Problems with the Foundation Aid Formula - Changes must be made to Create Greater Equity.

Problems with the Foundation Aid formula begin with the use of synthetically weighted and truncated metrics that tend to maintain, create or at least foster inequities. A fully funded Foundation Aid Formula is not what is desired by the SSFC. An analysis of the Foundation Aid formula reveals significant flaws that divert funds to high wealth school districts. Below are some recommendations for changes to the current Foundation Aid formula that would create and maintain greater distribution equity. Such discussions should begin now before more money is drained from de facto “save harmless practices” rather than real reform.

1.) Income Wealth Index (IWI)

IWI has a floor of .65 in the Foundation Aid formula. This means that school districts having Income Wealth Index below .65 (roughly only two-thirds the wealth of an average wealth school district) are treated as if their income Wealth were .65 (45% of all school districts). There are 304 school districts in the 2012-13 state aid runs that have an IWI less than .65. Assistance to these “neediest of the needy” is therefore essentially truncated with no deference to their plight. This seriously disadvantages the poorest school districts in the state. If poorer school districts’ actual IWI was used in the Foundation Aid formula more aid would flow to the poorest school districts.

Additionally, the IWI ceiling for this formula is 2.0. It is unknown why aid should be driven to school districts with an IWI at that level. One would think that if the target of such aid was below average and average wealth school districts, especially in consideration of an income index, the maximum should be in the 1.3 to 1.4 range to allow for fluctuation over time and to ensure the goal of the aid is on target.

That they are denied this aid because they are “too poor” is beyond belief. Further, that this condition has been perpetuated since the 2007-08 school year by three governors, a majority-stable Assembly and during a time period when both parties had a chance to fix it in the Senate is incredulous and speaks volumes about politics in New York State compared to the needs of children and taxpayers.

There have been a few legislative initiatives to change this formula. None have seen the light of day and the problem remains unsolved.

2.) Local Tax Effort

The current Foundation formula contains a calculation intended to require a minimum local tax effort. However, it is not allowed to work as intended. The intended Local Tax Effort test is circumvented by four “sharing ratio” tiers that allow wealthier school districts to select the tier that most beneficially generates aid not intended to go to wealthier school districts in the preceding portions of the Foundation Formula. Further, while wealthy school districts may have $1 million or more behind every student in tax levy capacity, low wealth school districts may only have about $200,000 in tax levy capacity behind each child. The capacity to levy taxes to create or sustain program and opportunities for student therefore varies tremendously between high wealth and low wealth school districts.

The Local Tax Effort section of the Foundation Aid formula that exists today is only a shadow of the originally intended concept. While the 2007 Foundation Aid proposal advanced by Governor Spitzer included many of the elements from the Board of Regents “Successful Schools” model for Foundation Aid, substantial changes including but not limited to the inclusion of “State Sharing Ratios” became part of the formula. These “ratios” were intended to drive funds to school districts that lost some measure of support under the new Foundation Aid plan. Moreover, other formulas were altered to also redirect funds to school districts that did not do well under the new mechanisms that originally attempted to make the formula more equitable.
3.) Measures of Poverty

The relative value of the Free and Reduced Lunch Program (FRPL) and Extra Ordinary Needs Students (EONS) counts is muted under the current Foundation Aid formula. Poorer school districts are disadvantaged by this metric and thus do not receive the amount of aid needed to educate these children with special needs. Many low wealth school districts have significant immigrant populations, most of these students are designated as English Language Learners (ELL). These children must become an enhanced metric used to drive aid to these school districts. (A single shining light with this concern is that these measures were given more weight under the Restoration of Aid in 2011-12 GEA.) These measures operate best when they are in balance with other modifications to the Foundation Aid Formula.

4.) Administrative Efficiency Aid

The formula for Administrative Efficiency Aid makes it impossible for smaller school 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 school districts to meet. This report has already discussed the mechanics and erroneous assumptions behind this impractical and useless aid category. The monies attributed to this aid would better be spent elsewhere to support more needy school districts.

5.) The Regional Cost Index

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

The use of an index increases state aid to a school district by multiplying the index number by some other metric. If the index is large the poorest regions are always 1.0 and everyone else is simply higher due to such things as higher standard of living costs. In effect, the larger the index the greater the number used to multiply against some metric. If the index has a range of 22 points (For example, 1.0 to 1.22; where the resultant figure would look like 1.22 times “x” for the region with the highest index number) it would yield a certain result for higher standard (cost) of living regions. Yet if the index was larger, say 44 points (For example 1.0 to 1.44; where the resultant figure would look like 1.44 times “x” for the region with the highest index number) the resultant computation would be even higher; significantly higher. Thus, in an effort to maintain the standard of living of the wealthiest regions monies are allocated through this part of the formula. This part of the formula works against others as it ensures the maintenance of a high standard of living in one region while it maintains the lower standard of living in another.


6.) Need/Resource Capacity Computation

The Need/Resource Capacity (N/RC) uses the 2000 census data which is ten years old and Free and Reduced lunch data from 2000-01 and 2001-02. The state should use the most up to date indices of poverty/wealth when formulating a state aid distribution for education. It is our understanding the N/RC was never intended to be used in any state aid formula. Instead it was way to classify school districts into six categories for use by the State Education Department. The first two categories are just New York City and the Big 4. In the end school districts other than New York City and the Big 4 fall into just the last four categories. This is metric does not provide the level of statistical discrimination and disaggregation needed to equitably and clearly determine the distribution of something so critical to school districts as state aid or the GEA cuts.
However, in any case, the N/RC is used wrongly in the GAP Elimination Adjustment calculation. For instance, the Total General Fund Expenditure (TGFE) check - limits aid lost in relation to the school district’s TGFE. If a school district is high need then the aid lost is limited to 6.8% of the 2010-11 TGFE. Average need school districts can lose up to 11%. Need-Based Restoration differentiates the dollar amount restored per student based on the N/RC. (N/RC is also inappropriately used to determine High Needs Building Aid)

7.) Updated Inputs Result in Stagnant or Minimal Foundation Aid Increased Support in the Future

Aside from the significant inequities contained in the formula there are additional problems. The inputs within the inequitable formula are constantly updated, but only internally. Decreases in enrollment and the national recession’s impact on relative wealth metrics within the formula diminished the “FOUNDATION AID BEFORE PHASE-IN” amounts particularly for average and below average school districts. Therefore, once those inputs are updated as per current state aid files they will allow further research into the new inequities that are the result of the old inequities in the formula. Such research by all parties must begin, and where begun, provide meaningful, thoughtful and equitable recommendation for state aid formula changes annually.