

The Foundation Aid Formula

It Still Does NOT Work Right

Critical Parts of the Foundation Formula that Disadvantage Average and Low Wealth Districts Across New York State

Dr. Rick Timbs, *Executive Director Statewide Finance Consortium*

February 2011

The STATEWIDE School Finance Consortium
An Alliance for the Reform of Public School Funding in New York State

The MIDSTATE School Finance Consortium

Problems with the Foundation Formula

1.) Income Wealth Index (IWI)

The IWI has a floor of .65. This means that districts having Income Wealth below .65 (roughly only two-thirds the wealth of an average wealth school district) are treated as if their Income Wealth were .65. This seriously disadvantages the poorest districts in the state. If districts' actual IWI was used in the Foundation Aid formula more aid would flow to the poorest school districts.

Problems with the Foundation Formula

2.) Local Tax Effort

The current Foundation formula contains a calculation intended to require a minimum local tax effort.

However, it does not. The intended Local Tax Effort test is circumvented by four sharing ratio tiers that allow wealthier districts to select the one most beneficially generates aid not intended to go to these wealthier districts in the preceding portions of the Foundation Formula.

Problems with the Foundation Formula

3.) Administrative Efficiency Aid

The formula for Administrative Efficiency Aid makes it impossible for smaller districts (regardless of their demographics, geography or topography) to be eligible for this aid. The measure of economy of scale is too high for all but the largest district to meet.

Problems with the Foundation Formula

4.) Measures of Poverty

The relative value of Free and Reduced Lunch Program (FRPL) and Extra Ordinary Needs Students counts is muted under the current Foundation Aid formula. Poorer districts are disadvantaged by this metric and thus do not receive the amount of aid needed to educate such children.

Problems with the Foundation Formula

5.) The Regional Cost Index

The current Regional Cost Index is too narrow and inappropriate. It is used to send more money to wealthier portion of the state. We believe the Geographic Cost of Education Index (GCEI, Chambers, 1997) would be a better and broadly based index to use. See:

<http://apps.olin.wustl.edu/macarthur/papers/WilsonLambrightSmeedingEFPSubmission.pdf>

The **STATEWIDE** School Finance Consortium

An Alliance for the Reform of Public School Funding in New York State

The MIDSTATE School Finance Consortium

Questions, Comments?

www.statewideonline.org

© R. G. Timbs Advisory Group, Inc. 2011