

Joint Legislative Budget Hearing Testimony - Elementary and Secondary Education

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## Introduction

The Executive Budget once again fails to meet the state's obligation to fully-fund the Foundation Aid formula and hides its lack of commitment by folding ten categorical aids into the Foundation Aid formula that artificially inflates the school aid runs and thereby undermines their usefulness to districts, and in particular to school business officials, who utilize these runs to build their budgets for the 2020-21 school year.

## Foundation Aid

Foundation Aid is the most effective way for the state to meet its constitutional obligation to provide a sound, basic education to all students. The Executive Budget proposes to consolidate 10 expense-based aid categories<sup>1</sup> into Foundation Aid with a combined \$504 million increase over 2019-20. This increase represents a \$494 million increase in traditional Foundation Aid and a \$10 million increase in the 10 categories of expense-based aids. The Foundation Aid increase includes an additional \$50 million for the Community Schools set aside.

## The Importance of Full Funding

Using the traditional Foundation Aid formula, and accounting for the aid increase included in the Executive Budget, 428 school districts are a total of \$3.4 billion away from receiving their full Foundation Aid. The burden of Foundation Aid still due is not distributed equally throughout the state. For example, as the below table shows, high-need urban and suburban school districts have \$3,859 per pupil due in Foundation Aid.

Need Resource/Capacity Category	Foundation Aid Still Due per Pupil
New York City	\$837
The Big Four	\$2,028
High-Need Urban/Suburban	\$3,859
High-Need Rural	\$1,295
Average-Need	\$1,222
Low-Need	\$896

<sup>1</sup> BOCES, non-component, charter school transitional, high tax, software, library, textbook, hardware and technology, supplemental public excess cost, and academic enhancement aids.

School districts with Foundation Aid still due have overall higher levels of need. The following table shows free and reduced-price lunch (FRPL) eligibility rate and estimated school-age poverty rate<sup>2</sup> for school districts that are currently receiving their full Foundation Aid funding and those that have Foundation Aid still due. The gap is quite large between the two groupings: school districts with Foundation Aid still due have a 20 percentage points higher FRPL rate and a 7 percentage points higher school-age poverty rate.

	Free and Reduced-Price Eligibility Rate	School-Age Poverty Rate
Districts receiving their full traditional Foundation Aid	37%	12%
Districts with traditional Foundation Aid still due	57%	19%

### Unnecessary Confusion

Every year, immediately after the Executive Budget is released, school business officials across the state seek out the school aid runs to get their first glimpse at 2020-21 state aid for their district. Aid in the Executive Budget is a central component of initial 2020-21 school district budgets. This year's school aid runs omitted the traditional categorical breakdown of 2020-21 aid projections in the 10 affected aid categories. Instead, by rolling them into Foundation Aid, districts were provided an incomplete, confusing fiscal snapshot that significantly complicated their planning for 2020-21.

### Traditional Foundation Aid Still Due

By rolling existing reimbursements in 10 expense-based aid categories into Foundation Aid, the Executive Budget gives the false impression that the state has significantly reduced Foundation Aid still due to districts. Indeed, there are 160 school districts across the state that aren't receiving their full funding but appear to be fully funded with the inclusion of the additional aid categories. On the whole, through the incorporation of the 10 aid categories, the state's outstanding Foundation Aid obligation is artificially reduced from \$3.4 billion to \$2 billion. The \$3.4 billion amount represents what school districts need, based on an empirically determined formula, in order to provide all students the opportunity for a sound, basic education.

### Community Schools

The Executive Budget continues the troublesome trend of expanding state control over Foundation Aid, which is intended to be unrestricted operating aid. Over the past three Executive Budgets, 13 percent of the total proposed

<sup>2</sup> Free and reduced-price eligibility rate is based on three-year (2016-18) K-6 eligibility and enrollment. School-age poverty rate is from 2017 SAIPE estimates.

Foundation Aid increases have been composed of the Community Schools set aside. This is a significant intrusion, however worthy the premise of Community Schools. Indeed, in our State Aid Proposal, ASBO calls for pulling Community Schools funding out of Foundation Aid in order to create a new \$300 million categorical that would be available to all school districts.

### Transportation Aid

The Executive Budget proposes capping state aid for transportation operating expenses at the rate of inflation or, for districts with increasing enrollment, the rate of inflation plus the rate of enrollment growth. The below table shows that Transportation Aid has been growing at least four percent in recent years. This proposal would do nothing to address why transportation costs (and thus, transportation aid) has been rapidly increasing. Important factors include declining competition in transportation bidding, a statewide bus driver shortage, and escalating costs associated with foster and homeless student transportation. We strongly oppose reducing state aid rather than addressing the reasons for the growth. If the state helps school districts lower the growth in spending, this reduction will be reflected in state aid. We urge the legislature to incorporate our proposal for a transportation sharing incentive into their one-house budgets along with language clarifying that school districts are able to engage in aggregate transportation bidding.

State Budget	Transportation Aid	Annual Change
<b>2017-18</b>	\$1,816,506,463	4.4%
<b>2018-19</b>	\$1,911,317,920	5.2%
<b>2019-20</b>	\$1,992,643,001	4.3%
<b>2020-21</b>	\$2,094,524,645	5.1%

### Building Aid

The Executive Budget proposes to reduce the state's share of capital construction costs while failing to address the underlying causes of the increasing expense. We encourage you to reject the proposed changes to the cost allowance calculation and the creation of a new building aid tier. If the state wishes to lower the cost of construction projects, it makes far more sense to examine cost drivers such as Wicks law, which requires school districts to hire separate contractors for various aspects of construction, the prevailing wage law, and chronic understaffing at SED that leads to delays in project review and approval. We are deeply concerned about the impacts cuts to building aid would have on districts that face a permanent tax cap.

### School Transparency Reporting

ASBO calls for an end to the school level budget reporting that began with 76 schools in the 2018-19 school year and is scheduled to cover all school districts with the 2020-21 school year. In 2020, ESSA financial reporting requirements have gone into effect, which means all school districts will be reporting per-pupil school level actual

expenditures for the 2018-19 school year. Because actual expenditures are more accurate than budgeted amounts, ESSA reporting has rendered the transparency reports redundant. Furthermore, because the two reports use different methods to calculate per pupil expenditures, they can produce strikingly different results, which will cause confusion rather than promote transparency.

Under the state transparency reporting methods, building level budgets are divided by a school's **weighted enrollment** to determine per pupil spending. The ESSA approach uses similar methods to identify actual building level spending, but then divides this number by a school's **raw enrollment**.

The following table uses the two different methods with the same data from 2017-18 submitted transparency data. Both of these schools are located in the same school district. Using the state's method, it appears the high-need school receives less funding than the non-high-need school. Using the unadjusted ESSA method shows that the high-need school receives more than \$5,000 per student than the non-high-need school. In other words, the high-need school receives more than \$5,000 more per student than the non-high-need school, but in the state method using adjusted numbers it looks like it receives a few hundred dollars per student less.

	State Method (Per Weighted Pupil Funding)	ESSA Method (Per Pupil Funding)
High-Need School	\$10,904	\$20,837
Non-High-Need School	\$11,379	\$15,294

## Capital Outlay Limit

Currently school districts can pay for and complete a single capital project costing up to \$100,000 and receive building aid in the following year. This helps districts complete small projects without having to wait for larger capital projects, which take years to plan and carry out. Because these projects are paid for in cash rather than funded through district bonding, both the school districts and the state benefit from not having to pay amortized interest. We propose to raise the cap for these projects to \$250,000 in order to strengthen school districts' ability to finish needed small projects.

## CSE Reimbursement

For special education placements outside of New York City made by counties, school districts are currently responsible for 38.124 percent of the cost and the state is responsible for 18.124 percent. We urge the Legislature to reject the Executive Budget's proposal to have school districts assume the state's share.

## Changes to STAR

The Executive Budget proposes lowering the eligibility standard for the STAR Exemption from \$250,000 household income to \$200,000. This continues the ongoing effort to push homeowners from the STAR Exemption to the STAR Credit. The STAR Credit is logistically more complex and does not minimize the size of property tax bills for



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homeowners. If the Legislature fails to reject this latest shift, the STAR Exemption will soon cease to exist as we know it and control over the program will permanently shift to the Executive Branch.

## **Reissuing Charters**

Because we remain concerned about the negative impact charter schools have on traditional public schools, we oppose the Executive Budget proposal to reissue charters in New York City that have been revoked or surrendered. Allowing for the reissuance of charters in New York City would set a troubling precedent for public education throughout the rest of the state.