

March 2017

# New York City Schools Continue to See Shortfall in Foundation Aid

The Department of Education’s (DOE) preliminary budget for 2018 anticipates that state education aid will include an amount for Foundation Aid—the single largest component of state school aid—that narrowed the gap somewhat between Albany’s school aid appropriations in recent years and the amount implied by formulae included in the Education and Budget Reform Act of 2007. The Governor, however, in his executive budget proposal, would once again amend past funding practices, and continue to override the 2007 act’s formula by providing less Foundation Aid than implied by the statutory formula and even the city’s more limited expectation for 2018 and future years.

Foundation Aid, a cornerstone of the Education and Budget Reform Act of 2007, is unrestricted state aid provided on a formula basis for every New York State school district. For fiscal year 2018, the city’s preliminary budget anticipates an additional \$495 million in Foundation Aid over the \$7.1 billion received in the current year, an increase of 7 percent. Under the Governor’s proposal, though, Foundation Aid for the city would be \$7.4 billion, \$243 million less than the city is projecting. The proposal also requires the city to set aside an additional \$32 million of Foundation Aid for community schools, and removes the built-in annual increase in Foundation Aid that was a key feature under the 2007 law.

**Altering the Terms of the Debate.** By actually removing language that has been in place since 2007—as opposed to amending the 2007 language one year at a time—the Governor would alter the terms of the education funding debate for future years, undoing an agreement between then-Governor Spitzer and the Legislature to remove much of the school aid appropriation from the annual budget negotiations. The Governor’s proposal would subject

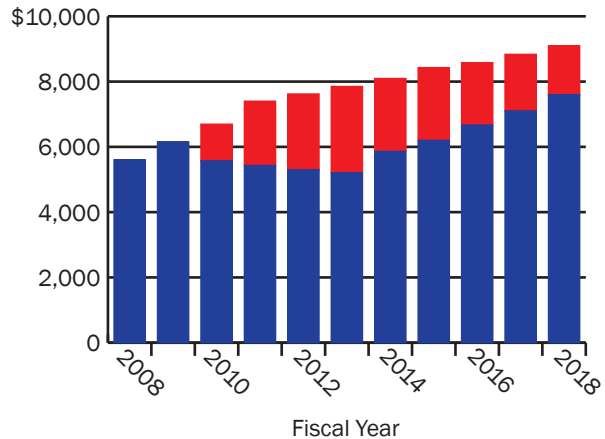
Foundation Aid allocations to the normal negotiation process between the Governor and Legislature; school districts would only be guaranteed the funding amount provided by the state for school year 2017-2018, with any additional amounts for subsequent school years subject to annual negotiations.

Foundation Aid is a major component of the DOE’s budget; even the lower amount proposed by the Governor is slightly more than 30 percent of the DOE’s total 2018 budget. The existing funding formula was created in 2007 after the Court of Appeals ruled in the Campaign for Fiscal Equity case that New York City public school students were being

**New York City’s Expected vs. Actual State Foundation Aid Since the 2007 Agreement**

■ Actual Foundation Aid  
■ Unfulfilled Expectations

Dollars in millions



SOURCES: New York City Comptroller’s Comprehensive Annual Financial Report; Fiscal Year 2018 Preliminary Budget  
NOTE: 2017 and 2018 figures for actual and expected foundation aid are Mayor’s Office of Management and Budget estimates.  
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denied a sound, basic education. Although the court stated that \$1.9 billion in additional funding was needed in order to provide New York City students their constitutionally mandated “sound basic education” the state Legislature went further, enacting legislation that would provide an additional \$7 billion in education funds statewide, to be phased in over four years.<sup>1</sup> The Legislature earmarked \$5.5 billion of the additional education funds for Foundation Aid, with New York City receiving \$2.4 billion over the four years. The formula provided for a fixed annual growth rate of 3 percent after the four-year phase-in period. Since 2010, the actual Foundation Aid allotment for New York City has fallen short of the targets established in the 2007 legislation, as the annual budget bills have overridden the 2007 formula. The gap between the formula-driven amount and actual funding peaked at \$2.6 billion in 2013, decreasing in recent years to \$1.7 billion in 2017. Even assuming the funding levels in the city’s fiscal year 2018 preliminary budget for DOE, the gap would be \$1.5 billion. If the Governor’s plan is adopted by the Legislature, the gap would remain at its 2017 level.

As part of his budget proposal, the Governor also increased the amount of Foundation Aid that school districts are required to set aside for the community schools program to \$150 million statewide. This set-aside effectively restricts a portion of a district’s Foundation Aid—originally designed as unrestricted aid—for a specific use. Under the Governor’s proposal, New York City must set aside \$60 million for community schools in 2018, an increase of \$32 million over this year’s set-aside for community schools.

The Governor’s proposal includes some technical changes to the Foundation Aid formula. First, the new formula eliminates the income wealth index (IWI) floor, which is used to calculate the expected minimum local contribution on the part of the school district. The IWI compares a district’s income wealth to the statewide average. Under current law, no school district IWI can be lower than 0.65.<sup>2</sup> The lower a district’s IWI, along with other factors in a complex formula, the smaller its required local contribution. According to the Board of Regents, half of all school districts statewide have an IWI less than 0.65.<sup>3,4</sup>

Second, the Governor proposes an update to the pupil needs index (PNI), which recognizes the added costs of providing additional support for high-needs students to be successful in school.<sup>5</sup> The current Foundation Aid formula uses 2010 Census poverty data when calculating the PNI. The Governor’s proposal would replace this 2010 census information with current annual Small Area Income and

Poverty Estimates (SAIPE). This single-year estimate of median household income and poverty is updated annually for all school districts, counties and states based on the most recent census derived from the annual American Community Survey and other sources.<sup>6</sup> As a result, using SAIPE instead of census 2010 poverty data provides more current and accurate information about poverty when calculating the PNI.

The impact of these two technical changes is reflected in the Governor’s projected Foundation Aid allocations for 2018. Another change proposed by the Governor but not factored into the current allocation projections would change the way the state counts the number of students who qualify for free and reduced priced lunch (FRPL) in future years. This count is part of the formula used to determine the pupil needs index. The Governor is proposing to use a direct certification method that would automatically count students as eligible for FRPL if their families are eligible for food stamps, cash assistance, or Medicaid. Students who are in foster care, homeless, runaways, enrolled in Head Start, or children of migrant workers would also be directly certified.

While advocates, legislators, and the State Education Department generally praised the Governor’s changes to the poverty measurements, there is more disagreement regarding the proposed changes to the Foundation Aid formula.<sup>7</sup> In the Legislature, the Assembly’s one-house budget bill would continue the phase-in of the Foundation Aid formula over the next four years, and increase Foundation Aid by \$1.4 billion for the 2017-2018 school year—\$1.03 billion more than the Governor proposed. Consistent with the executive budget proposal, the Assembly removes the income wealth index floor and transitions to using SAIPE when calculating the pupil needs index. Although the Assembly also accepts the Governor’s \$50 million increase in community schools set-asides, the chamber’s budget bill would allocate it through an independent category instead of restricting a portion of Foundation Aid.

The state Senate’s budget proposal for Foundation Aid is closer to the Governor’s. It would provide an additional \$478 million in Foundation Aid over the Governor’s proposal, but follows the Governor’s lead in replacing the Foundation Aid formula, proposing its own formula for determining state aid. With three starkly different proposals, Foundation Aid will be a key issue throughout state budget negotiations.

*Prepared by Erica Vladimer*

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## Endnotes

<sup>1</sup>[Campaign for Fiscal Equity, Inc. v State of New York](#) Accessed February 17, 2017

<sup>2</sup>New York State Education Law Section 3602(4)(a)(4)

<sup>3</sup>Note: New York City's School Year 2016-2017 income wealth index is 1.162.

<sup>4</sup>[2017-2018 Regents State Aid Proposal](#). Accessed February 16, 2017

<sup>5</sup>[NYSSBA 2017 Executive Budget Analysis](#). Accessed February 23, 2017

<sup>6</sup>[Small Area Income and Poverty Estimates](#). Accessed February 22, 2017

<sup>7</sup>See: [Assembly Ed Chair Cathy Nolan: Eliminating the foundation aid formula is 'completely unacceptable'](#); [NYSSBA 2017 Executive Budget Analysis](#); [Cuomo pitches \\$1B hike in school funding](#); [New York Students Are Being Short Changed By Fuzzy Math](#)

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