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## **New York’s New School Funding Formula Must Drop the Flawed “Successful Schools” Methodology**

As you know, the Center for Educational Equity and the American Institutes of Research (AIR) have begun collaborating on a project that will help guide New York State in updating the state’s school funding formula to ensure it meets constitutional requirements and responds to current student needs. The current formula, which was developed over 17 years ago, is out of date. Among its defects is its reliance on a type of cost-analysis methodology, the “successful schools” approach, that has since been discredited. In developing a new school funding formula, it will be important that the state move away from this approach and instead use a valid and reliable cost-analysis methodology, for example, the professional judgment, evidence-based, cost function, or constitutional cost methodology, or a combination of these approaches.<sup>1</sup>

In 2006, in response to the landmark *Campaign for Fiscal Equity (CFE)* school funding lawsuit, the New York State Education Department (NYSED) used the “successful schools” cost methodology to determine the funding amounts required by the new Foundation Aid formula, and the legislature codified use of this approach in Education Law § 3602.4. The state continues to use the expenditures of so-called “successful school districts” as the fundamental building block for the Foundation Aid formula.

However, in the time since the state adopted this approach, researchers have exposed the significant flaws in this methodology. As two leading education finance experts put it,

[T]he method is little more than a cost function a) without any controls for student characteristics, context or input price variation, and b) devoid of any sufficient controls for inefficiency or missing these controls altogether. *Put bluntly, Successful Schools analysis, in its usual application, is of negligible use for determining costs.*<sup>2</sup>

A number of factors lead economists to argue that the successful schools approach lacks validity and reliability. They point out that (1) the methodology usually defines “success” in terms of a too-limited number of outcome measures, (2) it is agnostic to how the schools or districts identified as being “successful” achieved their results, and (3) the methodology does not properly account for whether and how schools or districts with different demographics and/or different educational challenges could replicate these outcomes.

1. The various cost methodologies are described in Michael A. Rebell and Jessica R. Wolff, [Ensuring the Future of Fair School Funding: A Proposal to Establish a Permanent Commission to Guarantee a Sound Basic Education for All Students](https://cee.tc.columbia.edu/media/centers-amp-labs/cee/publication-pdfs/EnsuringTheFutureOfFairSchoolFunding_11-22.pdf), pp. 10-11 (2022), available at [https://cee.tc.columbia.edu/media/centers-amp-labs/cee/publication-pdfs/EnsuringTheFutureOfFairSchoolFunding\\_11-22.pdf](https://cee.tc.columbia.edu/media/centers-amp-labs/cee/publication-pdfs/EnsuringTheFutureOfFairSchoolFunding_11-22.pdf)

2. Bruce Baker, and Jesse Levin, *Educational Equity, Adequacy, and Equal Opportunity in the Commonwealth: An Evaluation of Pennsylvania’s School Finance System* (2014) (emphasis added)

The application of the “successful schools” method that NYSED used to develop the Foundation Aid formula in 2006 exhibits all of these shortcomings:

- NYSED selected an unfounded definition of success: a “successful school district” was one that, and over a three-year period, throughout the district an average of 80% of students achieved “level-3” scores (on a four-level scale) on the state-required fourth- and eighth-grade English language arts and mathematics exams and a score of 65 or more on six different high-school Regents exams. The selection of the criteria for “success” is fundamental to the outcome of the analysis, but no rationale or evidence was provided to explain how they arrived at the 80% figure or why they used an average of 80% across all tests rather than on each test.
- Rather than using the average expenditures of the “successful” districts as a foundation figure, NYSED deployed what it called an “efficiency screen” that allowed them to eliminate the top-spending half of the “successful” school districts from their calculations. In other words, they manipulated the methodology to count only *the lowest-spending 50% of the districts* when it created the final base-rate calculation. This “efficiency” adjustment was justified by an unsupported assumption that the higher spending districts were offering unnecessary “enrichment,” yet no data were provided to confirm this. Nor was any information provided to demonstrate whether any of the higher- or lower-spending “successful” districts were, in fact, providing adequate opportunities for their lower-performing students or whether they needed to provide additional services and supports to afford all their students a sound basic education.<sup>3</sup>
- Each school district’s funding needs are determined by making adjustments using additional weightings for students in poverty and other factors to the base school funding amount in accordance with the expenditures of “successful districts.”<sup>4</sup> If the calculation of the base amount is flawed, however, there can be no justification for the claim that adding extra weights for various student populations will yield similar “successful” results in other school districts or that weighting a flawed base will provide all students the opportunity for a sound basic education.
- Further problems related to using test scores to define “successful” school districts emerged when the state began phasing in more rigorous student assessments based on the Common Core Learning Standards in 2012-13. NYSED had been updating its identification of successful school districts—and the calculation of their average expenditures—every three years. However, when it did its 2015 calculation based on school districts’ performance on the more demanding tests, substantially fewer districts met the 80% student-proficiency threshold. As might be expected, this shorter list had a greater proportion of wealthier districts with fewer high-need students than did the list of districts identified in earlier years. Thus, the average per-pupil expenditures of the

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3. NYSED subsequently undertook an analysis that indicated that the higher spending successful school districts had greater average teacher salary costs, smaller class sizes, and provided more AP courses than did the lower spending successful school districts. See, Regents 2007-2008 Proposal on State Aid to School Districts, pp. 53-54. However, it did not ascertain whether, given the competitive salary levels in the local job markets and the needs of the students involved, these expenditures were necessary to provide all students in these districts the opportunity for a sound basic education or whether all students in the lower spending districts were receiving opportunities that met the state’s “college and career ready” standards and constitutional requirements.

4. [A summary of the workings of the current Foundation Aid Formula can be found here.](#)

“successful” districts identified by the 2015 analysis were significantly higher than in the 2012 study. Because it would have resulted in a substantially higher base funding amount—and then ultimately in much higher Foundation Aid amounts, NYSED simply abandoned this aspect of updating the formula.<sup>5</sup> For all the years thereafter, the base funding amount remained the average expenditures of the “successful” districts as defined in 2012, only updated with an inflation adjustment each year.

For all these reasons, we have urged the governor and the legislature to establish a state-endorsed process to develop a new school funding formula that jettisons this discredited methodology and removes the successful school district methodology from the current language in Edu. Law §3602.4 or any successor statute. [Our Adequate, Constitutional, Equitable \(ACE\) School Funding Project](#) will provide independent analyses using valid alternative approaches to aid the state in developing a formula that ensures every school district can meet all its students’ educational needs.

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5. See, Affidavit of Danielle Farrie, dated March 19th, 2020, submitted in *NYSER v. State of New York*, Civ. No. 100274/2013