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**THE 2025-2026 STATE EDUCATION BUDGET:
The State Appropriates More Money for Schools but Disregards the Major
Equity and Adequacy Problems**

The state education budget the legislature adopted last week increased Foundation Aid funding for the next school year by \$1.4 billion and total education funding by \$1.7 billion, but, with potential cuts in federal aid to education looming, the governor and the legislature lost an opportunity to set the school funding system on a sound course that could better protect New York’s students. Instead, the state budget shortchanges New York City and the other urban districts in the state with the highest poverty levels and the greatest student needs.

First the good news:

1. Every school district in the state will get at least a 2% increase, and many districts will receive substantially larger increases. Most districts will get enough to meet basic inflation needs.
2. The state updated one of the major mechanisms for calculating the number of students in poverty (which generates more funding for their school districts). Instead of using the grossly outdated 2000 census numbers, the formula will utilize the current federal Small Areas Income and Poverty Estimates (SAIPE).
3. The Regional Cost Index (RCI)—the metric used to adjust for differences in the cost of living across various regions in the state—was raised for Westchester County. As a result, school districts there will receive more state aid, reflecting the higher costs they face.
4. For many districts, the state pushed back by two years the deadline for requiring expensive electric school buses.
5. The weighting that provides more funding for English language learners was increased slightly.
6. The amounts that local school districts must contribute (the “state sharing ratio”) were modified slightly to help remedy certain inequities that harmed high-need districts.

Now the bad news:

1. The legislature kept the unreasonable “hold harmless” policy in place. This means the state will continue to spend the same or even more on school districts with declining student populations, instead of adjusting funding to reflect actual enrollment and finding alternative ways to ensure their students receive the opportunity for a sound basic education.

2. The final budget rejected remedies in the one-house legislative bills that would have compensated New York City, most of the Big 5 urban districts, and a number of rural districts and other districts for state aid for low-income students lost under the new SAIPE poverty count.
3. Although the Regional Cost Index was updated to benefit Westchester County, the overall index is still based on outdated 2006 data. This means it does not account for the significant increases in the cost of living that have occurred over the past 19 years in New York City, Long Island, and other parts of the state.
4. The state continued to reject New York City's need for a reconsideration of the timeline for the class size mandate that will require it to shift up to \$500 million from other vital programs in the coming year. This mandate may also result in a loss of experienced teachers in schools in high-poverty areas who may now transfer to schools in more affluent areas that will now need to form new classes.
5. The state included no weighting whatsoever to increase funding for students in temporary housing or for migrant students, and the additional weighting for English language learners was insufficient—only 20% of the amount the Assembly proposed.
6. Unfair limits in the Foundation Aid formula—such as arbitrary maximums (caps) and minimums (floors) on funding—are still in place, leading to major funding inequalities between school districts.

Essentially the newly adopted budget sidesteps the major problems in the state's school funding system, without solving or even directly confronting most of them. It makes no effort to overhaul the 18-year-old, grossly out-of-date Foundation Aid formula, which is meant to ensure state school aid meets the needs of the state's most vulnerable students. Under the governor's directive, the Rockefeller Institute recently identified 32 defects in this formula that require reconsideration or revision. This budget dealt with just three of them. This piecemeal approach leads to the kind of distortions that occurred this year because isolated changes that benefit certain districts detrimentally impact others. What is needed is a comprehensive approach that carefully analyzes all of New York students' current needs and develops a new foundation aid formula.

The governor and the legislative leaders delayed the budget 5 1/2 weeks—and held up school district planning—to make deals on discovery procedures in criminal trials and involuntary commitment of individuals with mental health problems. These important issues should have been debated publicly during the regular legislative session, rather than as part of closed-door dealmaking under the pressure of an overdue state budget.

The most egregious decision made by the three leaders in secret deliberations also shortchanges tens of thousands of New York's students—their decision to undermine the state's century-old "substantial equivalence" law. "Substantial equivalence" refers to the requirement that nonpublic schools, though free to provide their students whatever curriculum they deem appropriate, religious or otherwise, must also provide instruction in core subjects like math, science, English, history, and civics equivalent to what is taught in these subjects in the public schools.

Most nonpublic schools in the state comply with this long-standing requirement; only certain ultra-orthodox yeshivas deny basic instruction in these core subjects to students enrolled in their many schools in New York City and Rockland County. The budget bill

adopted last week gutted the substantial equivalence regulations the State Education Department has been assiduously enforcing in recent years--the result of a political deal the governor and the Speaker made with this special interest group that is known to vote as a large block in federal, state, and local elections.

In passing the 2025-2026 education budget, the governor and legislature missed a critical opportunity to overhaul New York's school funding system and better meet the needs of all students. [The ACE School Funding Project](#)—led by the Center for Educational Equity at Teachers College and the American Institutes for Research—is committed to developing robust data and methodologies for a fair new funding formula, and to advocating for its adoption by the state. The analyses we have produced—and will continue to produce—are designed to create a clear roadmap toward educational equity.