

# New York City Independent Budget Office



## How Foundation Aid Changes Could Cost NYC Schools Millions: It's Up to Albany

**February 12, 2025** – Foundation Aid is the largest source of state funding for New York school districts. For the 2024–2025 school year, New York City received \$9.9 billion of the \$24.9 billion total state allocation. This accounted for 25% of the Department of Education's budget. To put this in perspective, the Department of Education's total budget for Fiscal Year 2025 was \$40 billion. New York State in last year's legislative session tasked the Rockefeller Institute with studying and recommending changes to the State's foundation aid formula.

The New York City Independent Budget Office (IBO) analyzed the potential impact of the Rockefeller Institute of Government's recommendations on NYC Public Schools (NYCPS). If implemented, these proposals could significantly alter funding levels for NYCPS. If you would like an IBO staffer to explain the technical aspects of this report, please contact the IBO press office.

Key findings include:

- **Potential Gains and Losses:** Adjustments for student need proposed by Rockefeller Institute and included in the Governor's Executive Budget—updating measures of low-income students— could lead to a net loss. IBO estimates the impact of each recommendation independently and the cumulative impact on NYC is dependent on which set of recommendations Albany lawmakers implement.
- **Proposals Not Endorsed by the Governor:** Some recommendations that could increase statewide Foundation Aid—potentially benefiting NYCPS—have not been endorsed by the Governor and may face political challenges. For example, updating the successful schools model, which determines the per-pupil Foundation Aid amount, could increase NYC's Foundation Aid by \$4.2 billion. Updating the regional cost adjustment to account for more nuanced variation across districts could result in a \$306 million gain (though if Rockefeller Institute's recommendations for a net-zero impact statewide were implemented, NYC would lose \$1.4 billion).
- **Impact on Vulnerable Populations:** Rockefeller Institute's proposed adjustments to funding for English language learners (ELL) could further reduce NYC's funding. The Rockefeller Institute made no recommendations to address funding for students experiencing homelessness.

Breaking down each recommendation, IBO found that:

1. Updating the successful school districts model would result in a \$4.2 billion gain for New York City.
2. While updating the inflation measure as recommended by Rockefeller would have increased revenue to New York City during Fiscal Year 2025, in Fiscal Year 2026 it would result in a revenue decrease.
3. Updating adjustments for regional cost differences would range between a loss of \$1.4 billion and a gain of \$306 million, depending on if Albany implements the change to have a net zero impact statewide or implements the measure in one year.
4. Using up to date census poverty data would result in a loss ranging from \$195 million to \$384 million, depending on the weight applied to low-income students.
5. Updating measures for low-income students by using Economically Disadvantaged (ED) counts instead of free and reduced-price lunch (FRPL) counts would result in a gain of \$39 million.
6. Replacing single English language learner weights with the Rockefeller specific weights would result in a loss of \$161 million.
7. Moving funding for Students with Disabilities to a categorical program would result in \$2.3 billion less foundation aid and it's unclear how that would impact overall revenue to New York City.

IBO's finds that New York City could benefit financially or face additional costs depending on which of the Rockefeller Institutes' recommendations are fully implemented.

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