VII. Education & Higher Education

School Aid

Last Year: Foundation Aid Long Delayed, Finally Funded

In fiscal year 2024, the State fully phased in formula-based funding for Foundation Aid, the largest component of school aid. This change brought fiscal year 2024 school aid to $34.4 billion, a 9.6 percent increase. This substantial increase was the culmination of a decades-long effort to commit the State to funding its annual school aid through the Foundation Aid formula. The State had delayed fully funding the formula amid the fiscal fallout of the 2008 financial crisis, and then slowed funding increases over much of the 2010s. Only in fiscal year 2022 did the State commit to phasing in full funding over three years.

Executive Budget: New Foundation Aid Growth Calculation

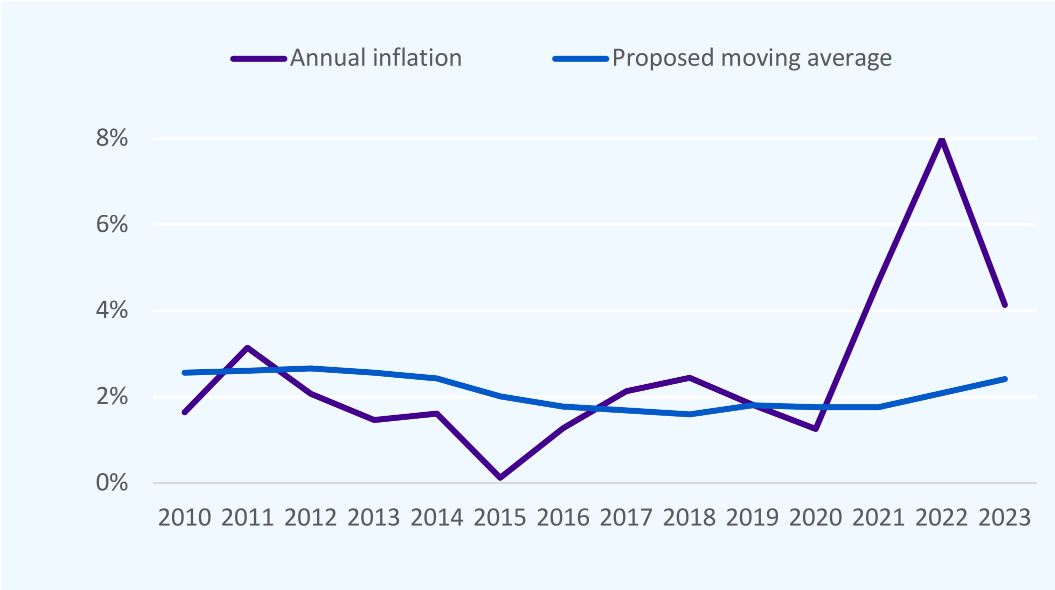
In the fiscal year 2024 enacted budget financial plan, school aid funding was projected to reach $35.8 billion in fiscal year 2025, or 3.9 percent growth. However, the fiscal year 2025 executive budget now proposes $35.3 billion in school aid — a spending increase of only 2.7 percent. This funding is $454 million less than the $35.8 billion originally planned for fiscal year 2025.

The State's primary proposal to restrain school aid spending is to permanently adjust the inflation factor used to calculate annual foundation aid growth. Currently, the Foundation Aid formula specifies that annual school aid growth should be indexed to the change in the national consumer price index (CPI) over the prior year. In 2023, the CPI increased 4.1 percent from the prior year. Following this inflation rate would require $35.8 billion in fiscal year 2025 school aid — the level anticipated in last year's enacted budget.

To reduce costs, the executive budget instead proposes calculating inflation growth as the average annual inflation over the preceding ten years, excluding the highest and lowest years of inflation. For the current year, the average ten-year inflation using this formulation is 2.4 percent — the rate of the current executive budget's proposed funding growth (excluding costs of taking over expiring federal pre-kindergarten expansion grants).

The preceding ten-year period used for this year's calculation includes seven years of low inflation (2014 to 2020) and three of elevated inflation (2021 to 2023). Notably, the proposed formula would significantly restrict school aid growth in years of sudden increases in inflation. Last year, for instance, school aid growth would have been restricted to 2.1 percent under this formula despite 8.0 percent annual inflation. Conversely, the formula would drive school aid growth above inflation during periods of unusually low inflation, such as 2013 to 2016.

Figure 7.1. Annual inflation and proposed moving average, 2010 to 2023



Reducing funding for districts with declining enrollment

Enrollment is declining in school districts across the State. The executive budget proposes eliminating a hold harmless provision, which prevents year-to-year funding cuts for districts with declining enrollment. In its place, the executive budget would create a "transition adjustment" to offset a formula-driven decline in school aid. Under the transition adjustment, school districts whose school aid would decline in fiscal year 2025 will receive between 50 and 91 percent of their potential loss. The ratio is set as the state sharing ratio, which is based on districts' wealth, with less wealthy districts receiving more funding than wealthy districts. The executive budget expects the transition adjustment to offset $207 million in school aid that would have otherwise been lost by eliminating the hold harmless provision.

Additional pre-kindergarten funding

The executive budget additionally commits $96 million in fiscal year 2025 to takeover costs of statewide universal pre-kindergarten (UPK) expansion grants that had previously been funded by federal Covid aid. The State estimates that districts now offer enough UPK funding to support 94 percent of the full statewide UPK target.

Higher Education

19 of 34 State-operated SUNY campuses face operating deficits

Enrollment in the State University of New York (SUNY) system rose last year for the first time in a decade. Nevertheless, a decade of declining enrollment — and therefore tuition revenue — as well as declining inflation-adjusted State aid have taken a toll on SUNY campuses. Of the SUNY system's 34 state-operated campuses (which excludes community colleges), 19 have operating deficits, spending more than they receive each year from tuition and state aid. These cumulative deficits totaled $138.7

million in fiscal year 2024. SUNY's central administration expects this shortfall to grow to $1.1 billion per year over the next decade.[25]

Campuses with operating deficits generally respond by implementing hiring and other spending freezes and drawing down reserves. Two campuses with particularly large deficits have entered into restructuring frameworks with SUNY administration, agreeing to eliminate degree programs and course offerings, generally receiving stopgap financial support from SUNY administration. Over the last year, SUNY colleges at Fredonia and Potsdam have entered into these restructuring agreements.

Executive Budget Proposals

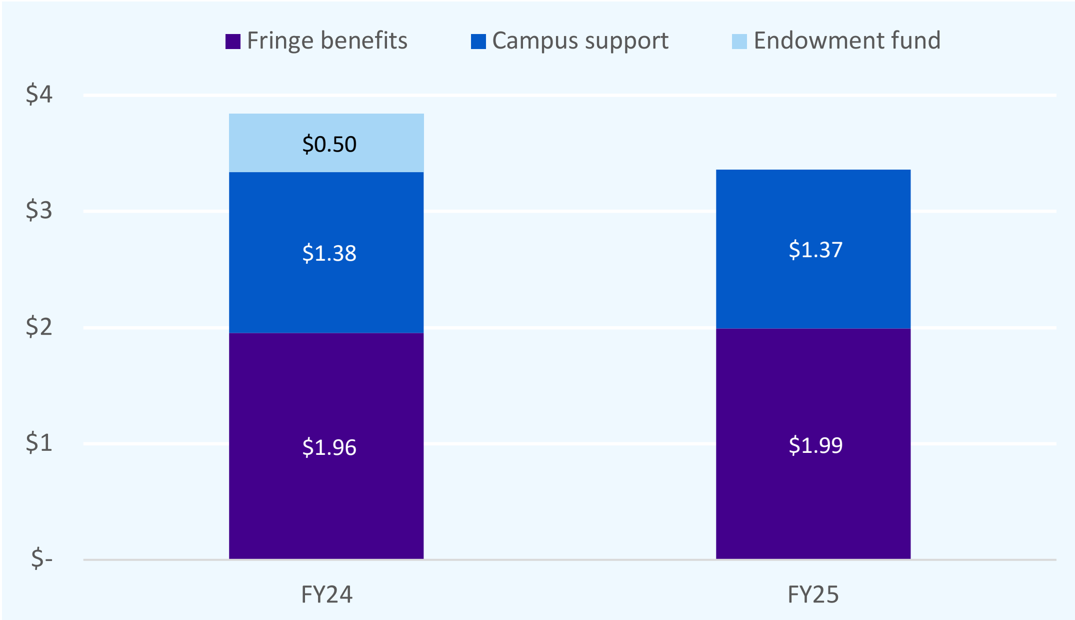
Hold SUNY funding flat

The fiscal year 2024 enacted budget took steps to shore up the SUNY system. The majority of the funding appropriated, however, was one-off and targeted toward the system's four universities. Most significantly, the budget created a $500 million matching endowment fund, restricted to the system's four universities. The budget also appropriated $183 million in temporary operating support, to be disbursed over the next two academic years. Recurring operating support to campuses was raised by $163 million. Despite this increase to recurring support, SUNY support from the State remained lower than a decade prior, after adjusting for inflation, and insufficient to close campus deficits.

This year's executive budget proposes holding operating support for state-operated SUNY campuses essentially flat at $3.4 billion. Operating support is comprised of payment of SUNY employees' fringe benefits, and direct operating funding to campuses. Fringe costs are set to grow $36 million, while operating aid will fall $20 million, resulting in a $16 million net increase. While the budget proposes increasing recurring operating support by $100 million, this is offset by a reduction in previously-enacted temporary support.

This $3.4 billion also excludes the effect of last year's $500 million one-off appropriation for a university endowment fund. If this $500 million were included as part of last year's spending, support for SUNY campuses would reflect a 12.5 percent funding reduction this year.

Figure 7.2. State support for SUNY campuses, fiscal year 2024 and 2025 (in billions of USD)



Reduction in private college & university grants

The executive budget additionally proposes two fiscally-relevant legislative proposals. First, the budget proposes spending reduction for the Bundy Aid program. Bundy Aid is a longstanding program that provides a total of $35 million in annual grants to private colleges and universities in the state. The executive budget proposal would restrict aid eligibility to institutions with endowments of $750 million of less. The proposal would save $19 million per year.

Permanently enacts tuition assistance program tuition credit

Second, the budget proposes making the Tuition Assistance Program (TAP) tuition credit permanent. TAP provides a tuition credit of $5,665 to children from low- and moderate-income families. The TAP tuition credit requires SUNY and CUNY to lower tuition to the level of the maximum amount of the TAP grant, so that students who receive TAP are not billed any remaining gap between tuition and their grant. The State then reimburses campuses the value of foregone tuition revenue. The TAP tuition credit was passed in 2011 and was set to expire this year. The proposal would make it permanent.

While not proposed in the budget, the State recently expanded TAP to cover the costs of non-degree workforce development programs offered by SUNY and CUNY.[26] Further, the State has expressed interest in working with the legislature to expand eligibility for TAP.[27] One legislative proposal would raise TAP eligibility from its current maximum level of $80,000 to $110,000.[28] If adopted, this would expand TAP eligibility by one-third, reaching an additional 270,000 (13.1 percent) of the two million households with children younger than 18 in New York. More than half (52.7 percent) of households would be eligible for the program under this proposal.

Figure 7.3. Current and proposed TAP eligibility as share of all New York households with children