



TO: State Aid Subcommittee

FROM: Elizabeth R. Berlin *Elizabeth R Berlin*

SUBJECT: Chapter 54 Report to the Legislature and Governor
Recommending Changes to Measures of Poverty in the
Foundation Aid Formula

DATE: September 12, 2016

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SUMMARY

Issue for Discussion

The Board of Regents will be provided an overview of the recommendations of the Commissioner to comply with Chapter 54 of the Laws of 2016 in recommending changing the measures of student poverty in the Foundation Aid formula.

Proposed Handling

The proposed recommendations will be presented to the State Aid subcommittee.

Background Information

Chapter 54 of the Laws of 2016 (commonly known as the Education, Labor, Housing, and Family Assistance Article VII Budget Bill) required the Commissioner of Education to examine the process for determining the number of eligible students in the federal and state Free and Reduced Price Lunch (FRPL) Program and other reliable measures of poverty that are used to calculate aid under Section 3602 of the Education Law, namely Foundation Aid. A report of such recommendations is required to be submitted to the Legislature and Governor by October 1, 2016.

The below highlights the analysis and recommendations that will be included in the submitted report:

1. Foundation Aid: Examples of use of measures of student poverty

- Adjusted Foundation Aid per Pupil =
Successful Schools Study Foundation Amount x Regional Cost Index x Pupil Need Index – Local Share
- FRPL and Census poverty are two of the four parts in the “Pupil Need Index” (PNI), which includes the 2000 Census Poverty Count, FRPL Count, ELL Count, and a Sparsity Count

2. The problem: Current FRPL rates underrepresent student need in some districts.

- Schools providing free lunch to all students, under the federal “Community Eligibility Program” (CEP) cannot require parents fill out FRPL forms
 - As an alternative, a family income inquiry form is given to parents of students in CEP schools
 - Students in CEP schools get free meals regardless of form completion
 - Income forms have lower completion rates than FRPL forms
- FRPL is used as a proxy for student need in the Foundation Aid formula
 - Underrepresenting need due to the lack of incentive to complete income inquiry forms reduces aid for which districts may be eligible

3. The recommendation: The Legislature and Governor should choose an alternative from the following menu of options.

- **Switch from counts of FRPL-eligible students to a weighted count of “Direct Certification” students in Foundation Aid, as well as update the current Census poverty student count from 2000 to the more recent Small Area Income and Poverty Estimate (SAIPE) data**

FRPL Count

- Direct Certification data counts students automatically eligible for free lunch, based on participation in other means tested programs, e.g. SNAP, Medicaid
- *Pros*
 1. The data is available for 2015-16; it is a pupil count; it covers all public school students in districts participating in federal meal programs
 2. Lower need threshold requires a 1.6 multiplier for data range comparable to FRPL data; application of the weighting is minimally disruptive to most school districts
 3. Eligibility for other means tested programs is subject to more rigorous accountability controls than FRPL eligibility
 4. Consistent with USDA and DOE suggestions to replace FRPL data
- *Cons*
 1. 1.6 multiplier flattens out all districts with more than 62.5% of direct certified pupils (reaching maximum 100%)
 2. Any change will cause dislocation in aid
- Recommend continuing the 3-year average used for FRPL data, and phasing in Direct Certification data over 3 years

- No actual aid implications until the Governor and Legislature enact a legislative change

Census Poverty Count

- Education Law specifies that poverty counts from the decennial Census be used in the Pupil Needs Index; the Census Bureau discontinued producing this data as part of the decennial Census after 2000
 - However, the Census Bureau produces Small Area Income and Poverty Estimates (SAIPE) from Federal tax returns and the American Community Survey (ACS)
 - SAIPE data from year prior to the base year (most recent available) could replace 2000 Census Poverty data
- **Continue with present course, and add save harmless for CEP schools**
 - Formulas would not reflect schools with declining needs
 - **Require all students to complete income forms instead of using FRPL data**
 - Underreporting is likely to rise; duplicative of FRPL forms
 - **Use Federal poverty rate data**
 - Poverty line is a lower threshold of need than FRPL, not limited to public school students, estimates rather than a count; already reflected in Census poverty count in formula
 - **Department of Tax and Finance state income data**
 - Excludes non-filing families; not limited to public students

Timetable for Implementation

Immediate. The final report will be submitted to the Legislature and Governor to comply with the October 1, 2016 deadline.