



Foundation Aid

Foundation Aid is New York State’s primary public school funding formula, accounting for around 70 percent of State education aid directed to school districts. Under the State Constitution, as interpreted by the State Court of Appeals, all students are entitled to a “sound, basic education” (SBE) provided by a state-funded system of free common schools. Following a series of legal challenges known as the “Campaign for Fiscal Equity” (CFE) that claimed the State was not providing an SBE, New York created Foundation Aid in 2007 to consolidate approximately 30 individual education funding streams into a single formula which take into account student enrollment, student needs, local cost differentials, and school districts’ fiscal capacity.

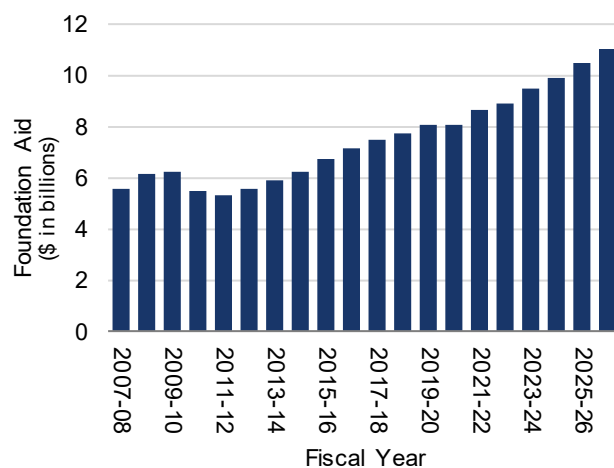
When the CFE challenged the Foundation Aid formula and claimed it continued to underfund SBEs in New York City, the courts deferred the case to the State Legislature and it was determined that the formula was reasonable; nevertheless, the State agreed to phase in Foundation Aid to meet the totals sought by the CFE. The Foundation Aid formula data is updated annually and can be modified as part of the State’s budget process (see Figure 1). However, Foundation Aid did not become fully funded until the 2023-24 New York State budget. The City’s Foundation Aid apportionment has continued increasing in recent years due to a combination of legislative changes to the formula as well

as statutorily mandated updates to the data underpinning the formula, despite falling enrollment in City public schools. As a result, in FY 2025, the City’s per-student Foundation Aid allocation was \$9,413 — a significant increase over the \$5,771 per-student allocation in FY 2015. Typically, the City receives a little more than 40 percent of the statewide Foundation Aid total; the City’s share peaked at 44 percent in FY 2021 and its 40.2 percent share in FY 2027 is comparable to FY 2008 when Foundation Aid was first enacted.

The City’s FY 2027 Foundation Aid allocation is nearly double its original amount in FY 2008. The formula contains a “hold harmless” requirement that prevents a year-over-year decrease in Foundation Aid apportionments so the City often uses Foundation Aid to fund recurring expenses, because it is a reliable funding source. Since Foundation Aid was enacted, there have been two exceptions to the reliability of State funding for education: the “Gap Elimination Adjustment” in FY 2011 through FY 2016, a drastic measure which limited and deferred school

FIGURE 1

Annual NYC Foundation Aid Apportionment



Note: For FY 2010 FY 2011 through FY 2015 - 2016, the Gap Elimination Adjustment is shown as an offset to Foundation Aid.
Sources: NYS Division of the Budget; OSC analysis

aid disbursements as the State recovered from the recession, and the State’s utilization of one-time federal pandemic relief in FY 2021 to supplant its own awarded education aid funding.

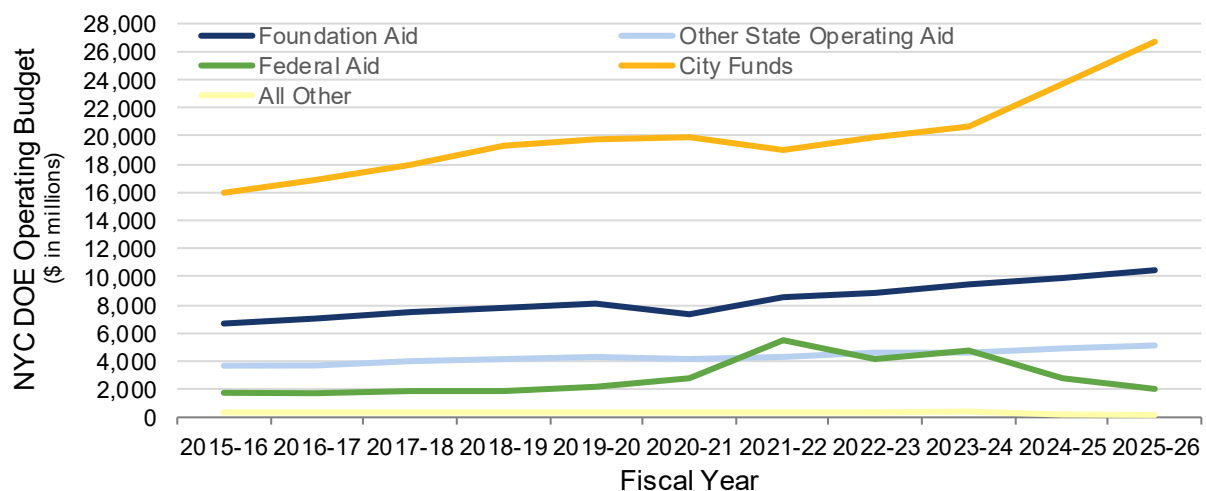
Impact

Foundation Aid is considered unrestricted aid, meaning that a school district can use the funds at its own discretion to educate students — though, in practice, a portion of Foundation Aid funding is limited by “set-asides” for specific categories including community schools and the Contracts for Excellence (C4E). The City occasionally utilizes Foundation Aid to pay for state-mandated programs, as with the State’s Class Size Mandate (CSM) in FY 2025 and FY 2026. In this case, should the City fail to meet the requirements of the CSM, the C4E set-aside portion of its Foundation Aid may be at risk. The City has also used Foundation Aid increases to fund its own priorities. Much of the Foundation Aid the City receives, however, is distributed directly to schools through the Fair Student Funding Formula (FSF), which resembles the Foundation Aid formula in structure and purpose at the school level. Many schools use their reliable FSF allocations to fund recurring costs, such as staffing, indicating that some teachers’ salaries are paid using Foundation Aid.

During the Pandemic, the City received approximately \$7.7 billion in one-time federal emergency education aid, which expired in FY 2025. The City used it to implement and/or support [significant recurring expenses](#), which it then had to backfill with other sources – including both local tax levy and Foundation Aid increases (see Figure 2). This contrasts with how reliable Foundation Aid allocations (and increases) have been used over the past decade. The City has utilized recent Foundation Aid increases to help fund a number of recurring costs for new and expanded initiatives, most recently including:

- \$182 million annually beginning in FY 2025 to implement the CSM;
- \$74 million annually beginning in FY 2025 to fund mental health support staff in schools;
- \$74 million annually beginning in FY 2025 to fund special education Pre-K classes;
- \$53 million annually beginning in FY 2025 to help students prepare for future careers.

FIGURE 2
NYC Department of Education Funding by Source



Sources: NYS Division of the Budget; OSC analysis