

# THE REALITY OF FUNDING QUALITY SCHOOLS: A 2025 QUANTITATIVE EXAMINATION OF STATE AID AND LOCAL REVENUE STRUCTURES OF LONG ISLAND PUBLIC SCHOOL DISTRICTS

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## Abstract

This study investigates how revenue structures affect the ability of educational leaders and boards of education to sustain high quality public school systems while fulfilling mandated service obligations in Long Island school districts. Employing a quantitative analysis of recent fiscal data, including revenue composition, student enrollment, and per-pupil state aid allocations, this research offers an updated empirical assessment of the financial conditions influencing school district leadership decision making. Building on the conceptual framework and findings of a 2017 analysis of Long Island school district finances, the study revisits the same districts and incorporates insights from a 2025 longitudinal review of four decades of recession-recovery policies and the impact of New York State's Property Tax Cap on regional school funding. Focusing on twelve districts within a single suburban township, the analysis reveals significant variation in total revenue capacity and in the balance between state aid and locally generated property taxes. These findings highlight the persistence of heterogeneous fiscal structures among districts in similar regional, geographic, and economic contexts, raising critical questions about fiscal equity, policy design, and long-term financial sustainability.

**Keywords:** Foundation Aid, School Finance, Long Island Schools, New York Public Education Funding, New York Tax Cap, New York School District Revenue

## Literature Synthesis: Economic Policy Impacts on School District Fiscal Stability

As educational standards evolve and service expectations accentuate, school districts are increasingly required to deliver broader and more complex programs within fiscally constrained revenue frameworks. In New York State, suburban school districts, many of which are consistently identified as high performing based on state accountability data and national comparative rankings, operate within an education finance structure in which district revenue capacity is closely tied to local property wealth, resulting in differences in fiscal capacity among districts and increased reliance on locally generated revenue to support instructional programs and mandated services (Comesanas, 2024; New York State Education Department [NYSED], 2024; Niche, 2025; U.S. News & World Report, 2024).

Historically, Long Island's school districts and other downstate suburban regions have experienced myriad financial pressures, including economic downturns and policy shifts that have had lasting impacts. Over the past two decades, overlapping state and federal tax policies, including regulatory measures established under New York State's 2011 2% Property Tax Cap and the federal limitation on State and Local Tax (SALT) deductions imposed between 2017 and 2025 through the Tax Cuts and Jobs Act, have been associated with constrained local revenue capacity in suburban school districts, contributing to persistent challenges in

managing mandate driven expenditure growth (Freking, 2024; Tax Cuts and Jobs Act [TCJA], 2017).

Concurrent with continued reliance on the Foundation Aid formula adopted in 2007 (New York State Education Department [NYSED], 2007), prior research indicates that educational standards and student needs have expanded significantly, while district revenue structures remain heavily dependent on locally generated funding constrained by statutory tax levy limits and escalating state mandated cost drivers. These conditions have been associated with persistent fiscal stress and long-term stability challenges, particularly during periods of economic downturn and recovery cycles when inflationary factors and expenditure growth historically outpaces available revenue capacity (New York State Comptroller, 2025; Galligan & Dragone, 2025).

According to the 2023 Financial Condition Report issued by the Office of the New York State Comptroller, New York State recorded the highest per-pupil education spending in the nation during the 2020–2021 school year, at \$26,571, substantially exceeding the national average of \$14,347. Despite elevated spending levels, Galligan and Dragone (2025) found that the continued reliance of most Long Island school districts on locally generated property tax revenue limits fiscal capacity to sustain mandated educational services amid rising cost pressures, including special education, Section 504 accommodations, and English Language Learner supports, as well as structural cost drivers such as New York State Teachers' Retirement System pension contributions and employee healthcare expenditures. Compounding these pressures, the Property Tax Cap statute imposes a 4 percent limit on unrestricted fund balance, historically restricting financial flexibility and limiting districts' capacity to absorb unanticipated inflationary pressures or rising operating costs without corresponding reductions in educational services (New York State Comptroller, 2023).

The Galligan and Annunziato (2017) study provided a comprehensive analysis of twelve Long Island school districts between 2008 and 2014, a period encompassing both the aftermath of the Great Recession and the

implementation of the New York State Property Tax Levy Cap in 2011. At that time, the study identified persistent structural fiscal challenges affecting districts during this period. Mandated expenditures, particularly those associated with employee healthcare and pension contributions, continued to increase, while districts' capacity to generate local revenue became increasingly constrained by the tax levy cap, which limited annual tax levy growth to the lesser of 2 percent or the rate of inflation. The 2017 study findings indicated that districts responded by drawing down reserve funds, reducing instructional expenditures, and implementing staffing reductions, despite only modest declines in student enrollment. The authors, at the time of the study, characterized this fiscal condition as unsustainable, reflecting a potential growing disconnect between districts' fiscal capacity and their expanding educational obligations.

Galligan and Dragone (2025) extended the 2017 study by situating its findings within a broader longitudinal analysis of recession-recovery policies and their cumulative impact on the finances of Long Island school districts since the early 1990s. Their policy review examined four decades of recession-era responses and tax-limitation measures, identifying a recurring pattern in which economic downturns are followed by short-term aid infusions or temporary policy interventions that leave the underlying structural imbalance between mandated expenditures and sustainable revenue capacity unresolved. The authors further noted that the increasing reliance on local property taxation has contributed to persistent fiscal disparities and long-term instability, particularly in districts with limited taxable wealth or declining enrollment.

Collectively, the research efforts identified three recurring themes. First, statutory limitations on local revenue associated with New York State's Property Tax Cap constrain districts' revenue growth in the context of increasing mandate-related expenditures. Second, temporary fiscal measures, including the Gap Elimination Adjustment and episodic federal stimulus funding, function as short-term interventions rather than long-term fiscal mechanisms. Third, reliance on a property tax-based funding structure is associated

with ongoing equity and fiscal stability considerations, particularly among districts with higher levels of local revenue dependence.

Within this context, at the time of their research, Galligan and Annunziato (2017) outlined potential adjustments to the tax cap informed by policy models used in regional neighboring states such as New Jersey and Massachusetts, while Galligan and Dragone (2025) extended this line of inquiry to examine broader structural features of New York State's education finance system. Taken together, these research efforts highlighted the distinction between near-term policy adjustments and longer-term structural reform and noted that, in the absence of such measures, districts on Long Island, including those examined in the 2017 Long Island analysis, could continue to encounter ongoing fiscal pressures that affect financial planning and the capacity to address evolving educational obligations.

### **The Challenge Facing Long Island School District Leadership**

Historically, Long Island school districts have operated within a constrained fiscal environment shaped by New York State's Property Tax Cap, including statutory limits on reserve fund balances, reduced local revenue capacity following the federal limitation on the state and local tax (SALT) deduction enacted under the Tax Cuts and Jobs Act of 2017, and variability in state aid allocations. Within this context, state and federal mandates, increased employer healthcare contribution requirements under the Affordable Care Act, and rising New York State Teachers' Retirement System (TRS) pension costs, combined with a two percent tax levy limit, have constrained districts' ability to sustain existing educational services amid limited revenue growth over the past two decades (Tax Cuts and Jobs Act [TCJA], 2017; Cunningham, 2014, p. 1).

Research indicates that Long Island school districts derive approximately 60–65 percent of their operating revenue from local property taxes, while New York State aid typically accounted for less than one-third of total funding. This revenue structure reflects the region's elevated reliance on locally generated resources relative to other areas of

New York State. Within this asymmetrical funding context, school district leaders must rely on multi-year financial forecasting estimates and a statutorily constrained four percent reserve capacity to anticipate and manage mandate-driven expenditure growth in areas such as employee benefits, special education services, English as a New Language (ENL) programming, and staffing levels necessary to sustain programmatic continuity and regulatory compliance (Galligan & Dragone, 2025; New York State Comptroller, 2023; Rockefeller Institute of Government, 2023).

### **Problem Statement**

Despite operating within the same geographic and economic region, Long Island school districts exhibit significant variation in fiscal capacity and revenue structure. These differences are shaped primarily by overlapping state and federal policy constraints, including New York State's Property Tax Cap, statutory limits on reserve fund growth, and the federal limitation on the state and local tax (SALT) deduction enacted under the Tax Cuts and Jobs Act of 2017, along with continued variability in state aid allocations. Within this constrained fiscal environment, districts remain heavily reliant on locally generated property tax revenue while simultaneously managing rising mandate-driven expenditures related to employee benefits, pension contributions, and staffing mandate needs for services such as special education and English as a New Language. As a result, districts operating under similar cost conditions face unequal capacity to sustain quality educational programs and meet regulatory obligations, highlighting the need for a contemporary empirical examination of revenue composition and state aid distribution among suburban school districts.

### **Purpose of the Study**

The purpose of this study is to analyze the current composition of revenue streams supporting public education on Long Island, with particular attention to district reliance on local property taxes relative to New York State aid. The research study is guided by three research questions:

- How does the proportion of New York State aid relative to locally generated revenue vary across school districts within a single Long Island township for the 2025 fiscal year?
- To what extent is student enrollment associated with differences in total operating revenue and reliance on New York State aid among districts within the same township?
- To what extent does New York State aid per pupil vary among districts operating within a shared geographic and economic regional context?

By examining district-level fiscal data within a single Long Island township, this study investigates structural variations in revenue composition and considers their implications for district leadership and policymakers engaged in long-term educational planning and fiscal sustainability.

## **Methodology and Instrumentation**

### **Research Design and Data Sources**

A quantitative research design was employed using publicly available datasets. Financial data for the 2025 fiscal year were obtained from the Office of the New York State Comptroller, and student enrollment data were retrieved from the New York State Education Department. The use of standardized datasets permits consistent cross-district comparison within a shared regional, geographic and economic context.

### **Data Collection and Measures**

#### **Revenue Composition**

Total operating revenue for each district was collected and disaggregated by source to examine the proportional distribution of locally generated revenue and New York State aid. These data are presented in Table 1 and serve as the basis for analyzing differences in district reliance on state versus local funding.

#### **Student Enrollment**

Student enrollment figures were collected to contextualize variations in total operating revenue and district fiscal capacity. Enrollment data, presented in Table 2, allow for comparative analysis of revenue scale across

districts within the same township.

#### **Per-Pupil State Aid**

New York State aid allocations were calculated on a per-pupil basis to enable direct comparison of state support relative to student population size. These results are presented in Table 3 and provide insight into structural differences in state aid distribution among districts.

#### **Large-District Revenue Composition**

To further examine district revenue scale effects, the three largest districts by student enrollment were isolated and analyzed separately. Table 4 presents the proportion of total operating revenue derived from local sources and New York State aid for these districts during the 2025 fiscal year.

#### **Data Handling and Anonymization**

District identifiers were anonymized to maintain analytical neutrality and to emphasize structural revenue patterns rather than individual district performance.

#### **Limitations of the Study**

The analysis does not account for student-need variables such as poverty rates, disability classifications, or English Language Learner enrollment. Additionally, the study is limited to a single Long Island township and reflects a one-year fiscal snapshot for the 2025 fiscal year. Accordingly, findings should be interpreted as descriptive and comparative rather than causal or longitudinal in nature.

- Total operating revenue varies significantly across districts, ranging from approximately \$6.0 million (District G) to \$684.4 million (District C).
- District C and District D are the only two districts where state aid comprises the majority of total revenue (72% and 62%, respectively).
- The remaining ten districts rely primarily on locally generated revenue, with District G showing the highest local share (93%) despite having the lowest overall revenue.
- Districts with higher local revenue shares are not necessarily the highest in total revenue, indicating disparities in local

wealth and funding capacity.

- Revenue rankings are ordered from highest (1) to lowest (12), while state aid and local revenue ranks reflect the proportion of funding from each source.

**Table 1**  
Total Revenue and Revenue Source Distribution by School District (2025)

School District	Total Revenue (\$)	Revenue Rank	NYS Aid (%)	Aid Rank	Local Revenue (%)	Local Rank
District A	86,612,310	11	21	11	79	3
District B	268,228,844	4	30	4	70	7
District C	684,358,478	1	72	1	28	12
District D	337,948,534	3	62	2	38	11
District E	222,041,263	5	27	5	73	5
District F	127,851,679	8	33	6	67	9
District G	6,006,620	12	7	12	93	1
District H	137,283,537	7	18	10	82	2
District I	385,535,798	2	38	3	62	10
District J	104,244,627	10	31	8	69	8
District K	119,652,961	9	25	9	75	4
District L	142,638,258	6	27	7	73	6

Note. This data was retrieved from the Office of the New York State Comptroller's website at <https://www.osc.ny.gov/open-book-new-york>. Revenue ranks are ordered from highest (1) to lowest (12). Percentages represent the proportion of each district's total 2025 operating revenue derived from New York State aid and locally generated sources; values are rounded.

- Total student enrollment across all 12 districts is 64,657 students.
- Enrollment ranges widely, from a low of 32 students in District G to a high of 17,842 students in District C.
- District C ranks first in enrollment, followed by District I (11,553 students) and District D (7,660 students).
- District G, despite having the lowest enrollment, is a statistical outlier with substantially fewer students than all other districts.
- Several districts (e.g., Districts F, H, K, L) fall into a mid-sized category with enrollments between approximately 2,500 and 3,700 students.

**Table 2**  
Student Enrollment by School District (2025)

School District	Student Enrollment	Enrollment Rank
District A	1748	11
District B	5529	4
District C	17842	1
District D	7660	3
District E	5016	5
District F	3381	7
District G	32	12
District H	3112	8
District I	11553	2
District J	2438	10
District K	2651	9
District L	3695	6

Note. This data was retrieved from the New York State Education Department's website at <https://data.nysed.gov/>. Enrollment ranks are ordered from highest (1) to lowest (12). Total combined enrollment across districts equals 64,657 students.

- Per-pupil aid varies widely, from \$7,946 (District H) to over \$27,000 (Districts C and D).
- Districts with similar enrollment sizes receive substantially different per-pupil aid.
- The table highlights notable disparities in state aid support among districts located in the same geographic region and facing similar economic cost factors.

**Table 3**  
New York State Aid Per-Pupil Allocation by District (2025)

School District	NYS Aid Revenue (\$)	Student Enrollment	NYS Aid per Student (\$)
District A	18,457,747	1748	10,559.35
District B	81,245,767	5529	14,694.48
District C	492,925,275	17842	27,627.24
District D	208,304,184	7660	27,193.76
District E	59,730,506	5016	11,908.00
District F	42,709,970	3381	12,632.35
District G	395,750	32	12,367.19
District H	24,728,963	3112	7,946.32
District I	148,288,622	11553	12,835.51
District J	31,420,057	2438	12,887.64
District K	29,414,062	2651	11,095.46
District L	38,405,057	3695	10,393.79

Note. This data was retrieved from both the Office of the New York State Comptroller's website at <https://www.osc.ny.gov/open-book-new-york> and the New York State Education Department's website at <https://data.nysed.gov/>. District identifiers are anonymized. New York State aid per student was calculated by dividing total New York State aid revenue by total student enrollment for each district.

- Despite similar enrollment levels, these districts show markedly different revenue structures. District C (ranked first in total enrollment) receives 72% of operating revenue from New York State aid; 28% from local sources while District I (ranked second in total enrollment) receives 62% of operating revenue from local sources; 38% from state aid.
- Significant fiscal structure differences persist even among similarly sized districts, underscoring structural inequities in state aid dependence within the same region.

**Table 4**  
**Top Three Districts Ranked by Student Enrollment and Revenue Composition (2025)**

School District	Student Enrollment	Enrollment Rank	Total Revenue (\$)	Local Revenue (% of Total)	NYS State Aid (\$)	NYS Aid (% of Total)
District C	17,842	1	684,358,478	28%	492,925,275	72%
District I	11,553	2	385,535,798	62%	148,288,622	38%
District D	7,660	3	337,948,534	38%	208,304,184	62%

*Note. This data was retrieved from both the Office of the New York State Comptroller's website at <https://www.osc.ny.gov/open-book-new-york> and the New York State Education Department's website at <https://data.nysed.gov/>. Table presents the three largest school districts within a single township, ranked by total student enrollment. Percentages reflect the proportion of total district revenue derived from local sources and New York State aid for the 2025 fiscal year. Dollar values are rounded to the nearest whole dollar.*

### Analysis of the Findings of the Research Questions

This section synthesizes the empirical results across the three research questions, highlighting patterns in revenue composition, enrollment-related scale effects, and per-pupil aid disparities among school districts operating within a shared suburban Long Island context.

#### Revenue Composition and State Aid Reliance (RQ1).

The analysis reveals substantial heterogeneity in the proportion of New York State aid versus locally generated revenue across districts within the same township. Despite comparable regional cost structures and geographic proximity, districts display markedly different funding profiles, ranging from heavy dependence on state aid to pronounced reliance on local property taxation. This dispersion underscores the persistence of structural inequities embedded

in the state aid system and suggests that formula-driven allocations interact unevenly with local fiscal capacity.

#### Enrollment, Scale, and Total Revenue Capacity (RQ2).

Findings indicate that student enrollment is associated with differences in total operating revenue, but scale alone does not explain variation in state aid reliance. When revenue composition data are examined alongside district enrollment (see Tables 1, 2, and 4), no consistent relationship emerges between student population size and its allocation of New York State aid. Larger districts tend to command greater total revenues; however, their dependence on state aid varies widely. Some high-enrollment districts receive a substantial share of revenue from state sources, while others rely predominantly on local revenue. This pattern suggests that enrollment size amplifies fiscal capacity without standardizing aid dependence, reflecting the continued influence of historical aid provisions and district-specific fiscal characteristics.

#### Per-Pupil State Aid Disparities (RQ3).

Per-pupil state aid allocations show considerable variation among districts that serve similar student populations within the same township. These disparities remain even after accounting for enrollment size, indicating that the current state funding formula may not distribute resources equitably on a per-student basis. Such variation brings attention to horizontal equity, as students in neighboring districts with comparable demographic and economic profiles may receive substantially different levels of state financial support. This inconsistency suggests possible structural limitations within the aid allocation formula and underscores the need for a systematic evaluation of how state resources are distributed among districts with shared local economic characteristics.

### Findings

The results of this analysis reveal substantial fiscal variation among public school districts within a single Long Island township. This variation is primarily attributable to differences in reliance on state

aid, enrollment-driven revenue capacity, and per-pupil expenditure allocations. Consistent with prior research (Galligan & Annunziato, 2017; Galligan & Dragone, 2025), these findings suggest that policies and funding mechanisms implemented during the post-recession recovery era have produced enduring inequities. These fiscal imbalances continue to constrain districts' capacity to address mandate-driven cost pressures and to sustain equitable, high-quality educational services across communities.

Despite operating within similar cost environments, particularly with respect to mandated service provision, districts exhibit differing capacities to generate revenue. Although total revenue levels are influenced by enrollment size, the composition of revenue sources, including reliance on New York State aid, varies independently of district scale. As shown in Tables 1, 2, and 4, districts differ in both total operating revenue and the proportion of funding derived from state aid across enrollment levels. These patterns indicate that structural and formula-based factors, rather than enrollment size alone, are associated with observed differences in fiscal capacity.

### Suggestions for Future Research

Future research may examine New York State's Foundation Aid formula, including regional cost indices and the methods used to measure community fiscal capacity, particularly as they relate to mandated district expenditures. Additional comparative analysis of tax cap frameworks in economically similar neighboring states, such as New Jersey and Massachusetts, may further document how differing policy structures correspond with district-level revenue capacity. Such analyses would extend the empirical record on the relationship between state aid formulas, tax limitations, and school district fiscal outcomes.

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