

Public Hearing: To examine the distribution of the Foundation Aid formula as it relates to pupil and district needs

TO: Senator Mayer and committee members

FROM: Peter Goodman

Ed in the Apple: The Intersection of Education and Politics

Back in the day a freshman congressman asked to meet with the iconic Speaker of the House, Sam Rayburn.

"I carefully read through the rivers and harbors bill and see that a number of cities that have no rivers or harbors received funding."

Rayburn shook his head,

"Young man, you're messing with the testicles of the universe."

Same can be said of the Foundation Aid Formula.

The 79 page 2019-20 State Aid Handbook contains several hundred mathematical formula "explaining" how Foundation Aid is divided up amongst school districts. (See Handbook:

https://stateaid.nysed.gov/publications/handbooks/handbook_2019.pdf)

Some would aver that the complexity is simply to disguise the political nature of the formula.

James Madison wrote,

If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.

I congratulate Senator Mayer and her peers for holding this hearing, truly in the spirit of a Madisonian democracy.

Some basics:

School districts receive funds from three sources: property taxes, state aid and Title 1

The Big Five absorb state aid into their budgets and allot to education according to their local budget, the State Aid Primer <http://www.oms.nysed.gov/faru/PDFDocuments/Primer2018-19.pdf> explains,

The Big Five city school districts' fiscal dependency on their municipalities means that the school system does not [property] levy taxes, but is dependent upon citywide taxes for support. State aid for education enters the city treasury, not the school district treasury. The fiscal dependence of these school districts, despite its long history, is fraught with problems related to the level and stability of funding and the effective use of resources.

In districts with serious fiscal difficulties state aid dollars might have been used to supplement local tax dollars, not for education purposes; probably an issue more for local voters than legislative action.

On the bright side New York State is at the top of the national list in per capita funding, on the somber side we also lead the list in the disparity of funding between districts.

The state aid system, currently referred to as Foundation Aid, was established to some extent, to attempt to equalize the inequities caused by the wide disparities in property taxes.

Despite New York's equalizing State aid system, there remain tremendous disparities between New York State school districts in fiscal resources available to support education. In 2015-16, approved operating expenditure per pupil ranged from \$11,072 for the district at the 10th percentile to \$21,135 for the district at the 90th percentile, a 91 percent difference.

... the heavy reliance on property taxes to support education has created a situation in which, even with State revenue ... per pupil allowances exceeding that of the wealthiest group of districts by 242 percent, the poorest group of districts does not begin to approach the overall spending level of the wealthiest districts.

With the gubernatorial imposed 2% cap on the state budget increases state aid is limited, the budget process establishes the total state budget; Foundation Aid decides how the dollars are distributed throughout the state. The governor has once again announced he intends to impose a 2% cap for the next budget cycle

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Absent Robin Hood emerging from Adirondack Forest adjustments to the Foundation Aid formulas will have limited impact on school funding.

Regent Johnson and Regent Tilles have pointed out so elegantly districts side by side have striking differences due to local property values.

Hundreds of small agricultural districts across the state have low property taxes and little or no commercial property and are in the bottom deciles of state funding.

Again, the legislative budget process sets the amount of Foundation Aid dollars; the formula divides up the dollars.

Either the state increases the budget to provide a formula that makes up for the disparity in property taxes, eliminates property taxes altogether and funds schools through state taxes or "takes from the rich" and "gives to the poor;" all highly unlikely.

New York's school aid formula has become a policy Frankenstein that grows by accretion and political acquiescence, piling on new agenda-driven calculations with every passing budget negotiation. It's a mish-mash of mismatched elements comprised of three competing meta-formulas that seem to belong to different political philosophies: Foundation Aid, the "shares agreement," and "save-harmless."

The CFE lead attorney, Michael Rebell asks, "What's really needed (to fix the Foundation Aid formula) is a resource accountability analysis," he said ... a soup-to-nuts analysis that digs into the underlying DNA of every district in the state: enrollment, demographics, free and reduced lunch, English language learners, special needs, community standards, fiscal capacity, regional cost index and property values, to name just a few.

The Foundation Aid formula contains a few intensely political caveats.

What is the "shares agreement?"

In the mid-1980s when the NYC was losing population, the Assembly set a floor of 38.86 percent. In other words, whatever the year's aid increase was, 38.86 percent of it would be earmarked for New York City.

A Long Island share was added in 1989; the Long Island share was 12.96 percent, whatever was left, regardless of need went to upstate New York. I'm told this process remains in effect.

"Save-harmless" ensures that a district will not receive less aid in a category than it received the year before.

Not only can no one lose anything; “the politics of the situation seems to require that everyone has to gain something.”

The New York City Independent Budget Office, in a report, “New York City Schools Continue to See Shortfalls in Foundation Aid (March, 2017)

See IBO report: <https://ibo.nyc.ny.us/iboreports/new-york-city-schools-continue-to-see-shortfall-in-foundation-aid-march-2017.pdf>

The Statewide School Finance Consortium report “Problems with the Foundation Aid Formula - Changes must be made to Create Greater Equity,”

See SSFC report:

<http://www.statewideonline.org/conf/problemsrecommendationsfoundationaidformula092012.pdf>

Bruce Baker (Rutgers) and Sean Corcoran (NYU) wrote a searing condemnation of funding inequity in New York State, both have a deep understanding of the complexities and the political realities of the formula. See the “Class Size/Funding Inequality in New York State/New York City” report: <https://schoolfinance101.wordpress.com/2013/05/09/class-size-funding-inequity-in-ny-state-ny-city/>

They pull no punches,

NY State’s primary policy response has been to brush aside the issue – blame school districts for being inefficient – pretend that the state already spends way too much – and ram ill-conceived policies down the throats of local district officials.

I’m a realist: whether Republican or Democrat, if “fixes” in the Foundation Aid formula would result in your district losing funds you’ll probably oppose the changes.

The unanswered question: who will lead the fight to create equitable school funding in New York State? How do you define “equitable?”

A suggestion: The legislature appoint a commission, experts in school funding, people like Michael Rubell from Columbia, Sean Corcoran from NYU, Bruce Baker from Rutgers, representatives from the NYC Independent Budget Office, and task them, within guidelines created by the legislature, to craft a new state aid allocation formula.

Perhaps, the same instructions that were in the legislature salary commission, the recommendations become law unless the legislature overrides.

If the state decides to legalize and tax the sale of marijuana maybe the revenue can be earmarked for education, oh, we tried that with the lottery.

Thank you for giving the public the opportunity to express our opinions, you have set a challenging task.