

Facts About Funding For NYS Schools

How are NYS schools funded?

1) New York State Aid

- New York State aid comes in three separate aid categories:
 - **Building Aid** – can only be used to offset capital construction projects approved by district voters.
 - **Categorical aid** – issued based on student population and can only be used for things like textbooks, transportation, special education, BOCES services, etc.
 - **Foundation Aid** – issued based on a per pupil formula and can be used for daily operating expenses such as payroll, supplies, utilities, etc.

Note: Aid from the three different categories is not necessarily interchangeable. Schools cannot use Building Aid to pay teachers or buy textbooks, but schools can use Foundation Aid to help with the local share of capital project expenses.

Roughly 54% of the district's current annual budget comes from state aid.

2) Taxes

- 40% (approximately) of the district's current annual revenue comes from school tax levied against property owners in the school district.

What's wrong with the NYS Foundation Aid formula?

*Much of the following information comes from the Citizens Budget Commission's report, *A Better Foundation Aid Formula, Funding Sound Basic Education with Only Modest Added Cost* – www.cbcny.org

There are three aspects of the Foundation Aid formula that are faulty:

1) Inconsistent and unfair local share calculations

There are two options available for calculating a district's expected local contribution, and each has flaws.

- The first option uses the Income Wealth Index (IWI), the ratio of a district's adjusted gross income (AGI) per pupil to the statewide average.
 - *Example:* An IWI of 3 means the district has AGI per pupil three times the state average and would therefore be expected to contribute three times as much as the average district. **However, the formula arbitrarily limits the maximum IWI to 2 and the minimum to 0.65.** Accordingly, a very poor district with 0.25 IWI is treated the same as a district with 0.65 IWI. **These minimums and maximums make the neediest districts in the state seem less needy, while the state's wealthiest districts seem less wealthy.**
 - **Auburn Enlarged City School District's IWI for 2018-2019 is .55, but it is adjusted to the arbitrary minimum of 0.65, which takes away millions in aid the district should receive each year.**
- The second option allows for the determination of a minimum local contribution from the most favorable result of four alternative calculations of a district's relative property and income wealth. In many cases, the local contribution pursuant to the alternative calculations is far less than under the IWI, and 644 of the 674 districts used the alternative local share method in 2016-2017. As a result, districts calculated contribution is less and they receive more Foundation Aid.

2) Arbitrary floors, ceilings, phase-ins, and add-ons

When Foundation Aid was created, a **hold harmless provision** guaranteed that no district would receive less school aid as a result of the reforms, and **this impedes the goal of directing state resources based on need.** Districts with increasing wealth or decreasing enrollment continue to receive the same level of Foundation Aid – or even increases in years when minimum increases are specified.

- **Arbitrary Floors & Ceilings** – the IWI formula arbitrarily limits the maximum IWI to 2 and the minimum to 0.65. These minimums and maximums make the neediest districts in the state seem less needy, while the state's wealthiest districts seem less wealthy.

- **Phase-In Factor** – limits growth in districts’ Foundation Aid by applying a percentage limit to the increase from the prior year’s Foundation Aid, which would result from application of the formula in the current year.
 - *Example:* If the formula indicates a district would receive \$10 million this year, up from \$8 million in the prior year, its phase-in factor (for example, 13.6 percent) is applied to the \$2 million difference, meaning the increase will be limited to \$272,000 (a shortfall of \$1.7 million).

The phase-in factor varies from 0.47% to 13.6%, with specific rates for the five largest school districts and more general rates for the other districts based on district demographics.

- **Add-Ons** – refer to aid amounts that are included with Foundation Aid payments but are not calculated using the Foundation Aid formula. They are added to Foundation Aid payments after the formula calculations based on other criteria specified in budget legislation (for example, Community School set-aside funds).

3) **Outdated measures of poverty understate or overstate need in many districts**

The Foundation Aid formula directs additional resources to high-need districts via the calculation of the Pupil Needs Index (PNI), which accounts for the relative poverty of students, poverty of the community, the number of English language learners, and population sparsity of the district. **BUT the community poverty data used to calculate the index is outdated; the data is from the 2000 Census and does not account for shifts in income over the last 20 years.** As a result, the formula benefits districts that have seen economic improvements while harming districts that have seen poverty increases. Data availability is not an issue; more current data is available from the Census Bureau.

- Using the data from the 2000 Census, the Auburn Enlarged City School District is identified as an "average needs" district, meaning the district doesn’t need as much financial assistance from New York State to operate because it can generate sufficient revenue from the taxpayers to offset the shortfall.
- **The Auburn district has actually been a "high needs" district since 2008**, but the state has not utilized the updated data, so it remains an "average needs" district for aid purposes.