

Literature Review on Implementation of Fair Student Funding in NYC Public Schools

As a case study on the Fair Student Funding (FSF), a characteristic-based funding formula, this section examines its progression from 2007 until the most recent years FSF has been in effect and the outcomes—whether FSF is able to achieve a more equitable distribution of economic resources in schools. In 2007, the New York City Department of Education announced the Fair Student Funding (FSF) initiative, intended to change funding methods by allocating money based upon characteristics of the student body; and, by allocating dollars rather than specific resources (ie. teacher positions). The goal is to improve equity in the distribution of resources and to improve the efficiency of how resources are used to promote student performance.

The first study on FSF is “Why Do Some Schools Get More and Others Less? An Examination of School-Level Funding in New York City”, by Schwartz, Stiefel, and Rubenstein. The study aimed to analyze “whether schools serving students with different levels of need receive different levels of resources and [explored] the ways that resources change in response to changes in needs” (Schwartz et al., 2009, p. 3). The first part of the analysis clarified, “[education is] produced by schools rather than districts, the level and quality of resources received by the school itself will be critical to determining student performance” (Schwartz et al., 2009, p. 2). Moreover, “these disparities are generally perversely related to school and student characteristics; schools with greater student needs often find themselves disadvantaged relative to other schools in the same district, particularly in terms of the quality of teacher resources” (Schwartz et al., 2009, p. 6). The problems with funding allocation manifested in the predecessors to the FSF model are “result[s] of intradistrict funding formulas that allocate positions, rather than dollars, to schools, and teacher sorting patterns” (Schwartz et al., 2009, p. 6). As there was “a good deal of ‘inertia’ in funding with sluggish responses to changes in school

needs. FSF could be one way to increase responsiveness” (Schwartz et al., 2009, p. 17). The hope of FSF is to “respond more quickly to changes in school characteristics” (Schwartz et al., 2009, p. 18). The analysis recommended that “Resources follow the student; Resources are denominated in dollars, not in FTE [Full-time employed] staff; The allocation of resources varies by the personal characteristic of each individual student” (Schwartz et al., 2009, p. 8). The first part affirms the resources should go directly to the students, the greatest stakeholders; the second part addresses the issue with inadequate teacher salary and staff, subsequently quality of teaching, can be remedied by allocating more money over staff; the third recommendation on “allocations [should] vary based on student grade level and identified needs (for bilingual education, special education of varying intensity, poverty), delivering higher per-pupil funding to schools with higher shares of students with special needs” (Schwartz et al., 2009, p. 8).

In 2007, the New York City Department of Education began using the Fair Student Funding formula, which constitutes 60%-70% of a school’s budget. The study “Is It Getting Fairer? Examining Five Years of School Allocations Under Fair Student Funding”, conducted by the New York City Independent Budget Office (IBO), investigated the outcomes of FSF over school years 2007-2008 through 2011-2012. IBO examined how closely the actual allocation of funds to schools through Fair Student Funding matched the amounts determined solely by the formula. IBO also looked at the extent to which the delay in the full implementation of the formula disproportionately affected certain student populations. At the conclusion of the study, IBO found that a school’s current FSF funding might not reflect the academic needs of the current student body as measured by the weights in the formula; second, contrary to FSF’s intentions, the disparities in funding across schools serving students with similar academic needs may not have declined over time. On the mechanisms of the formula, “FSF dollars ‘are used by

schools to cover basic instructional needs and are allocated to each school based on the number and need-level of students enrolled at that school” (IBO, 2013, p. 2). Furthermore, the base allocation was calculated on whether they received the hold harmless or incremental funds. Some schools received hold-harmless funds—which “ensured that those schools that had been receiving more than they were entitled to under the new formula would continue to receive the higher amount” (IBO, 2013, p. 1)—to avoid sharp reductions in funding. Although “this hold-harmless supplement was promised only for the first two years, it still has not been eliminated” (IBO, 2013, p. 2). For schools that received hold-harmless funds, the base allocation was reduced to the FSF formula amount, which was less than the FSF-equivalent portion of their 2006-2007 budget. For schools that received the incremental funds, the base allocation was maintained at the FSF-equivalent portion of their 2006-2007 budget, which was less than the FSF formula amount in 2007-2008. The cumulative effect of such adjustments made outside of the FSF formula is that schools receiving incremental funds have been brought up closer to 100% of their formula amount while hold-harmless schools have been brought down closer to 100%, negating much of the effect of the original hold-harmless policy (IBO, 2013, p. 6). Additionally, with the concern that full implementation of FSF in 2007-2008 would produce sudden, disruptive changes in the budgets of some schools, the DOE decided to phase in the new methodology over two years. However, when the 2008 recession derailed an expected increase in state aid, the education department indefinitely deferred full implementation of Fair Student Funding. The consequence of the delay in implementing the FSF methodology: 94% of schools received inadequate funds based on the needs of their students in 2011-2012 (IBO, 2013, 4), according to Figure 1.

Figure 1

As Fair Student Funding Funding Decreased Over Time, More Schools Were Below Their Formula Amounts					
	Percent of FSF Funded		Number of Schools	Number of Schools Below 100%	Percent of Schools Below 100%
	Median*	Percentage Point Change in Median			
2007-2008	98.1%		1,396	812	58%
2008-2009	92.2%	-5.8%	1,437	1,137	79%
2009-2010	75.2%	-17.0%	1,472	1,433	97%
2010-2011	75.4%	0.2%	1,495	1,463	98%
2011-2012	86.0%	10.6%	1,506	1,409	94%

SOURCE: Analysis of Department of Education data on school-level Fair Student Funding allocations
 *Schools were arranged in increasing order of their percent of Fair Student Funding provided.

New York City Independent Budget Office

Note. From “As Fair Student Funding Funding Decreased Over Time, More Schools Were Below Their Formula Amounts” by New York City Independent Budget Office, 2013, p. 4 (<https://ibo.nyc.ny.us/iboreports/fsf2013.pdf>).

Beyond the hold-harmless and incremental funds, IBO evaluated the impact of weighting factors on school allocations. “For the first four years, most of the weights related to student achievement and need were not found to have a statistically significant effect on the allocations” (IBO, 2013, p.). By 2011-2012, however, all but one of the academic weights played a significant role in the allocations (IBO, 2013, p. 2).

The most recent study on Fair Student Funding comes from New York Appleseed’s advocacy briefing on “Reflecting Historical Decisions: Fair Student Funding in New York City”. The briefing outlines the FSF and highlights the deficiencies of FSF with a decade’s implementation. “In the first year of FSF this [data] meant the schools received funds that were based on the amount they would have received under the prior funding policies, instead of the amount they would have received from the FSF formula (New York Appleseed, 2020, p. 9). “In preserving this baseline budget reflecting historic funding decisions”, alluding to the IBO study on a phaseout, “the FSF budgets for a large number of schools are still below the ‘entitlement’ amount based upon full application of the FSF formula” (New York Appleseed, 2020, p. 9). Likewise in the IBO study, AppleSeed referenced the initial concerns over “‘full implementation of [FSF] would produce large and sudden changes in the budgets of some schools.’ As a result,

DOE opted to phase in FSF over a span of two years, and a component of this phase-in was a ‘hold-harmless provision [that] ensured that those schools that had been receiving more than they were entitled to under the new formula would continue to receive the higher amount’” (IBO, 2013, as cited in New York Appleseed, 2020). Then the economic downturn ““in 2008...[caused] the necessary revenue surge [to] not materialize,’ and the DOE left the transitional components of FSF in place, including the hold-harmless funding. (New York Appleseed, 2020, p. 10). To this effect, FSF provides a framework for equitable funding of schools, as of the 2017- 2018 school year over three-quarters of all schools received less funding than prescribed by the formula. The briefing concluded on the “Recommendation: Fully fund all schools. In the event of insufficient funding, all schools should receive the same percentage of fair student funding” (New York Appleseed, 2020, p. 12).

Presented with the evidence on the Fair Student Funding outcomes, in multiple research studies since the conception to the application between 2007 to recently, the FSF did not wholly achieve what it set out to do. In further researching the effects and effectiveness of FSF, contacting the researchers and organizations for a follow-up on their research could be insightful. The inquiries can include: on the specifics of modifications to the FSF that can address its flaws; the cost-benefit of developing and implementing a new model, compared to a revision of the FSF formula; how successful was FSF, measuring upon different criteria, to “(i) improve student achievement, (ii) fund schools equitably, (iii) improve the transparency of school budgets, (iv) empower school leaders and (v) align financial policies with the priorities of the DOE” (New York Appleseed, 2020, p. 3).

References

Is It Getting Fairer? Examining Five Years of School Allocations Under Fair Student Funding.

(2013, April). *New York City Independent Budget Office*.

<https://ibo.nyc.ny.us/iboreports/fsf2013.pdf>.

Reflecting Historical Decisions: Fair Student Funding in New York City. (2020). *New York Appleseed*.

https://www.nyappleseed.org/wp-content/uploads/FINAL-FSF-Briefing-3_20.pdf.

Schwartz, A., & Stiefel, L., & Rubenstein, R. (2009). Why Do Some Schools Get More and

Others Less? An Examination of School-Level Funding in New York City. *ResearchGate*.

https://www.researchgate.net/publication/228124110_Why_Do_Some_Schools_Get_More_and_Others_Less_An_Examination_of_School-Level_Funding_in_New_York_City.