

Reforming New York State's Foundation Aid Formula



November 16, 2016



Outline

- Introduction and Background
- Problems with the Current Formula
- Changes/Additions to Formula
 - Impacts by Decile, Region and Representative Districts
- Conclusions/Questions

Introduction and Background

Total Education Spending

- NYS schools spent \$63 billion in 2014-15
 - State - \$23 billion
 - STAR - \$3 billion
 - Local - \$35 billion
 - Federal - \$2 billion
- Highest average spending per pupil in the nation (\$20,610 in 2014)
- Wide variance per pupil among 674 districts
- 60 districts spend less than \$20,000 (2014)
- 85 spend more than \$40,000 (2014)

Main Types of State Education Aid

Foundation (\$16.5B)

Based on how much a district needs to provide an “adequate” education and how much the district can reasonably contribute.

Expense-Based (\$7.8B)

Reimbursements for transportation, building construction, etc.
Less progressive than Foundation Aid

Foundation Aid History

- In response to the Campaign for Fiscal Equity (CFE) ruling, Foundation Aid was created to bolster the finances of schools that lacked the resources to ensure that all students in the State have access to a State Constitutionally guaranteed “Sound, Basic Education”
- Combined 30 aid types into one category
- When adopted in 2007, goal was to fully phase-in Foundation Aid over four years, but economic downturn slowed implementation

How Foundation Formula Should Work

1. Determine an amount needed statewide per typical pupil (\$6,340 in 2016-17), based on 'Successful Schools' model
2. Adjust for regional cost differences (9 regions)
3. Weight for students with special needs, including English learners, poverty, and sparsity
4. Subtract the amount that should be provided by the local district per pupil, based on wealth
5. Multiply by the number of students, weighted for students with disabilities

Problems with Current Formula

- Inconsistent local share calculations;
- Final district distributions distorted by hold-harmless provisions, artificial floors, ceilings, phase-ins and add-ons; and
- Outdated measures of poverty.

Local Share Calculation

There are 2 options for determining local contribution per pupil

1. $IWI * (\text{Local Tax Factor}[1.57\% \text{ in } 2016-17]) * (\text{Taxable AV}/\text{Student});$ or
 2. $(\text{Adjusted Foundation Amount}) * (1 - \text{Largest of}$
 - $1.37 - (1.23 \times \text{Foundation Aid Combined Wealth Ratio (FACWR)})$
 - $1.00 - (0.64 \times \text{FACWR})$
 - $0.80 - (0.39 \times \text{FACWR})$
 - $0.51 - (0.173 \times \text{FACWR})$
 - Max of 90%
 - FACWR is basically the district AV/per pupil compared to the state average, plus the AGI per pupil compared to the state average = $.5 * (\text{AV}/\text{Pupil}/\text{State average}) + 0.5 * (\text{AGI}/\text{Pupil}/\text{State Average})$
- Median increase in State share by using second option is \$1,501 per pupil
 - 644 of 674 use option 2
 - IMPACTS: Local district share is artificially decreased, increasing the required State share. When other factors hold the State share down, creates the misleading impression that certain districts are underfunded.

Floors, Ceilings, Phase-ins & Add-ons

- Hold-Harmless – districts' Foundation Aid does not decrease from year-to-year, helps districts that are becoming wealthier and/or have declining enrollment
- Minimum increases – not in every year
- Income Wealth Index – (District AGI/Student) used in one of two calculations for local share, limits range from 0.65 to 2
- Pupil Needs Index – adjusts for student needs (poverty, ELL, sparsity) is capped at 2

Floors, Ceilings, Phase-ins & Add-ons

- Phase-in Factor – limits maximum increase from year-to-year per district. (more on next slide)
- Add-ons in 2016-17
 - \$266M Based on Executive Budget
 - District level Foundation Aid increase proposed in Executive Budget was added to final distribution in adopted budget
 - \$100M for “Community Schools” Program
- IMPACTS: State resources not optimally targeted to districts with highest needs

Phase-In Factor

- Ranges from 0.47% to 13.6%
- Applies to the increase that is calculated by the Foundation Aid formula before minimum growth and add-ons
- Big 5 are assigned a factor in adopted budget bills, other districts become eligible based on CWR & FRPL (429 districts have phase-in factors)
- 178 districts with no phase-in factor would have seen increased aid
- 313 districts growth is slowed
- Example
 - \$11M per the formula
 - \$10M in the prior year
 - Phase-in factor of 13.6%
 - $\$1M * 13.6\%$ or \$136,000.
 - District “underfunded” by \$864,000.

Outdated Poverty Measures

- Census Poverty Data is from 2000 – updated data option exists
- IMPACTS: Economic fluctuations are not accounted for

A Revised Formula

- Eliminate:
 - Alternative local share calculations;
 - Distribution distortions created by artificial floors, ceilings, phase-ins and add-ons; and
 - Outdated poverty measures
- Increase poverty weighting from 0.65 to 0.75 in need calculation
- Adjust for Impact of Medicaid on Property Taxpayers

Poverty Weighting and Medicaid

- Increasing poverty weighting drives additional \$2B to districts with low-income students
- Medicaid adjustment – adjusts Foundation Aid local contribution to account for disproportionate impact of Medicaid on local property taxpayers.

Impacts of Revised Formula

- Increases total Foundation Aid spending by \$569 M
- Redirects \$2.1 B in spending
- 273 districts would receive more Foundation Aid (\$2,112 per pupil median increase)
- 401 district would receive less Aid, with 215 districts receiving none

Impact of Revised Formula

Decile Poorest=1	Districts Receiving More Aid	Districts Average Increase Per Pupil	Districts Receiving Less Aid	Districts Average Decrease Per Pupil	Count of Districts w/ No Found Aid	Net
1	65	\$3,264	3	(\$3,779)	-	\$1,183,508,129
2	56	\$2,228	12	(\$725)	-	\$299,897,210
3	55	\$2,085	13	(\$1,626)	-	\$212,975,949
4	41	\$1,603	27	(\$1,701)	1	\$754,289,848
5	33	\$1,365	35	(\$2,290)	1	\$28,645,340
6	14	\$605	54	(\$2,789)	7	(\$202,242,139)
7	8	\$708	60	(\$3,448)	31	(\$288,519,338)
8	1	\$35	67	(\$3,289)	45	(\$695,748,538)
9	-	-	68	(\$2,701)	68	(\$470,066,078)
10	-	-	62	(\$1,760)	62	(\$253,718,868)
Grand Total	273	\$2,112	401	(\$2,588)	215	\$569,021,517

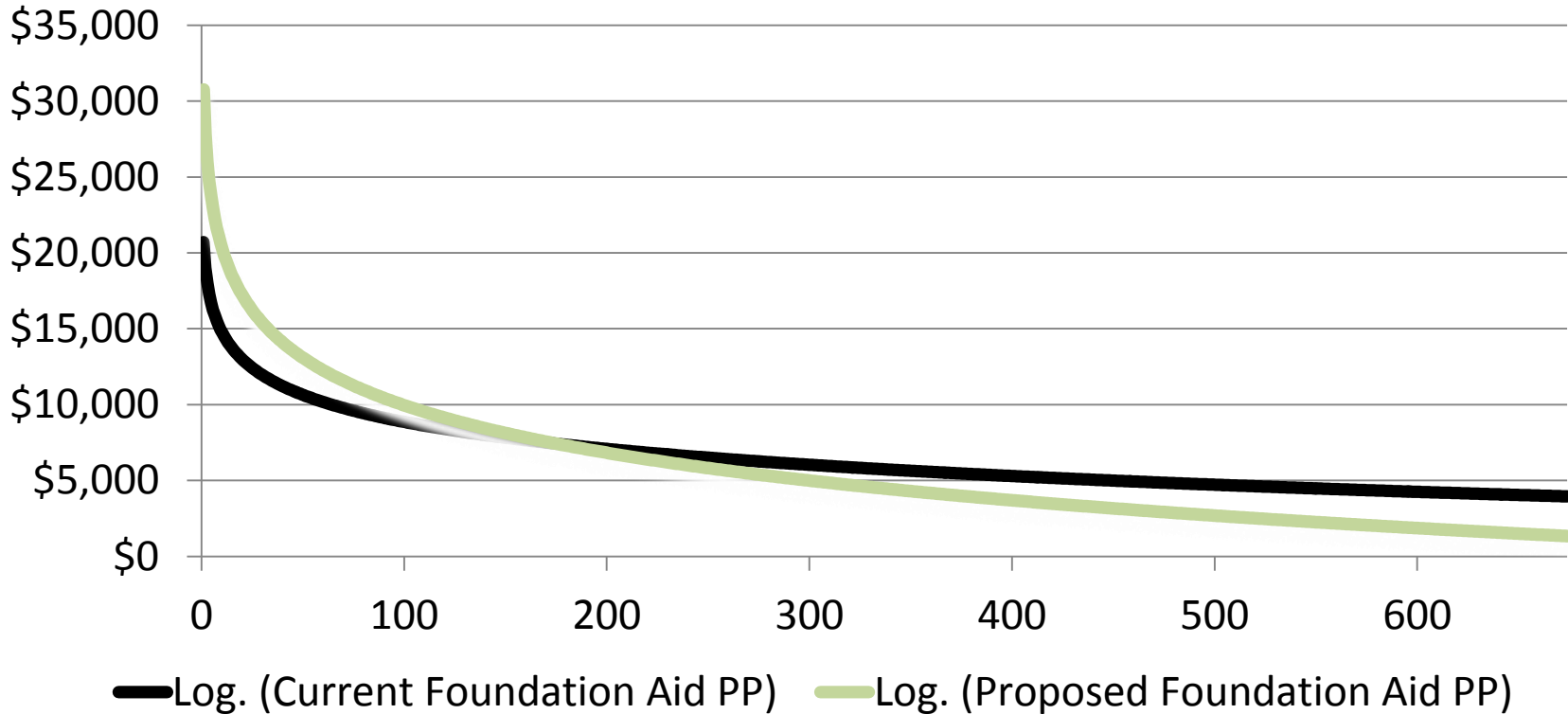
Average Foundation Aid Per Pupil

Decile	Expenditure Per Pupil (2014-15)	Average Current Foundation Aid PP	Average Proposed Foundation Aid PP	Change
1	\$21,794	\$10,956	\$13,900	\$2,944
2	\$22,322	\$9,944	\$11,663	\$1,719
3	\$21,670	\$9,148	\$10,532	\$1,384
4	\$21,990	\$8,128	\$8,429	\$301
5	\$21,705	\$7,182	\$6,668	(\$514)
6	\$21,979	\$6,131	\$4,042	(\$2,089)
7	\$24,131	\$4,881	\$1,922	(\$2,959)
8	\$24,013	\$3,868	\$629	(\$3,240)
9	\$26,912	\$2,700	-	(\$2,700)
10	\$33,143	\$1,760	-	(\$1,760)

Impact of Revised Formula

Region	Districts Receiving More Aid	Districts Receiving Less Aid	Districts w/ No Found Aid	Net Change	Percent of Foundation Aid Current	Percent of Foundation Aid Proposed
Capital Region	20	53	24	(\$145,101,755)	4.7%	3.7%
Central NY	33	22	6	\$121,229,709	5.5%	6.0%
Finger Lakes	46	24	4	\$171,404,318	7.3%	8.0%
Long Island	16	105	88	(\$299,594,849)	11.6%	9.4%
Lower Hudson	5	49	48	(\$195,622,880)	3.8%	2.6%
Mid-Hudson	15	32	14	(\$41,801,199)	4.8%	4.4%
Mohawk Valley	22	20	3	\$96,214,861	3.0%	3.5%
North Country	28	35	14	\$11,597,433	3.1%	3.1%
NYC	1	-	-	\$645,540,262	43.2%	45.6%
Southern Tier	35	33	6	\$40,852,423	4.1%	4.2%
Western NY	52	28	8	\$164,303,194	8.8%	9.5%
Grand Total	273	401	215	\$569,021,517	100%	100%

Foundation Aid



Impact on Representative Districts

	"Big 5" Cities					Other Upstate Urban			Upstate Rural	Wealthy Suburban		Poor Suburban	
District	NYC	Buffalo	Rochester	Syracuse	Yonkers	Albany	Binghamton	Utica	Massena	Shenendehowa	Scarsdale	Roosevelt	Hempstead
2014-15 Per Pupil Spending	\$22,589	\$21,294	\$21,800	\$19,278	\$20,969	\$20,327	\$20,239	\$15,613	\$17,700	\$16,450	\$29,326	\$25,286	\$22,618
Proposed Foundation Aid Per Pupil	\$7,310	\$16,000	\$16,750	\$15,770	\$7,412	\$10,118	\$11,461	\$14,509	\$10,543	-	-	\$17,818	\$18,746
Change in Foundation Aid Per Pupil	\$607	\$3,652	\$4,268	\$3,820	\$340	\$3,929	\$3,277	\$6,102	\$2,912	(\$2,758)	(\$691)	\$8,244	\$9,675

Conclusions

- Foundation Aid's aim is to ensure that every district has adequate resources to provide a Sound, Basic Education.
- Current formula sends too much money to wealthy districts, limiting the amount of funds available for districts in need.
- Simply increasing the amount of funding available is not sustainable or likely.
- Only way to provide substantial relief to districts in need is to reform the Foundation Aid Formula.

Questions?