



# The New York State Association of School Business Officials

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*Advancing the Business of Education*

**Michael J. Borges**

**Executive Director**

**New York State Association of School Business Officials**

## **Budget Testimony**

### **Introduction**

NYSASBO is strongly disappointed with the Executive Budget proposal. Walking away from a complete phase-in of the Foundation Aid formula has significant consequences for students in high need schools. In 2007, when the state committed to the Foundation Aid formula, the numbers used were based on the real costs of providing students with an adequate education. It's not enough to implement a "progressive" funding scheme if it falls far short of providing the resources needed to educate all students.

### **Foundation Aid**

The partial phase-in of the Foundation Aid formula began the process of sending additional resources to schools in need. This was accompanied by improvements in high school graduation rates, which grew nine percentage points over the next five years, though graduation rates continue to lag for black and Hispanic students, English language learners, and students with disabilities. While we celebrate these improvements, we also know they show the potential gains of renewing the commitment of a full Foundation Aid phase-in.

NYSASBO recently analyzed student performance and found a disturbing link between school district wealth and graduation rates. Graduation rates in low need districts were 30 percent higher than in high need districts. When looking closer at variations in district fiscal capacity using NYSED's Combined Wealth Ratio, we found even greater achievement gaps. School districts in the lowest wealth decile graduated 70 percent of their students, while districts in the wealthiest group graduated 94 percent of their students. The graduation rate increases gradually as fiscal capacity increases, with the exception of the one including New York City with its high level of student poverty despite, overall, average wealth. Disparities are even greater for children entering high school. In 8<sup>th</sup> grade standardized tests, for schools with the least wealth, seven percent of students scored proficient or better in math and 20 percent scored proficient or better in English language arts. For 8<sup>th</sup> grade students in the wealthiest group, 55 percent scored proficient or better in math and 67 percent scored proficient or better in English language arts.

These dramatic achievement gaps are closely linked with Foundation Aid still due. After factoring in the proposed increases in the Executive Budget, across districts in all high-need categories, average Foundation Aid still due is \$1,460 per student; in high need urban and suburban districts, which face the largest gap, it is \$3,109 per student.



## **Changes in the Components of the Foundation Aid Formula**

At the same time that the governor wants to move away from the Foundation Aid commitment, his budget makes several improvements to how the formula is calculated. The three most important changes are:

- Using small area income and poverty estimates from the Census Bureau in place of data from the 2000 decennial census that is no longer collected, which will provide a more up-to-date calculation of children living in poverty within a given district.
- Incorporating direct certification data in place of free and reduced lunch program data, which provides a more accurate measure of poverty. The Executive Budget proposes the state begin collecting this data, presumably with a move to implementation when three years of data are available.
- Removing the lower cap on the Income Wealth Index. The index now ranges from 0-2. More than half of all districts have scores lower than the previous .65 cap; this includes many of the poorest districts in the state. The updated measure more accurately reflects the lack of wealth in districts in need.

NYSASBO's task force on Foundation Aid recommended all three of these changes in its state aid proposal and report, "Supporting Our Schools: A Study of New York State Foundation Aid." These modifications are important and helpful, but only have lasting value if they are linked to full implementation of the formula to the amounts needed for success. Eliminating the phase-in severs this link and dashes the hope of tens of thousands of New York's children.

## **Proposed Increase in State Aid is Insufficient**

The Executive Budget proposes a \$961 million increase in school aid, which is far short of what is needed even to maintain existing services. In its analysis of education-specific costs and general economic trends, the Educational Conference Board, of which we are a part, determined a \$1.7 billion increase will be necessary just to maintain current programs for 2017-18. NYSASBO calls for a \$2.1 billion increase, with \$1.2 billion focused on Foundation Aid. Our budget proposal is as follows:



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<b>Proposal</b>	<b>Cost</b>
Foundation Aid Phase-In*	\$1,191,810,094
Estimated Formula Enhancements*	\$33,333,333
ELL Categorical	\$100,000,000
Save Harmless	\$253,184,777
Estimated Expense-Based Aids	\$350,000,000
Subtotal	\$1,928,328,204
<b>Additional Requests</b>	
Career and Technical Education*	\$25,391,946
Increase in Child Nutrition Reimbursement*	\$25,000,000
Strategic Resource Use Grants*	\$500,000
Prior Year Adjustments*	\$106,598,671
Subtotal	\$157,490,617
<b>Total Increase Requested</b>	<b>\$2,085,818,821</b>

\*Three year proposal

State aid is increasingly important because of significant variation in local resources and the constraint the tax cap has on local school budgets.

## **Tax Cap Adjustments**

For 2017-18, the allowable tax levy increase is 1.26 percent, marking the fourth consecutive year the tax cap is under 2 percent. The significant fluctuations in the tax cap create a lot of uncertainty for local districts: over the past three years, the tax cap was 1.62 percent, 0.12 percent, and for the coming year 1.26 percent. Fixing the allowable levy increase at 2 percent accomplishes the tax cap's original goal while insulating districts from these swings.

We also advocate for formalizing laws enacted in 2015 that were never implemented, including reflecting growth in taxable properties that result in Payments in Lieu of Taxes (PILOTs) as well as excluding school district expenses for the cost of BOCES classroom construction from the tax cap. The 2015 law gave the commissioner of taxation and finance the discretion to implement these modifications and they were never enacted.

## **Mandate Relief**

The Executive Budget includes provisions for districts to seek a waiver from some special education requirements in order to implement alternative programs. We encourage the legislature to provide other mandate relief like eliminating duplicative fingerprinting requirements for school bus drivers that perform other jobs in the district, streamlining internal audit requirements and providing incentives for shared transportation between districts.



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## **Other Recommendations**

Restoring the state commitment to the full phase-in of the Foundation Aid formula is NYSASBO's central concern with the Executive Budget. Other changes we advocate include:

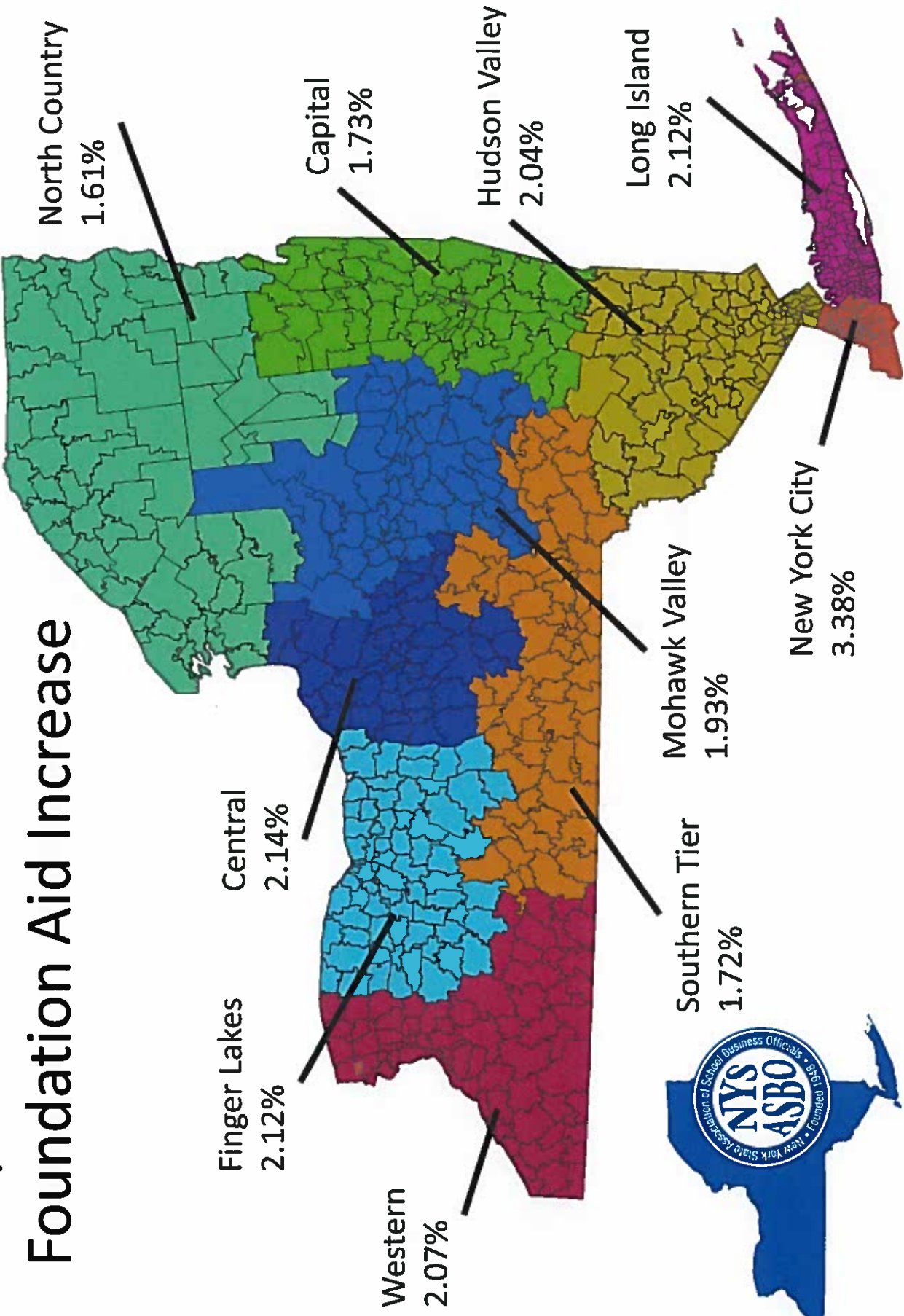
- **Universal pre-K programs:** We support the governor's proposed consolidation of existing pre-K programs. Merging the Universal and Priority pre-K programs will make it easier for schools to provide consistent, quality education for pre-K students.
- **Improving child nutrition:** We welcome the governor's support of \$500,000 for farm-to-school programs, but believe the state needs to increase its reimbursement rate for school lunches, which has been frozen at six cents for 40 years. Raising the reimbursement rate to 25 cents for schools that buy healthy, local food will strengthen local economies and improve children's health and well-being. This "Drive for 25" initiative will cost the state \$75 million, which we recommend phasing in over three years.
- **Strategic resource use:** Providing grants to educational organizations to identify the most efficient use of resources will promote cost-effective practices and improve educational outcomes.
- **Paying off prior year adjustments:** We recommend the state pay off prior year adjustments in a timely manner. These payments occur when claims are changed after the end of the claim year; adjustment reasons include updated or corrected data. The state currently budgets approximately \$18 million a year for prior year adjustments, which means that it can take almost 20 years for approved claims to be paid.
- **Mid-year aid reductions:** We oppose the executive proposal to, without legislative input, reduce aid mid-year if receipts are low.

## **Conclusion**

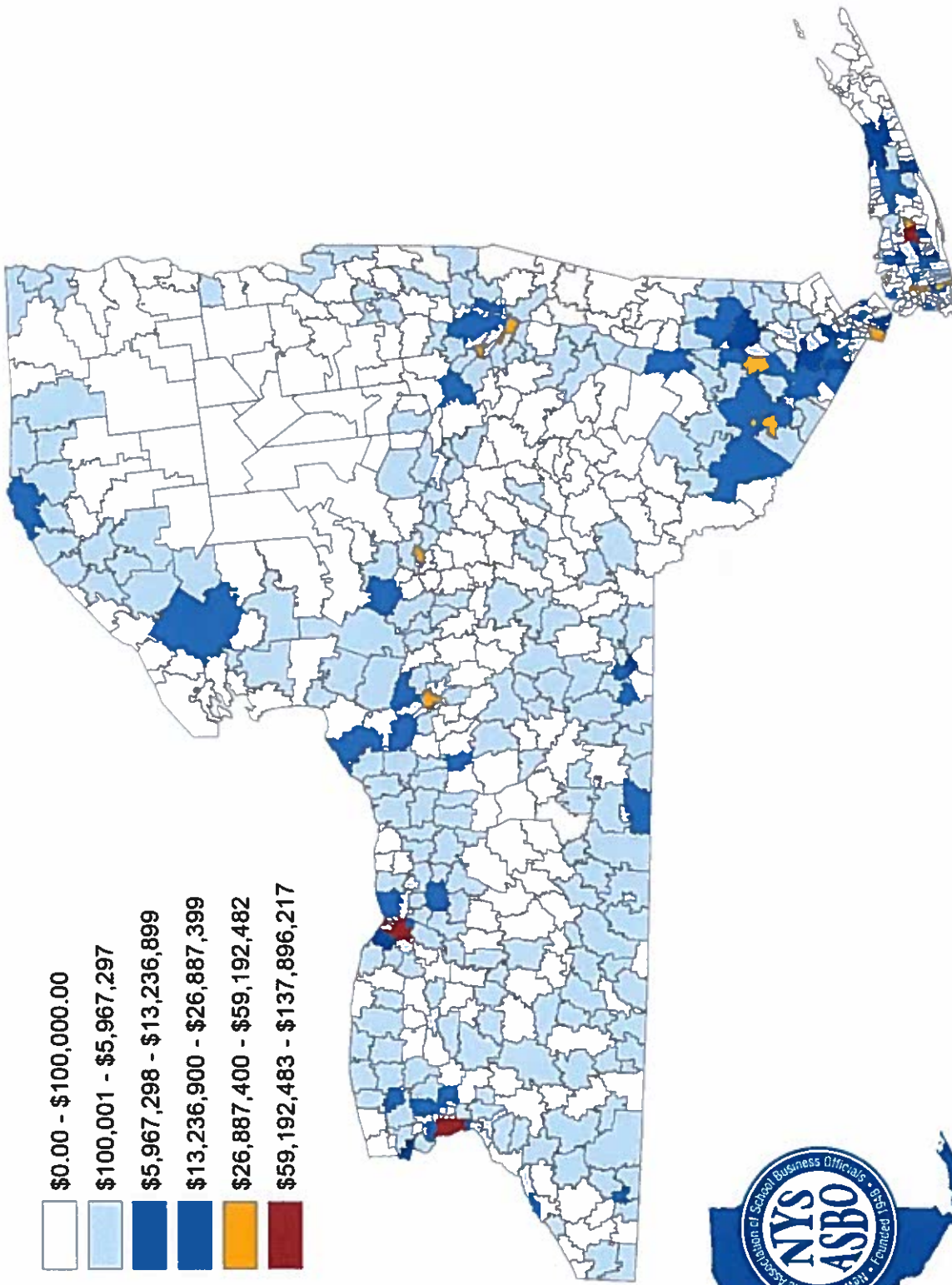
The clear link between resource and achievement gaps makes restoring the Foundation Aid phase-in the central issue in the current budget. A commitment to full implementation over the next few years will make possible the constitutional promise of an adequate education for all children in the state.



# Proposed 2017-18 Foundation Aid Increase

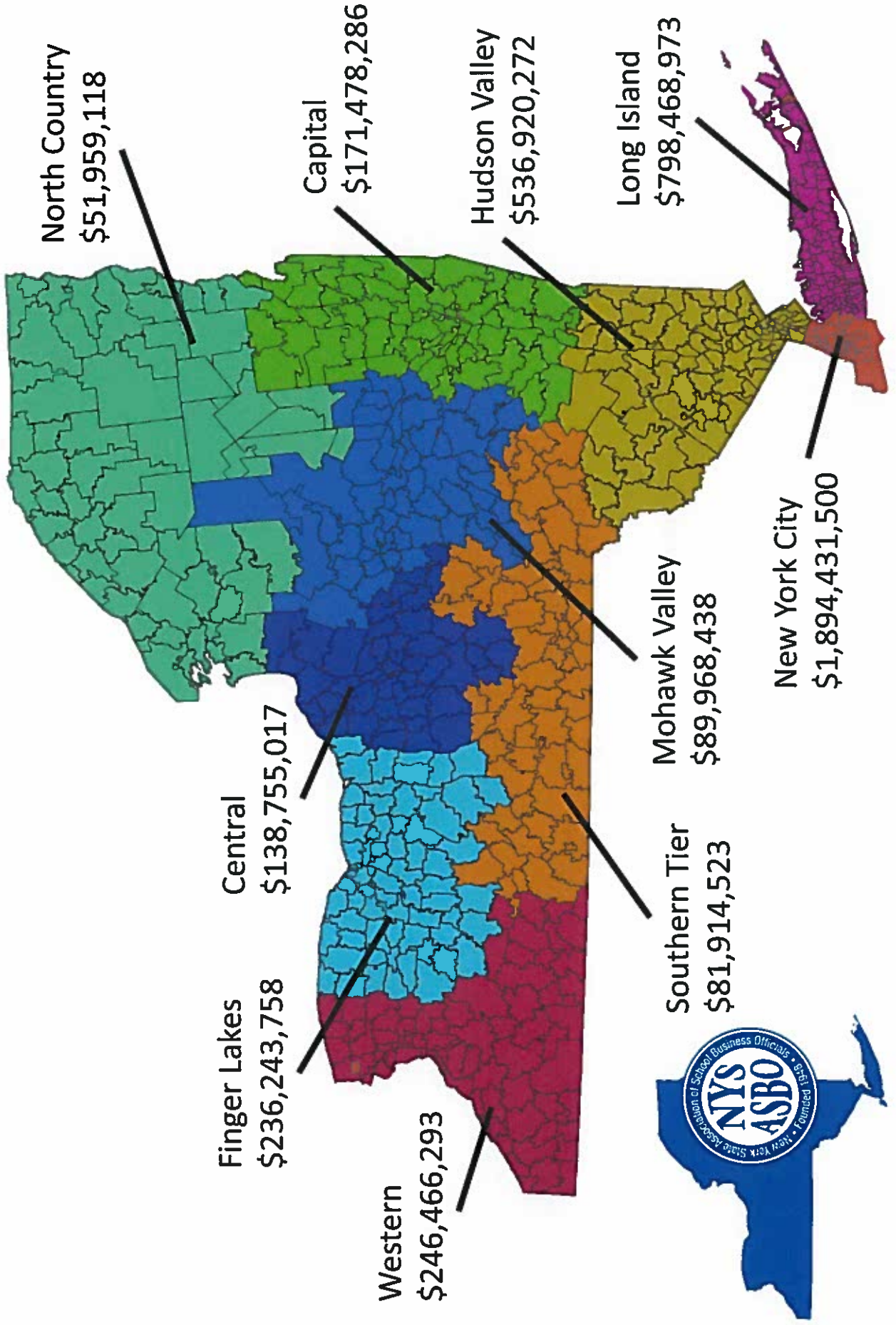


# Foundation Aid Still Due by School District

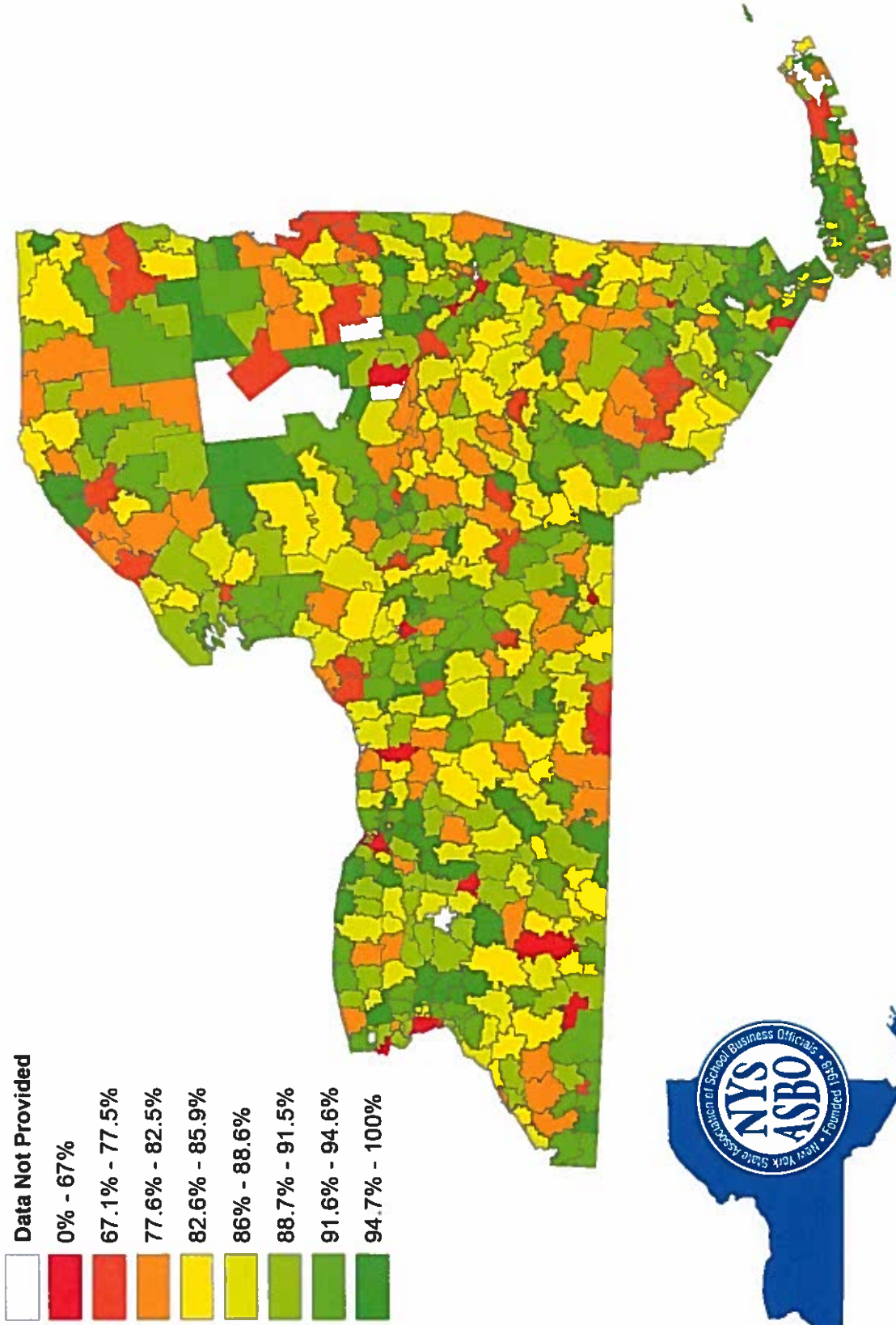




# Foundation Aid Still Due by Region

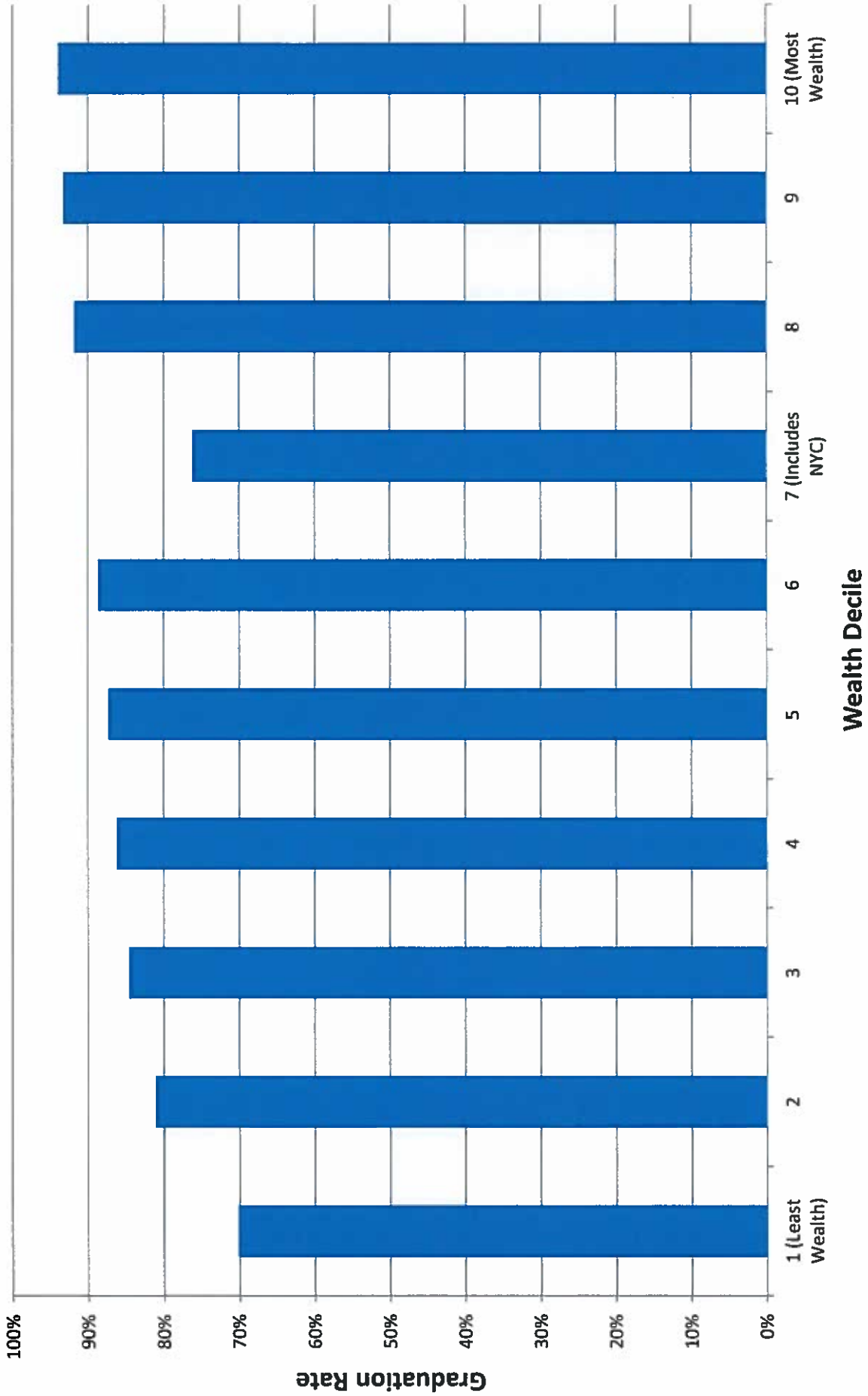


# Graduation Rate by District

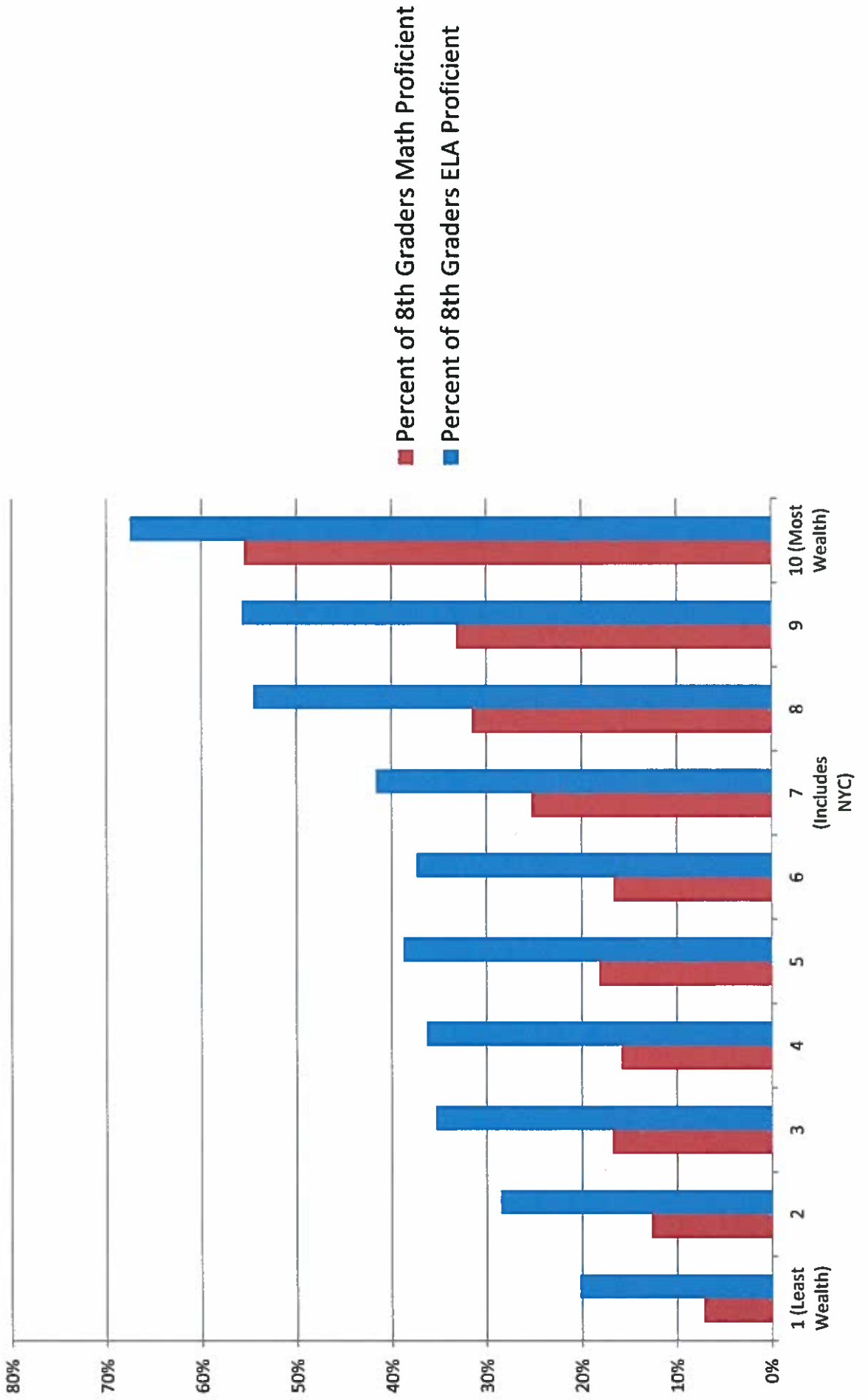




# Graduation Rate by Combined Wealth Ratio Deciles

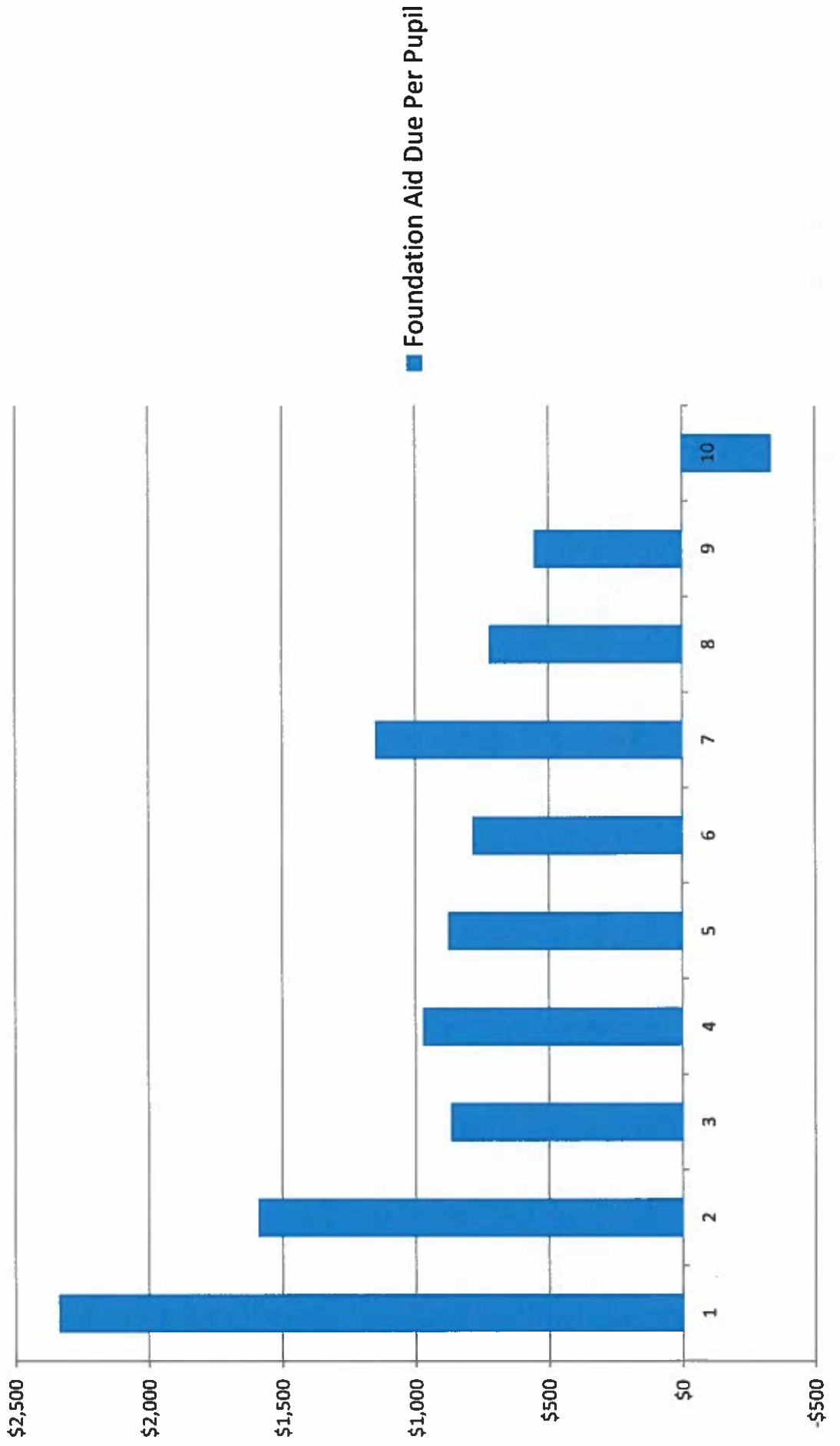


# 8<sup>th</sup> Grade Math and ELA Proficiency by Wealth Decile

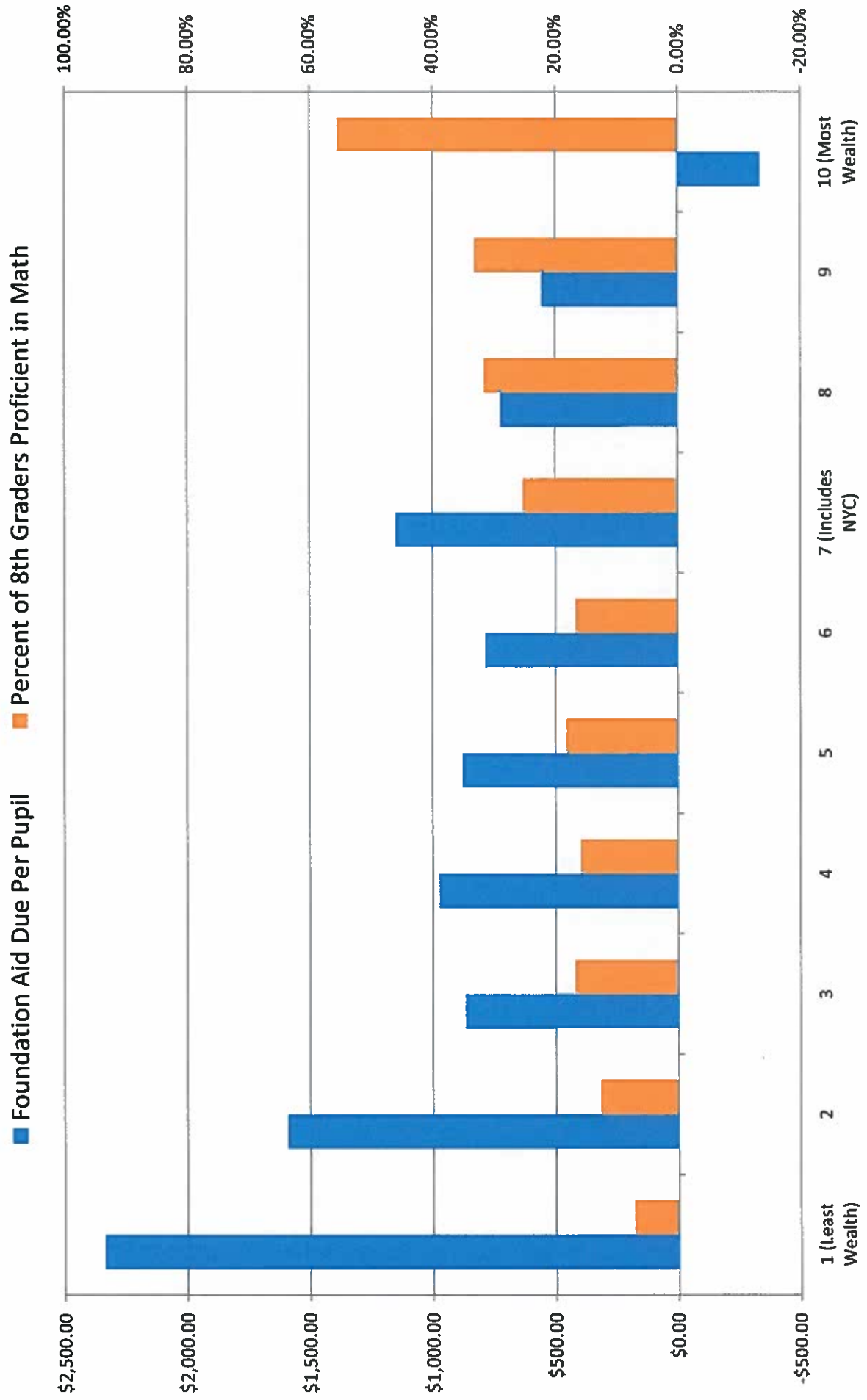


# Unpaid Foundation Aid by Wealth Decile

Foundation Aid Due Per Pupil



# Foundation Aid Due Per Pupil and 8th Grade Math Proficiency





**timesunion**

<http://www.timesunion.com/tuplus-opinion/article/Students-deserve-the-benefits-of-Foundation-Aid-10897674.php>

## Students deserve the benefits of Foundation Aid funding

By Michael Borges, Commentary Published 3:18 pm, Tuesday, January 31, 2017

As the 2017 legislative session gets underway, we are hopeful that New York will seize the opportunity to get state aid right. But Gov. Andrew Cuomo has issued a disturbing budget proposal that ignores the intent and purpose of Foundation Aid.

Foundation Aid was created in 2007 with calculations made for the cost of student success based on real data from school districts educating real students. A phase-in of Foundation Aid was promised to an entire generation of students.

The state, however, put that on hold amid the 2008 recession, and has never fully gotten back on track. The result is an accumulated unpaid bill to districts of \$4.3 billion. Over three-quarters of the never-delivered-funds are owed to high-need schools.

### More information

Michael Borges is the executive director of the New York State Association of School Business Officials.

The governor now proposes to throw away the phase-in with a one-time payment that continues the culture of failing schools.

Our constitution says that "the state shall provide a system of education wherein all children

shall be educated." That's precisely what the 2007 Foundation Aid promise intended to build.

Recent reports by the New York State Association of School Business Officials (NYSASBO) document the disparity between the education offered to children living in poverty and the rest of New York's kids. The resource and achievement gap continues to grow, as unmet student needs soar. High and low needs schools spend different amounts per child, and every year the results reflect that difference.

The state share of school funding needs to increase, with a concentration on adequate funding for children living in poverty. NYSASBO applauds the updated approach the governor proposes to calculate poverty. That will direct funds more accurately.

But we cannot cancel the phase-in of Foundation Aid. New York can afford to correct the inequities in the current funding stream without taking away the dollar gains all districts have welcomed in recent years.

We are at a turning point. This year it is crucial to make necessary changes in Foundation Aid, to provide the educational opportunity the laws intended. Our Foundation Aid Task Force has recommended specific changes to improve the formula's equity, adequacy and stability, along with a three-year phase-in of the remaining \$4.3 billion in Foundation Aid promised to schools in 2007 by state leaders. The Board of Regents echoed this call in its state aid proposal. There is a broad consensus for the phase-in across the education spectrum, contradicting the governor's shortsighted proposal.

One year can make an enormous difference in a student's academic success. Every year that goes by without fully funding Foundation Aid is a lost year for tens of thousands of students.

In 2017, the education budget can offer all students in the state an equal opportunity to learn and achieve success, regardless of where they live. We must do what is right for all children now, so that the future is brighter and more prosperous for all of us.

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**H E A R S T**

# Achievement and Resource Gaps Widen: More Students Left Behind

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New York State  
Association of School  
Business Officials

*Advancing the Business of Education*

*February 10, 2017*

## Research and Findings

### Approach

Our analysis first looks at differences in student performance and graduation rates for school districts grouped by the State Education Department's need/resource capacity categories. A school district's classification is based upon a measure of student poverty and a district's ability to raise revenues locally. High-need schools are divided into four categories: rural districts, urban-suburban districts, New York City, and the "Big Four" city districts of Buffalo, Rochester, Syracuse, and Yonkers. The last two categories are often combined into the "Big Five." To better understand links between resources and student performance, we also take a closer look at differences in district fiscal capacity. We further demonstrate the resource gap by looking at spending, tax rate, and taxable property value in high and low wealth decile districts.

### Graduation Rates

Looking at high school completion is the broadest way to assess student outcomes. High school graduation is a significant measure of student opportunity as it is required for entry into college as well as many jobs and career development programs. As shown in Figure 1, there are enormous disparities between students in high-need and low-need school districts. Students in low-need school districts were 30 percent more likely to graduate than students in high-need school districts. As high-need schools work to improve their graduation rates, they do so while bearing the brunt of the state's failure to fully implement the Foundation Aid formula. After factoring in proposed increases for 2017-18, Foundation Aid still due per student in low-need districts is \$508, while in high-need districts it is \$1,460. High-need urban and suburban districts face the largest shortfall: \$3,109 per student.

**Figure 1. Overall 2016 Graduation Rate by Need Classification**

Need Classification	Graduation Rate	Foundation Aid Still Due Per Student
High-Need Urban/Suburban	74%	\$3,109
High-Need Rural	83%	\$711
Big Four	65%	\$1,595
New York City	73%	\$1,220
High-Need Overall	73%	\$1,460
Low-Need	95%	\$508

### Regional Graduation Rates

The regional breakdown of graduation rates across need resource capacity categories shows that opportunity gaps affect all parts of the state. Regional graduation rates in high need districts range from 53-86 percent, while graduation rates in low-need districts range from 93-100 percent. Figures 2 and 3 show there isn't a single region in which high-need schools graduate students at a rate approaching low-need schools. Closing the resource gap by fully phasing in the Foundation Aid formula is truly a statewide issue.



## District Wealth and Student Achievement

District fiscal capacity is particularly important because local spending accounts for 56 percent of school spending statewide. We use Combined Wealth Ratio as a measure of fiscal capacity representing both property and income wealth present in a district and divide districts into 10 equal-sized categories. The lowest and highest wealth deciles feature extreme disparities in student outcomes. In the lowest wealth decile, the graduation rate is 70 percent, while in the highest wealth decile, the graduation rate is 94 percent. After accounting for proposed increases in the Executive Budget, Foundation Aid still due for districts in the lowest wealth decile is \$2,338 per student. Figures 4 and 5 illustrate the link between opportunity and fiscal capacity. New York City, despite its average wealth overall, faces challenges caused by the extreme poverty of its student body.

**Figure 4. Graduation Rate by Combined Wealth Ratio Decile**



**Figure 5. Graduation Rate by Combined Wealth Ratio Decile (Supporting Data for Figure 4)**

Wealth Decile	Graduation Rate	Foundation Aid Still Due Per Pupil
1 (Least Wealth)	70%	\$2,338
2	81%	\$1,591
3	84%	\$868
4	86%	\$973
5	87%	\$878
6	89%	\$786
7 (Includes NYC)	76%	\$1,150
8	92%	\$724
9	93%	\$554
10 (Most Wealth)	94%	-\$336

## Math and English Language Arts

While high school graduation rates measure students who ultimately complete a course of study, we also looked at student performance prior to entering high school. Between 3<sup>rd</sup> and 8<sup>th</sup> grades, students take annual exams that focus on math and English language arts. Results from these exams break down into four categories: well below proficient, partially proficient, proficient, and excelling beyond grade standards.

**Figure 8. 8th Grade ELA and Math Average Scores and Proficiency by Wealth Decile (Supporting Data for Figure 7)**

Wealth Decile	Average ELA Score	Percent of 8th Graders ELA Proficient	Average Math Score	Percent of 8th Graders Math Proficient
1 (Least Wealth)	283	20%	266	7%
2	294	29%	282	13%
3	298	35%	287	17%
4	299	36%	288	16%
5	302	39%	290	18%
6	301	37%	287	17%
7 (Includes NYC)	306	42%	294	25%
8	314	54%	301	32%
9	315	56%	303	33%
10 (Most Wealth)	323	67%	320	55%

**Resources**

In addition to differences in fiscal capacity, school districts also experience significant gaps in spending, taxing, and their available tax base.

Figure 9 shows a consistent trend. In each of the three years studied, the lowest need school districts spent more, taxed less, and drew on a great deal more tax revenue per pupil than the highest need school districts. For example, in 2011, the highest need school districts had approximately \$2,589 in tax revenue for every student while the low-need districts had about \$16,885 in tax revenue for each student. By 2013, the highest need school districts had \$2,752 in tax revenue per student while the lowest need school districts had \$18,360 in tax revenue for each student.

**Figure 9. Spending, Tax Rate, and Tax Revenue per Student**

	2011-2012		2012-13		2013-14	
	High-Need	Low-Need	High-Need	Low-Need	High-Need	Low-Need
Spending	\$16,612	\$21,632	\$16,843	\$22,201	\$17,224	\$23,052
Tax Rate	\$14.62	\$12.47	\$15.27	\$13.22	\$15.69	\$13.97
Tax Revenue	\$2,589	\$16,885	\$2,693	\$17,517	\$2,752	\$18,360

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A publication of the New York State Association of School Business Officials.  
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*For use of NYSASBO data or analyses, please use the following source citation:*

**SOURCE:** New York State Association of School Business Officials, Albany, NY 12205, February 10, 2017, [www.nysasbo.org](http://www.nysasbo.org)

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