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Governor and Legislature Wrangle Over Foundation Aid for Schools

Governor Cuomo's Executive Budget for the 2019-2020 state fiscal year would allocate almost \$1 billion (a 3.6 percent increase) in additional education funding, on par with last spring's increase, which would bring total education aid statewide to \$27.7 billion for 2019-2020. The Governor's proposal includes a \$338 million (2.0 percent) increase in Foundation Aid, state aid provided to each school district in the state using a needs-based formula that comes with relatively few constraints. The Governor and the Legislature remain far apart not only on the level of Foundation Aid for next year, but also on the extent to which the aid will be restricted to particular programs and even to particular schools.

School Funding Statewide. Similar to last year, Governor Cuomo proposes to increase state control over funding to individual schools within school districts, and restrict the use of up to 75 percent of the annual increase in a school district's Foundation Aid to fund priorities of the Governor. His budget contains a new "equity formula" that seeks "to ensure all schools are funded equitably" by requiring school districts to "dedicate a portion of their annual Foundation Aid increase to any of their neediest schools that are not already equitably funded, based on a plan submitted to and approved by the State Education Department."¹ A school district's equity plan must be approved in order for the district to receive its Foundation Aid increase. If passed, this formula would direct a significant share of the increase in New York City's Foundation Aid to a relatively small number of schools.

Last week, the Senate and Assembly each released their own budget proposals. Both proposed increases of roughly \$1.6 billion in school aid, a 6 percent increase over the 2018-2019 school year. Likewise, the Senate and Assembly would also direct most of that increase towards Foundation Aid: about \$1.2 billion, more than \$800 million above the

Governor's proposed increase. Both proposals seek to fully phase in the Foundation Aid formula by the 2022-2023 school year, which directly conflicts with the Governor's view that the Foundation Aid formula is a "ghost of the past" and part of "a political game."² Both houses also reject the Governor's proposed new equity formula and would discontinue the Contracts for Excellence program, which has directed a portion of each district's Foundation Aid to a set of education priorities determined by the state.

New York City School Funding. Under the Governor's proposal, state operating aid for New York City schools would increase by \$282 million (2.6 percent), from \$10.9 billion this year to \$11.1 billion for 2019-2020. The increase is \$148 million less than the \$430 million increase that the de Blasio Administration was expecting in its Preliminary Budget. Of the \$282 million increase, \$200 million is designated as Foundation Aid, for a total of \$7.96 billion. Assuming the city would receive the same share of the statewide Foundation Aid increase under the Senate and Assembly proposals, Foundation Aid to the city would increase to \$8.67 billion, an increase of \$910 million for 2019-2020. If the Legislature's proposal is enacted, it would deliver \$480 million more than the de Blasio Administration anticipated.

Altering the Intent of Foundation Aid. Foundation Aid is the single largest category of state education aid. It was originally intended to be flexible funding: state funds distributed to school districts based on the cost of providing a sound, basic education to students, with districts responsible for directing funds to individual schools based on need. In reality, the original Foundation Aid formula has been frozen or replaced by a series of one-year distribution formulae over the last 10 years. Equally problematic, policies enacted by the Governor and Legislature over the past few years have reduced the



Proposed Foundation Aid for New York City Schools

Dollars in thousands

	2017-2018	2018-2019	2019-2020 Proposals		
			Governor	Senate	Assembly
Total Foundation Aid	\$7,435,103	\$7,758,439	\$7,960,775	\$8,668,775	\$8,668,775
Contracts for Excellence Set-Aside	530,801	530,801	530,801	0	0
Community School Set-Aside	60,485	89,499	117,696	117,696	117,696
Equity Formula			152,000	0	0
Unrestricted Foundation Aid	6,843,817	7,138,139	7,160,278	8,551,079	8,551,079
Change in Total Aid		\$323,336	\$202,336	\$910,336	\$910,336
Change in Unrestricted Aid	\$306,485	\$294,322	\$22,139	\$1,412,940	\$1,412,940
Share of Foundation Aid that is Restricted	8.0%	8.0%	10.1%	1.4%	1.4%

SOURCES: Mayor's Office of Management and Budget; New York State Education Department; Governor's Executive Budget for 2019-2020; Legislative Budget proposals for 2019-2020

New York City Independent Budget Office

amount of Foundation Aid that is available as “general funds,” with an increasing share of the funds targeted for priorities set by the state.

When the Foundation Aid formula was enacted in 2007, certain school districts were required to set aside a portion of their Foundation Aid for Contracts for Excellence, which directs funding towards specific programs such as class size reduction, model programs for English language learners, and student time on task initiatives such as supplementary before or after school programs and individualized tutoring. Since state fiscal year 2013, New York City has been required to set aside \$531 million of its Foundation Aid for Contracts for Excellence. This year, although the Governor's proposal maintained the Contracts for Excellence set-aside, both the Senate and Assembly proposed that it be eliminated. If Contracts for Excellence is discontinued, the city would be able to direct the newly unrestricted \$531 million where the Department of Education believes it is most needed.

In 2017 Governor Cuomo proposed, and the Legislature approved, another restriction on Foundation Aid funding known as the community school set-aside. These funds must be used to transform schools into centers that provide academic, health, mental health, and nutrition counseling, along with other services to students and their families. New York City's set-aside was originally \$29 million, which has grown to \$90 million in the current year. Under the Governor's budget proposal, the community school set-aside would increase to \$118 million for the 2019-2020 school year. Under the Senate and Assembly recommendations, New York City's community school set-aside would still increase to \$118 million. The Assembly, however, also proposes to cap the amount of Foundation

Aid that can be set aside for community schools in 2019-2020 and thereafter: the set-aside must not exceed 2.5 percent of a district's total Foundation Aid allocation in the current year and it cannot exceed 20 percent of the increase in a district's Foundation Aid.

The Governor's budget also proposed adding a new equity formula set-aside, which has so far been rejected by both the Senate and Assembly. The Governor's proposal would direct \$152 million (75 percent) of New York City's \$200 million Foundation Aid increase to “significantly low funded, high need” schools. To determine eligibility, schools within a district are compared with other schools of the same type—that is, schools that serve the same grade range. A school is considered significantly low funded if its total per pupil spending is less than 105 percent of average total per pupil spending for that type of school, including all state, federal, and local funds. A school qualifies as significantly high need if its student need index (the ratio of weighted student enrollment to actual student enrollment) is more than 105 percent above the school type average. A school must be both significantly low funded and high need in order to qualify.

Using 2018-2019 school transparency data and looking at the 1,521 city schools within the city's districts 1-32, the Independent Budget Office found that 345 schools (22 percent) would be categorized as “significantly low funded, high need” under the Governor's proposed equity formula and therefore eligible to receive a share of the \$152 million.³ Almost half of these eligible schools are elementary schools (170 schools), while another 86 are high schools, and 50 are middle/junior high schools serving some combination of grades 5 through 9. Nearly half of eligible schools (47 percent, or 162 schools) are located

in the Bronx and comprise more than 45 percent of all schools in that borough. About a quarter are in Brooklyn. More than 57 percent of eligible schools (198 schools) are small schools, with an enrollment of less than 500. Given the prevalence of small schools among those eligible under the Governor's equity proposal, these schools account for just 20 percent of all 896,900 kindergarten through 12th grade students in traditional public schools citywide.

In the last two years, 8 percent of the city's Foundation Aid has been set aside for Contracts for Excellence and Community Schools. If the Governor's proposed equity formula were to be adopted, 10 percent of the city's

Foundation Aid this year would be dedicated to set-asides, rather than available as general Foundation Aid funds. Of the roughly \$200 million increase in Foundation Aid the Governor has proposed for the 2019-2020 school year, the increase in the city's general funds or unrestricted spending of Foundation Aid would be just \$22 million. Under the Senate and Assembly proposals, the increase in Foundation Aid would be larger and only 1.4 percent of the city's Foundation Aid would be set aside, resulting in an additional \$1.4 billion in unrestricted Foundation Aid.

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Endnotes

¹New York State Division of the Budget Executive Budget Proposal Briefing Book

²<https://chalkbeat.org/posts/ny/2018/12/17/192411/>

³Each school's student need index was calculated by dividing the sum of weighted student enrollment by K-12 enrollment for the base year for all schools. Weighted student enrollment is defined in the Governor's 2019-2020 Executive Budget and considers factors such as free and reduced price lunch eligibility, English language learner status, and whether the student has a disability.

Source: [New York State Transparency Data for School Year 2018-2019](#),

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