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# Reviewing the Foundation Aid Formula

State Aid Subcommittee

October 17, 2016



# Agenda for Discussion

- **Brief Review of Foundation Aid**
  - Pre-Foundation Aid
  - What is the “Phase-in?”
  - Challenges
  - Formula
- **Post-GEA Aid Priorities**
  - Foundation Aid Phase-in Schedule
  - Policy Priorities
    - Early Learning
    - English Language Learners

# Prior Regents Advocacy

- In 2004, the Board of Regents first proposed a Foundation Aid formula that “would replace a complex system of many formulas” in a way that “is much simpler”
- After years of advocacy, the Legislature and Governor adopted the formula in 2007, consolidating approximately 30 other aid formulas and categorical programs into one streamlined formula.

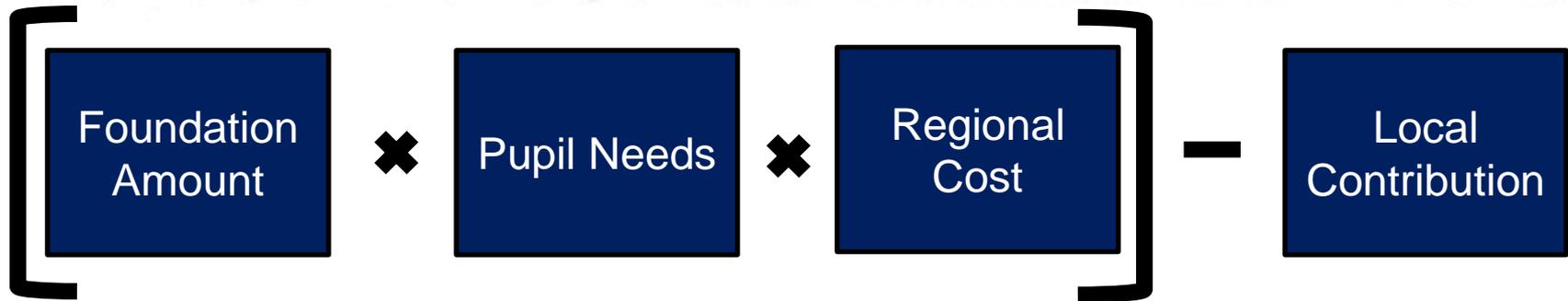
# Pre-Foundation Aid Funding

- Prior to Foundation Aid, multiple aid categories allocated funding to address particular needs:
  - Flex Aid: general operating support, based on existing formulas prior to 2007
  - Limited English Proficiency Aid: support for English language learner (ELL) students
  - Extraordinary Needs Aid: support for ELLs and pupils eligible for Free and Reduced Price Lunch (FRPL)

# Summary of 2016-2017 Regents State Aid Proposal

Formula/Category	Total Proposed Increase
Foundation Aid	\$1,300 million
Gap Elimination Adjustment Full Restoration	\$434 million
Statutory Expense-based Increases	\$403 million
<b>Total Formula Aid</b>	<b>\$2.1 billion</b>
Categorical Investments (including pre-k, CTE, etc.)	\$345 million

# Foundation Aid Formula

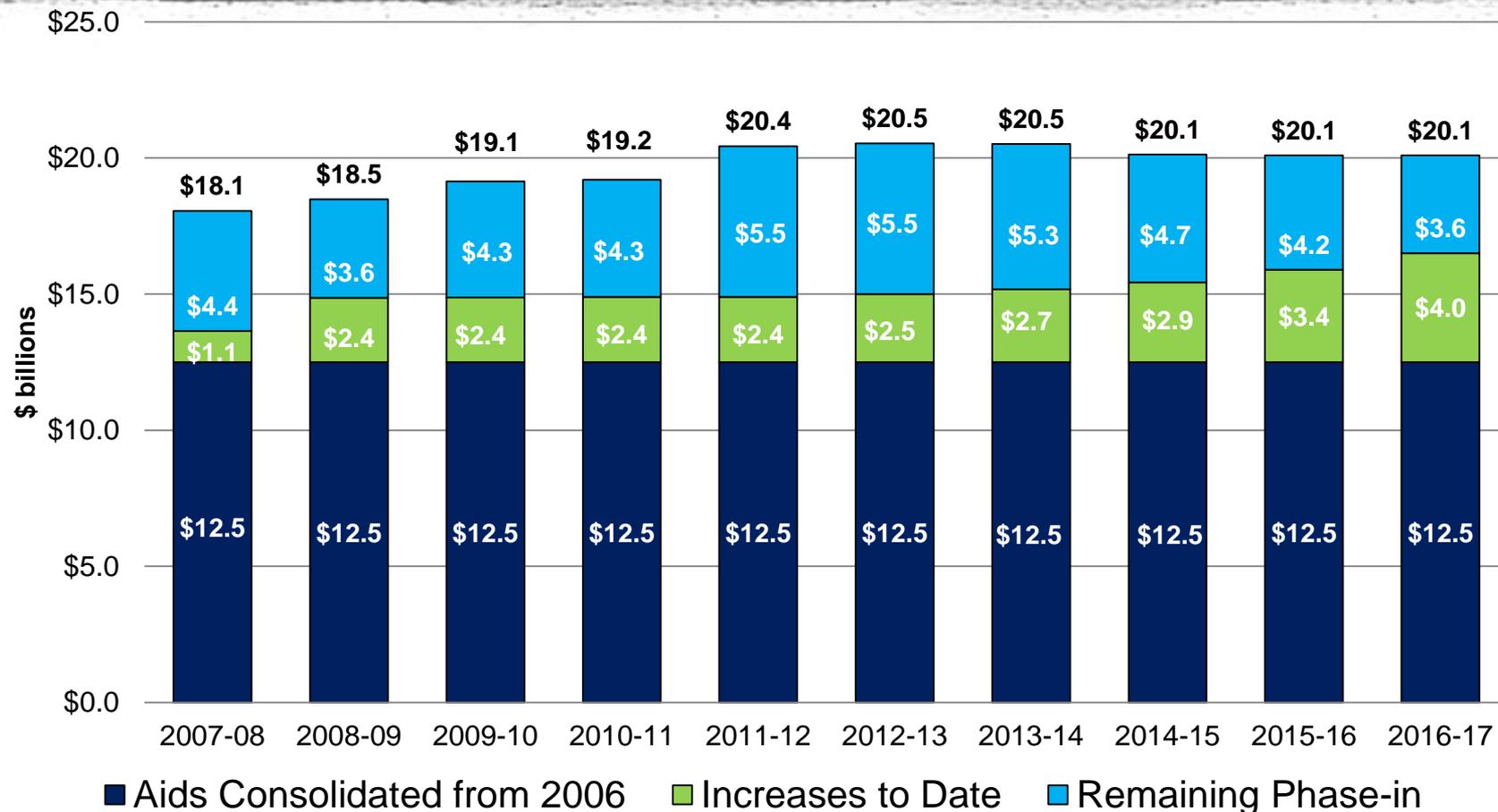


- Foundation Aid per pupil is determined using the above formula, which is then multiplied by an enrollment count with a special education weighting.
  - **Foundation Amount:** Cost of educating students in successful schools
  - **Pupil Needs:** FRPL, ELL, census poverty, and sparsity
  - **Regional Cost:** Variation among professional salaries by Labor Force Region.
  - **Expected Minimum Local Contribution:** An expected, but not required, level of local spending commensurate with district wealth.
- The above formula creates a “total” aid amount, which is provided over a multiple year period.

# What is the “phase-in?”

- **Total Need:** The Foundation Aid formula generates a dollar amount for each district that represents the total need based on current wealth and demographics.
- **Total Aid:** The total need is divided into state aid and a local contribution. The increase required to reach the total aid level is multiple billions of dollars, which requires that the state provide the increase over a multiyear period.
- **Phase-in:** The difference between the “total” aid and the aid that a district is currently receiving is referred to as the “phase-in amount.” It is the amount of increased aid that is required over a multiyear period to reach the “total” aid level.

**Total Foundation Aid fluctuates over time due to demographic changes and inflationary factors. Since 2007-08, the increase in base aid has totaled \$4B, with \$3.6B remaining to be phased-in.**



# Phase-in Challenges

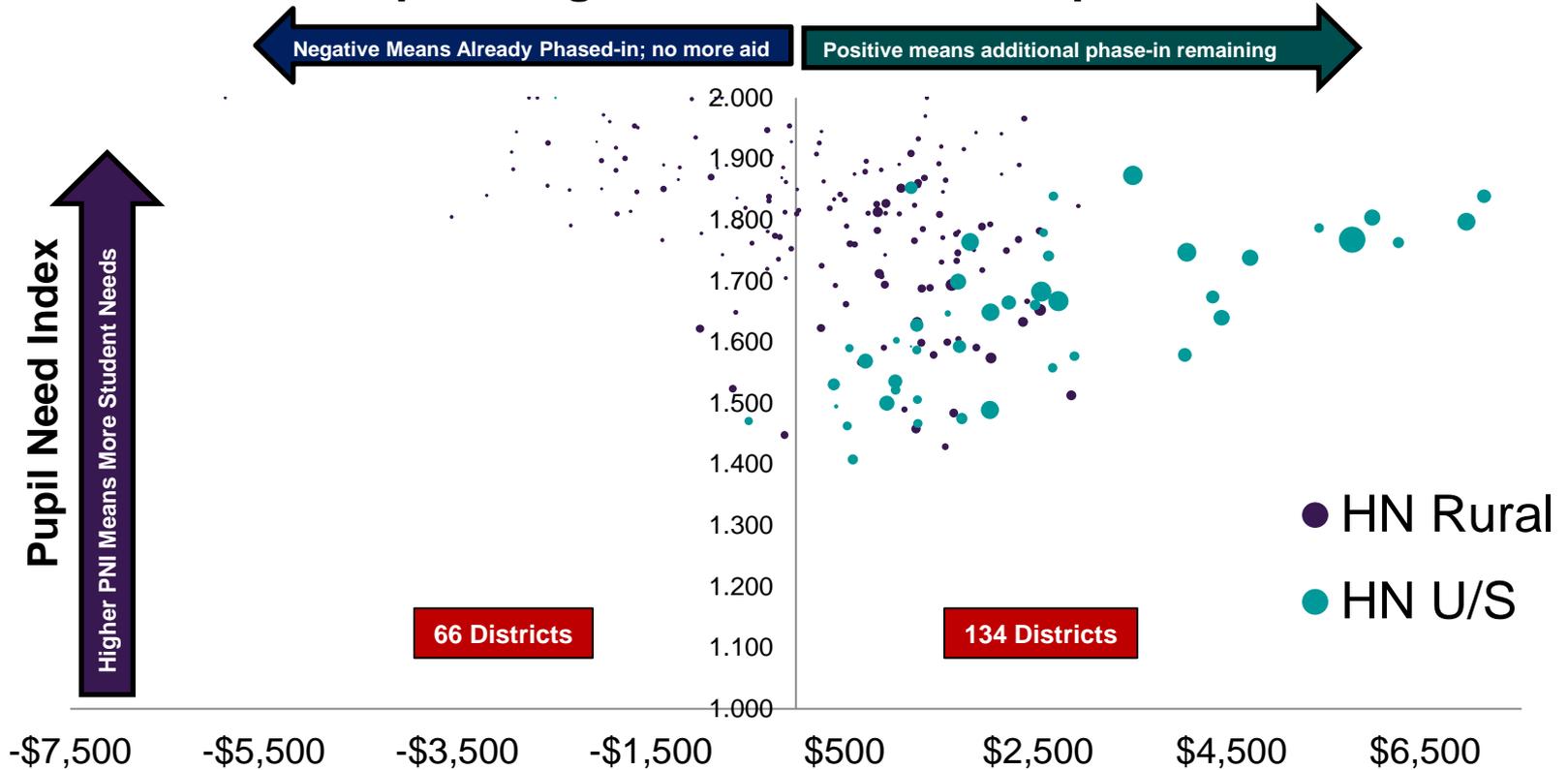
- Since Foundation Aid is a Per Pupil formula, the total aid amount is largely driven by the number of pupils.
- There are two key challenges facing districts as the formula is phased-in:
  - Districts with increasing enrollments require more funds; and
  - Districts with declining enrollments are technically already “fully phased-in” as a result of having fewer students.

# Phase-in Challenges

- New York State education aid has a long standing tradition of providing a safe harbor against enrollment losses; that is, as a district loses students, it may not receive additional operating aid, but it won't lose what it already has.
- With the Property Tax Cap in place, that means those same districts will receive minimal or no aid increases, and will have limited ability to increase their local tax levy.

Ten years after Foundation Aid was enacted, many districts have seen their enrollments decline, which has reduced the level of “total” aid they would receive. In some cases, that amount is less than their current aid, leaving them with no additional phase-in remaining.

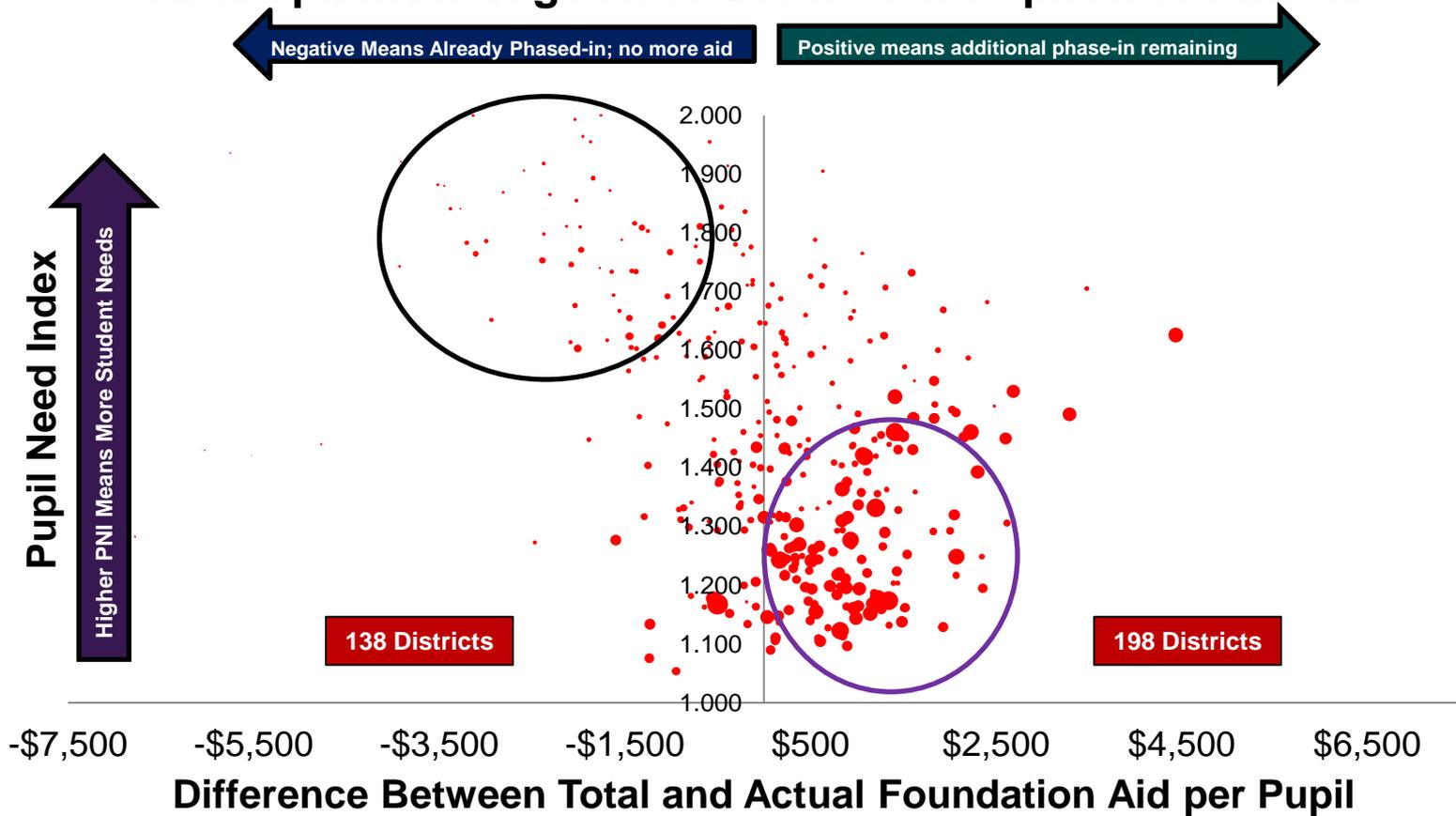
### Aid/Pupil in High Need Districts v. Pupil Needs Index



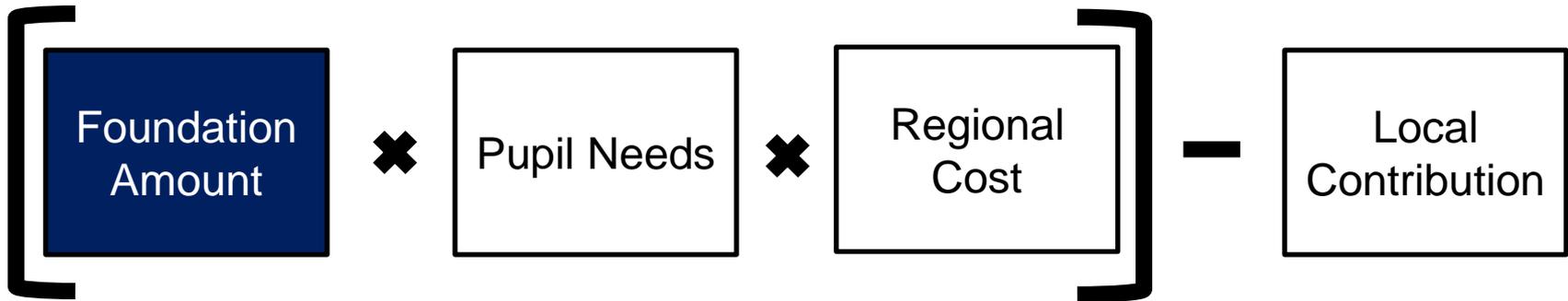
Difference Between Total and Actual Foundation Aid per Pupil

Ten years after Foundation Aid was enacted, many districts have seen their enrollments decline, which has reduced the level of “total” aid they would receive. In some cases, that amount is less than their current aid, leaving them with no additional phase-in remaining.

### Aid/Pupil in Average Need Districts v. Pupil Needs Index



# Foundation Aid Formula



The above formula creates a “total” aid amount, which is provided over a multiple year period.

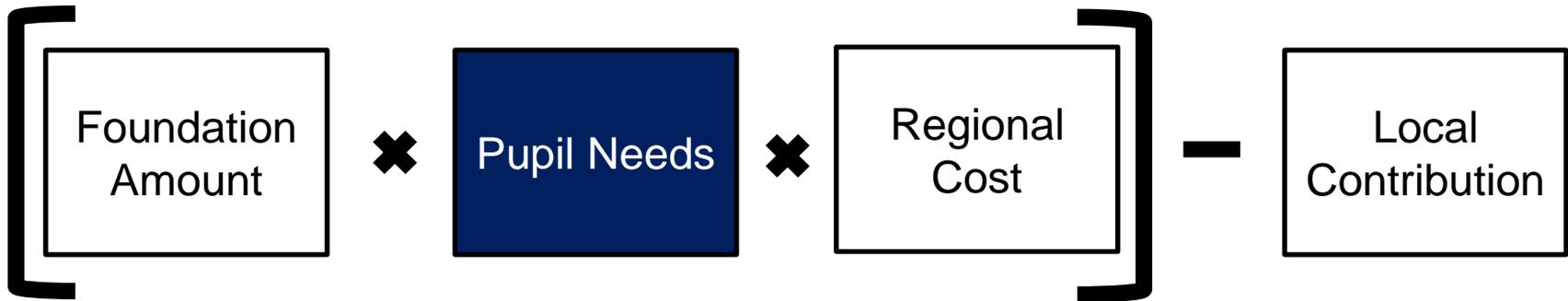
# Foundation Amount (“Base Cost”)

- **Education Law §3602(4)(a)(1)** : “reflect[s] the average per pupil cost of general education instruction in successful school districts, as determined by a statistical analysis of the costs of...general education in successful school districts”
- SED administrative study every 3 years, most recently in 2015
- Annually adjusts for inflation as well
- **2016-17: \$6,340**

# Foundation Amount (“Base Cost”)

- When the Pupil Needs Index and Regional Cost Index are applied to the Foundation Amount, the total per pupil operating/instructional need for individual districts ranges from **\$7,000 to \$16,700**. This represents a total need funded by both local and state funds.
- When adjusted for a local contribution, the state aid per pupil ranges from **\$500 to \$14,600**.

# Foundation Aid Formula



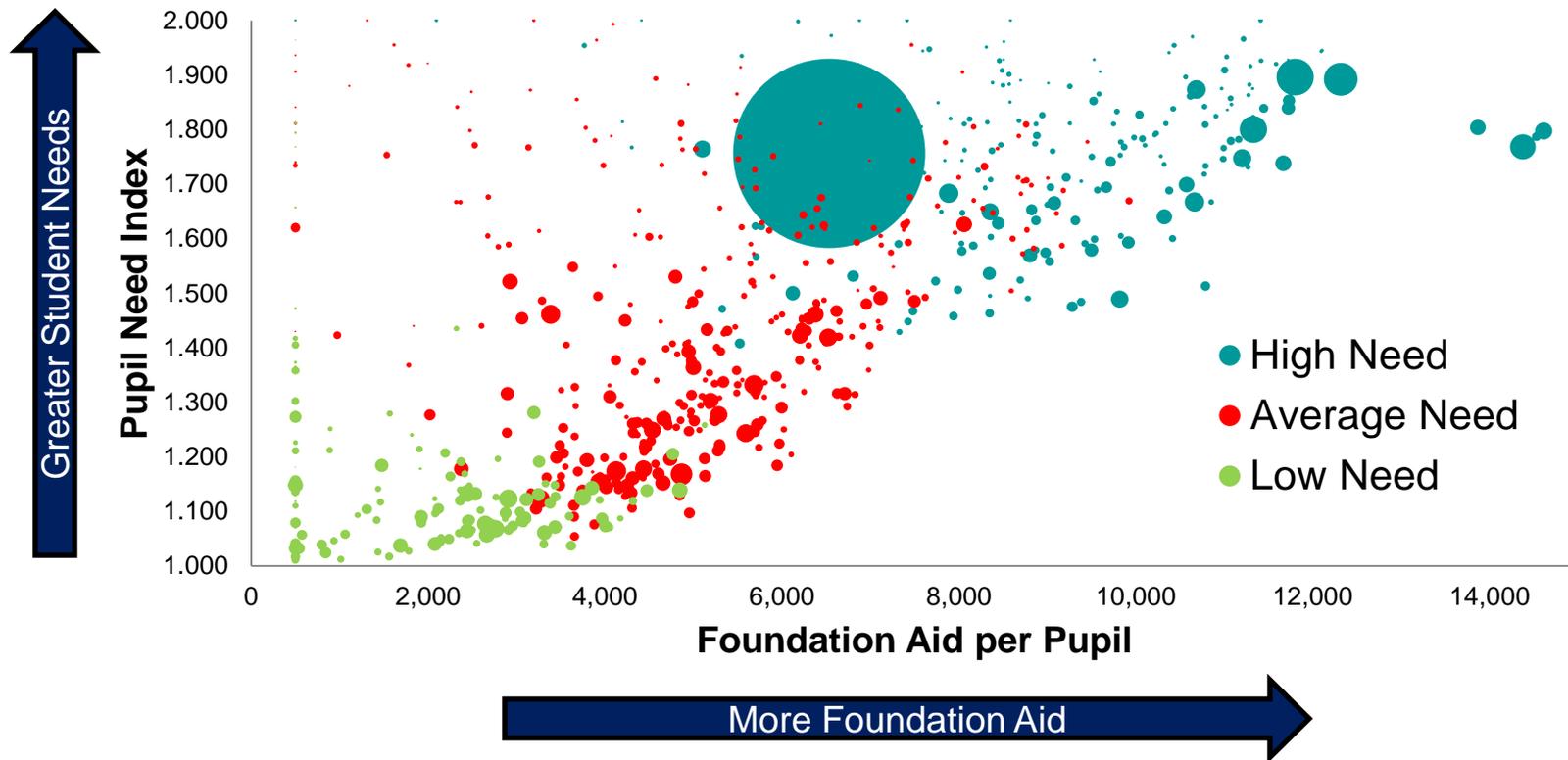
The above formula creates a “total” aid amount, which is provided over a multiple year period.

# Pupil Needs Index (PNI)

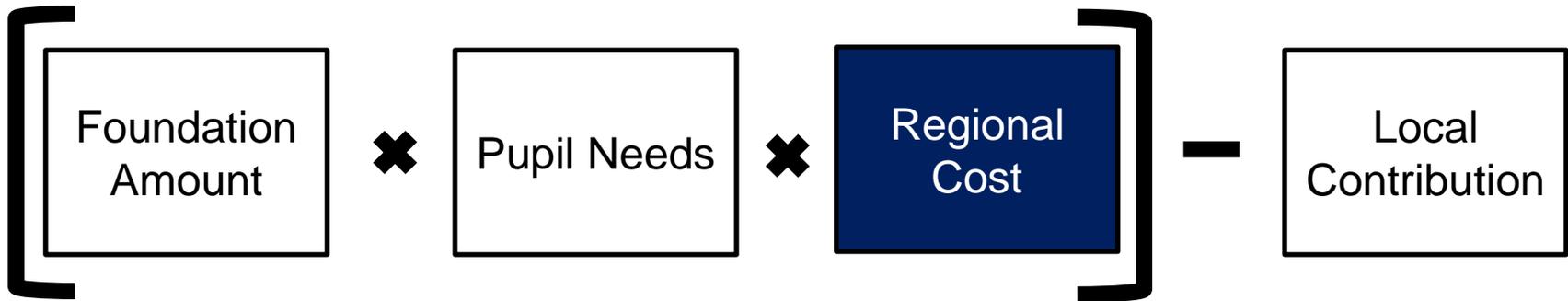
- Adds a multiplier ranging from 1.0 to 2.0 on the Foundation Amount, based on pupil weightings for students eligible for FRPL, a Census poverty measurement, English language learners, and a measure of rural sparsity.
- The more of each of those categories, the greater the weighting, and the larger the index level.
- Consolidates weightings for student need from other separate aids prior to 2007.
- Example: The adjusted Foundation Amount for three different districts—
  - PNI is 1.0: \$6,340
  - PNI is 1.5: \$9,510
  - PNI is 2.0: \$12,680

The Pupil Needs Index drives funding to districts with high needs. The higher the level of pupil needs, the more aid the district will receive.

Foundation Aid/Pupil v. PNI by School District



# Foundation Aid Formula



The above formula creates a “total” aid amount, which is provided over a multiple year period.

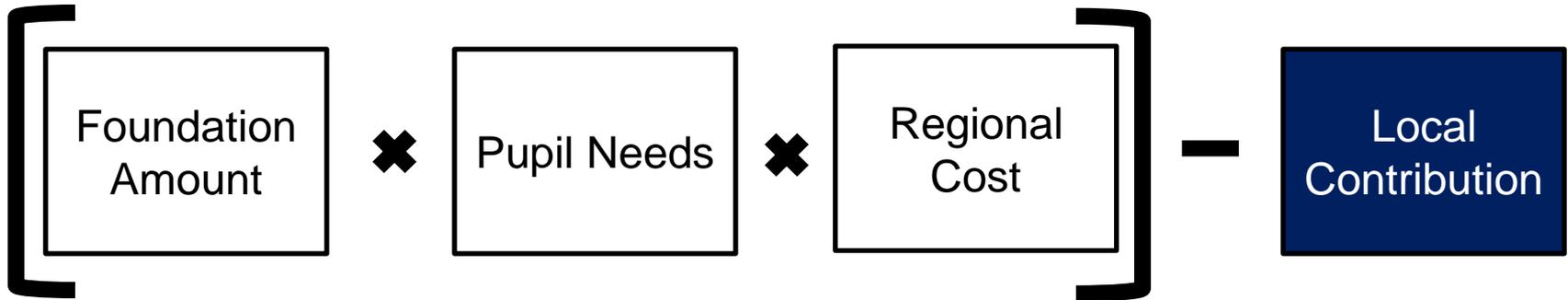
# Regional Cost Index

- **Education Law §3602(4)(a)(2)** : “The regional cost index shall reflect an analysis of labor market costs based on median salaries in professional occupations that require similar credentials to those of positions in the education field, but not including those occupations in the education field...”
- While SED updates the RCI every 3 years, the index used in formula is from 2006 and is frozen in statute and does not change with the updates.

# Regional Cost Index

- The RCI provides an additional weighting to the Foundation Amount to account for cost of living differences across the state.
- Example:
  - District in Hudson Valley, PNI = 1.5:
    - $\$9,510 \times 1.314 \text{ RCI} = \$12,496$  Adjusted Foundation Amount
  - District in Capital District, PNI = 1.5:
    - $\$9,510 \times 1.124 \text{ RCI} = \$10,689$  Adjusted Foundation Amount
  - District in Mohawk Valley, PNI = 1.5:
    - $\$9,510 \times 1.000 \text{ RCI} = \$9,510$  Adjusted Foundation Amount

# Foundation Aid Formula



The above formula creates a “total” aid amount, which is provided over a multiple year period.

# Local Contribution

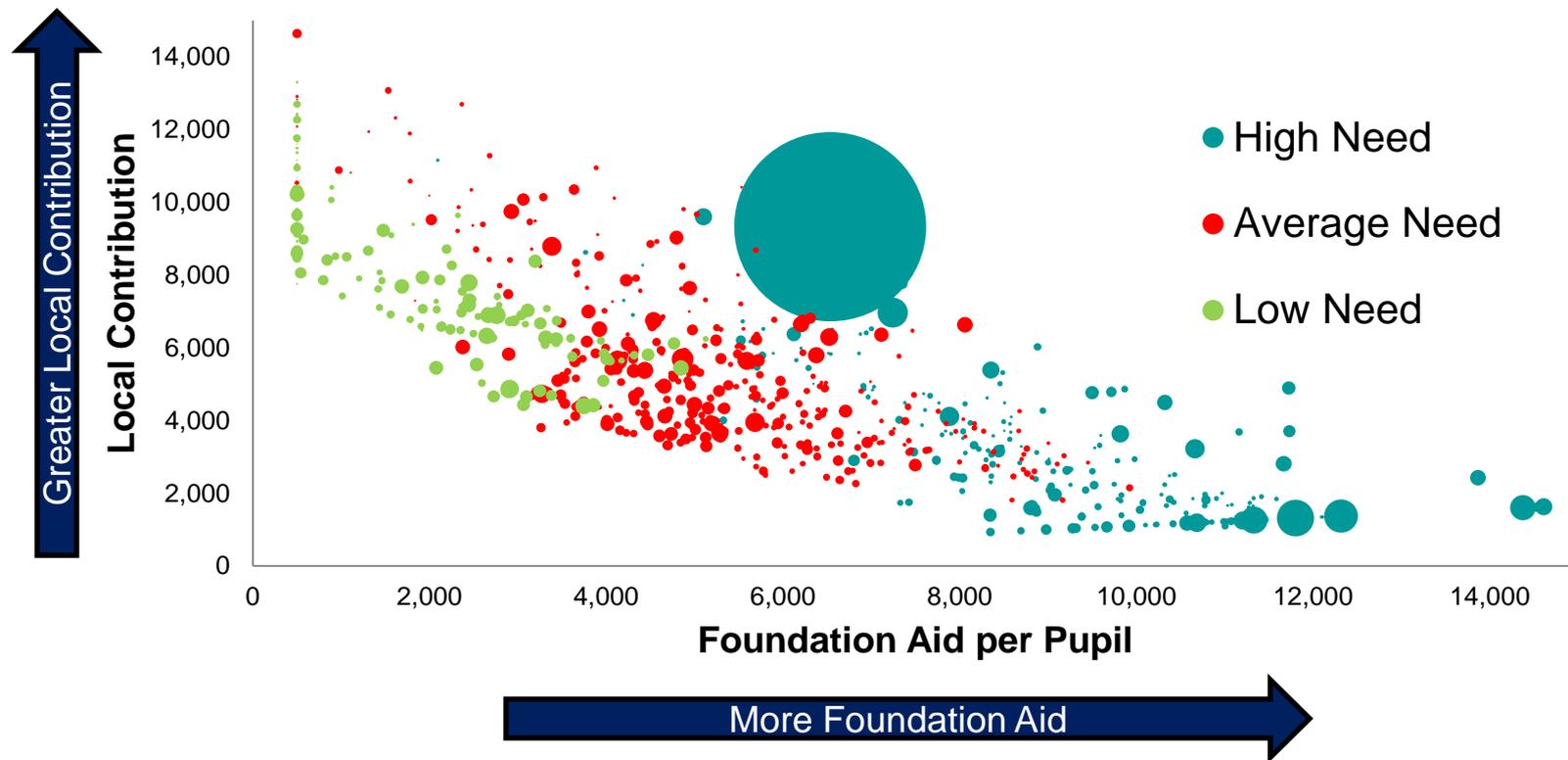
- Traditionally, education funding is a partnership between the state and local level, such that both parties have at least a minimal contribution to the overall amount.
- The “Foundation Amount” represents a total hypothetical cost level. We deduct a local contribution from that amount to determine the level of Foundation Aid.

# Local Contribution

- The actual formula calculating the local contribution is the most complicated of the “four moving parts.”
- The simplest explanation is that the calculation generally results in districts with high wealth per pupil having the highest contribution, and districts with the lowest wealth also have the lowest contribution.

The greater the level of the expected local contribution by a district, the lower the amount of aid is that they will receive.

Foundation Aid/Pupil v. Local Contribution by District



# Local Contribution - IWI

- **Example: Income Wealth Index (IWI) Minimum**
- The Legislature often enacts multiple choices within aid formulas, and districts receive aid based on the most beneficial calculation
- The IWI is one component of one of two choices in calculating the local contribution.
- It is a measure of district income wealth relative to the statewide average—an IWI of 1.0 means a district is average, 0.5 means it is at 50% of the average, etc.
- Statute currently sets a floor of 0.65; this means that any district with an IWI that is less than 65% of the statewide average is “capped” at that 65% level, artificially inflating some districts’ wealth

# Local Contribution - IWI

- As of 2016-17, there are 318 (of 674 districts) with an IWI less than 0.65.
- If the minimum were eliminated, 150 of the 318 would see a net benefit.

# 2017-2018 Board Priorities

- **What will the Board priorities be for the coming year?**
  - **Foundation Aid Phase-in Remaining** (similar to GEA in that additional funds need to be provided over time): Should the formula be phased-in over a particular period?
  - **Formula Structure:** Are there any structure changes to consider?
  - **Weightings:** Should any of the various weightings be adjusted, or new ones added?

# 2017-2018 Board Priorities

- **What other policies should be considered? Last year's included:**
  - Support for Struggling Schools - \$75M
  - Expansion of Prekindergarten Programs – \$125M
  - Professional Development - \$45M
  - Support for English language learners - \$75M
  - Funding for Family and Community Engagement - \$25M (Enacted, expect to continue)
  - College & Career Pathways - \$65M
  - Digital Learning - \$50M

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## Thank you

