



Adequate. Constitutional. Equitable.

BRIEFING BULLETIN | No. 6

School Funding Equity Issues in 2025–26 Executive Budget Proposals

The [Adequate, Constitutional, Equitable \(ACE\) School Funding Project](#) is a collaboration between the Center for Educational Equity, Teachers College, Columbia University, and American Institutes for 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.

What's the ACE School Funding Project?

For the [ACE School Funding Project](#) thus far, AIR has examined [the inequities](#) of the current, outdated Foundation Aid formula and described how these funding inequities are [denying educational opportunity](#) to hundreds of thousands of students around the state. AIR also [analyzed](#) the Rockefeller Institute of Government's recent report on the many problems raised by the Foundation Aid formula. AIR's reports demonstrate that

1. existing funding for New York schools and districts is not equitably distributed;
2. Foundation Aid target amounts and state aid overall are not high enough to allow low-capacity school districts to offset the ability of higher wealth districts to raise more local revenue per student with lower tax rates; and
3. students, particularly in high-need districts, are not being provided with equal opportunities to achieve the state's outcome goals. These findings demonstrate the need for a new school funding system. AIR's reports have also demonstrated how a systematic, data-based cost modeling approach can be used to help build a new school funding system.

[AIR's new report](#) analyzes Governor Hochul's proposed executive budget for 2025-2026, which is currently being reviewed by the legislature. The executive budget made few changes to the current Foundation Aid formula, but these changes affect students in various types of school districts in strikingly different ways. AIR shows that the governor's proposals have the most detrimental impact on the large numbers of students attending school in New York City and the other large urban school districts and in high-poverty rural and small city districts.

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 to provide their students a sound basic education.

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school funding formula the New York State Education Department created in 2006 to comply with the *CFE* decision is now out of date—and unconstitutional.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

AIR’s Analysis of Governor Hochul’s Executive Budget Proposals for State Aid for Education

Governor Hochul’s executive budget for the 2025-2026 fiscal year included the following modifications to the existing Foundation Aid formula:

- Updating the formula’s two measures of the percentage of low-income students in a school district.
 - The outdated 2000 Census Poverty rate is replaced with an average of the most recent three years of Census Small Area Income and Poverty Estimates (SAIPE) data.
 - Free or reduced-price lunch data is replaced with economically disadvantaged data to better reflect the current population of low-income students.
- Modifying one of the four-tiered calculations of the State Sharing Ratio (SSR) based on the Foundation Aid Combined Wealth Ratio (FACWR) and increasing the maximum SSR from 0.91 to 0.93.
- Ensuring each district receives at least a 2% year-to-year increase in Foundation Aid.

These changes, combined with a proposed inflation adjustment of 3.1%, if approved by the legislature, would result in an average statewide increase in Foundation Aid of 5.7%. This is a significant increase, but AIR’s analysis indicates these funds would not be distributed equitably and more could be done with the state’s budget surpluses to rectify long-standing deficiencies in both the adequacy and equity of the state’s education finance system.

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The basic fault in the governor’s proposal is that high-need urban districts, including New York City, Buffalo, Rochester, Syracuse, Yonkers, Albany, Utica, and Mount Vernon, and 93 small rural and small city districts, receive smaller increases in their base adjusted foundation amounts than the rest of the state. This inequity emerges because these high-need districts do not benefit proportionately from Gov. Hochul’s proposed change in the poverty count methodology.

While many other districts in the state were experiencing enrollment declines, most of these high-need districts experienced significant enrollment increases. As a result, these districts receive overall Foundation Aid increases that approximate or in some cases even exceed the state average. However, if the poverty count methodology had not been changed, New York City and most of the other high-need districts would have been entitled to substantially larger Foundation Aid increases because they are educating more students this year.

This is not to say the change in the poverty count was not justified: the three-year average Census Small Area Income and Poverty Estimates (SAIPE) methodology is more up to date and more logical than reliance on the 2000 census. The flaw in the governor’s approach, however, is that she proposes to fix a couple of the problems in the current formula identified by the Rockefeller Institute report, while ignoring dozens of items that also need substantial reconsideration and revision. Addressing these other funding formula problems would offset the relative underfunding of New York City and the other large urban districts and the many small rural and small city districts that result from the change in the poverty count.

The legislature should rectify this problem in enacting the 2025-2026 budget by:

- Holding harmless for one year districts that are negatively impacted by adopting the new SAIPE poverty-count methodology
- adding an extra weighting for migrant and homeless students
- eliminating or modifying unfunded state mandates
- adding additional categorical funding for programs to deal with mental health issues, community schools and other programs critically needed by students in high poverty areas.

The legislature should also take immediate action to develop a comprehensive new school funding formula to avoid the distortions created by the governor’s unsatisfactory, piecemeal approach and replace the grossly outdated and unconstitutional current Foundation Aid formula. As AIR concludes, “More thorough and rigorous cost analyses are needed to inform a more substantive overhaul of the state Foundation Aid formula to ensure that all children are provided equal opportunity to achieve the state’s educational goals.” The legislature should support processes to promptly begin the development of a new comprehensive foundation aid formula that adequately and equitably meets current student needs.