development process, however, a number of important questions need to be considered, for example: What is the fairest, feasible way to define and measure poverty? What categories of students with special needs require extra resources, what data are available to demonstrate that need, and how should those extra resources be incorporated into the formula? What educational outcomes should be considered

appropriate goals for assessing whether students have received a sound basic education?

The formula development process will also require full consideration of the costs of students developing a range of other important qualitative aspects of education, including those involved in the description of a successful graduate the Regents have articulated for New York State: “critical

thinkers, innovative problem solvers, literate across all content areas, culturally competent, socially-emotionally competent, effective communicators, and global citizens.” **Relating the development of these types of competencies to resource needs will require substantial input from educators, parents, students, policymakers, and others.** The second phase of the ACE School Funding Project, which should begin next spring, will facilitate this vital public engagement process.

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This document is a part of a series of regular bulletins sharing news from the [Adequate, Constitutional, Equitable \(ACE\) School Funding Project](#), a collaboration between the Center for Educational Equity, Teachers College, Columbia University, and American Institutes of Research (AIR). If you have feedback or questions, please write to [equity@tc.columbia.edu](mailto:equity@tc.columbia.edu).