State Aid to Schools

A Primer

Pursuant to Laws of 2020

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Fiscal Analysis and Research Unit
August 2020

Section I
School Finance in New York State

Since about half of school revenues come from local property taxes, it follows that differences in spending are closely associated with disparities in property wealth and tax levy yields. Higher expenditures per pupil are associated with higher actual property value per pupil. In 2017-18, the average actual value of property per pupil among the lowest spending ten percent of districts was $363,109, while the average actual value per pupil among the highest spending ten percent of districts was $2,229,159, a difference of 514 percent.[9]

Because the highest spending districts are also those with the highest property values, their tax effort produces the greatest benefit. Table 1 shows that the average tax rate per $1,000 of actual value for the highest spending, wealthiest districts was only $10.82, yet the average tax revenue per pupil for those districts was $24,752. The average tax rate in the lowest spending, property-poorest districts was higher at $15.26, but the tax revenue per pupil was only $5,518 per pupil. Communities that desire a high level of educational services, but do not have a large tax base, must bear a disproportionately heavy tax burden in order to provide those services—a fact which has led policymakers to develop a state aid system that provides funding in a progressive manner. In addition, school districts serving concentrations of children from poverty backgrounds have a greater *educational* burden to bear, resulting in a greater need to fund programs that provide extra time and help to educate students, thus increasing educational costs.

As illustrated in Table 2, the wealthiest group of districts received an average of only $2,554 per pupil in State revenue other than STAR, while the poorest districts received $13,845. However, the STAR program that was intended to reduce the property tax burden on local taxpayers, particularly senior citizens, has provided significantly more revenue per pupil to wealthier districts. The poorest decile received on average $527 per pupil, while those in the wealthiest decile received tax relief equivalent to $1,440 per pupil. Further, the heavy reliance on property taxes to support education has created a situation in which, even with State revenue (other than STAR) per pupil exceeding that of the wealthiest group of districts by 442 percent, the poorest group of districts does not begin to approach the overall spending level of the wealthiest districts.

The disparities in fiscal resources are due primarily to the varying ability and willingness of school districts to generate local property tax revenue. As in most

---

Other measurements of per pupil expenditures, such as those produced by the United States Census Bureau, can vary significantly by comparison as a function of what elements are included in the calculations.

[9] See 2.

states, property values of residences and businesses vary dramatically from school district to school district, as do local assessment practices, and the level of education services desired by the community. In short, a student's access to educational resources depends in large part on where the student lives, raising serious concerns about the equity of student opportunities.

Table 1 2017-18 Wealth, Expenditure, Revenue, and Aid Data
Ranked by Approved Operating Expense Per Pupil Deciles
for All Major Districts Excluding New York City

	DECILE AVERAGE*			
AOE/TAPU Deciles (upper limit shown)	AOE per TAPU for Exp.	Actual Valuation per TWPU	Total Exp.** per TAPU for Exp.	STAR† Revenue per TAPU for Exp.[(.)]T* n

Table 2

Sources of Support for Public School Districts

School District Types

648 K-12 districts and 25 non-K12 districts employ eight or more teachers and are eligible for regular State Aid funding.

All districts have independent taxing and borrowing authority and are financially independent, except the school districts in the State's five largest cities, the “Big Five.”

37 Boards of Cooperative Educational Services (BOCES) provide a range of programs and services to component school districts (other than the Big Five and four school districts that chose not to join a BOCES).

Local Property Tax Revenue

The principal source of local school district revenues.

Property tax levies are established after voter approval of school district budgets or school board adoption of a limited "contingency" budget of zero growth after two voter defeats.

The Big Five cities include education in their municipal budget.

Tax Limits

Only the Big Five city school districts are subject to constitutional tax limits, and the limits apply to the total municipal budget.

Small city school districts had their constitutional tax limit repealed in 1985 and first voted on budgets in 1997.

Beginning in the 2012-13 school year, property tax levy growth cannot exceed two percent or the rate of inflation, whichever is less, with some exceptions. The tax levy limit can be exceeded if 60 percent of school district voters approve the increase.

Other Local Revenue Sources

The State's sales tax laws reserve four percent for the State and permit localities to levy additional amounts above the four percent. A number of counties impose an additional sales tax of three-eighths of a percent for the benefit of the Metropolitan Commuter Transportation District. A few

Small city districts may impose a utility tax, not to exceed 3 percent.[12]

STAR

Although STAR does not represent additional funds for education, it provides State funds for education, reducing the property tax funded portion of educational costs.

The STAR exemption began with a State funded school property tax exemption for senior citizen homeowners and subsequent legislation provided for full implementation for seniors in the first year (1998-99). The State pays school districts directly to compensate for reduced property tax receipts.

SOURCES OF REVENUE FOR EDUCATION

New York State, Major School Districts, 2018-19

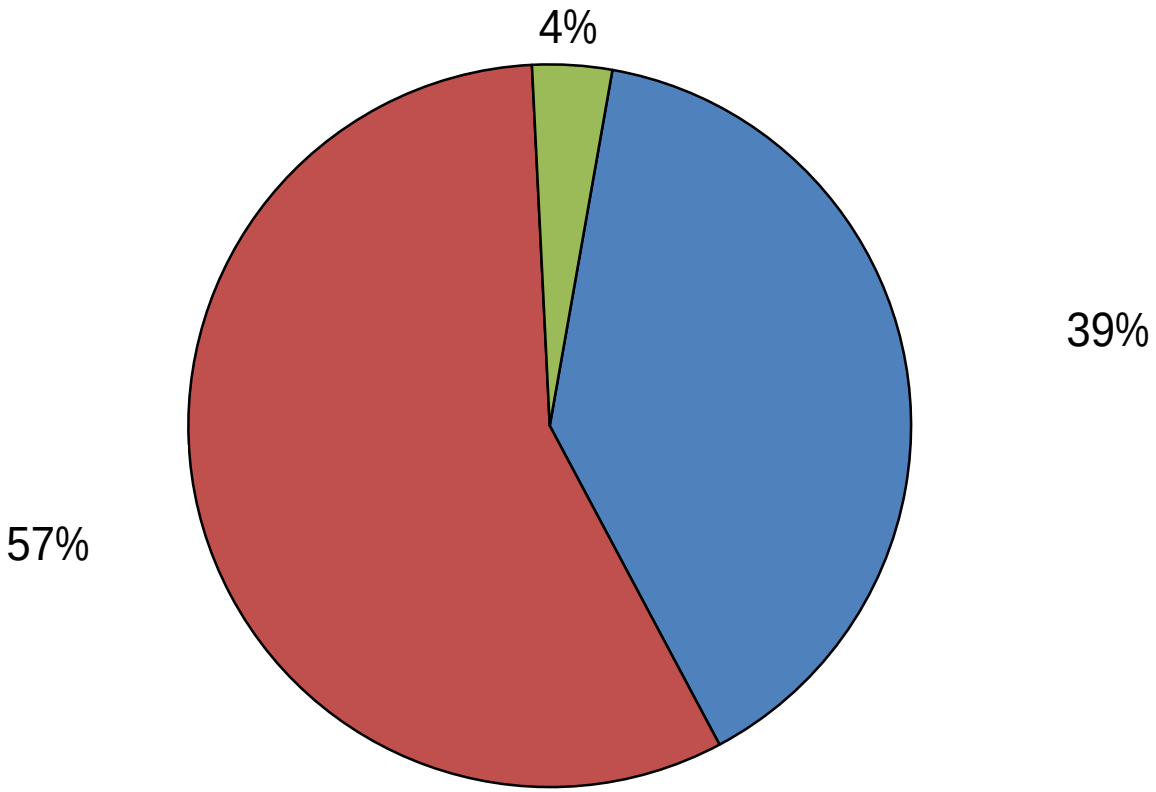

Figure 1 – Sources of Revenue for Education

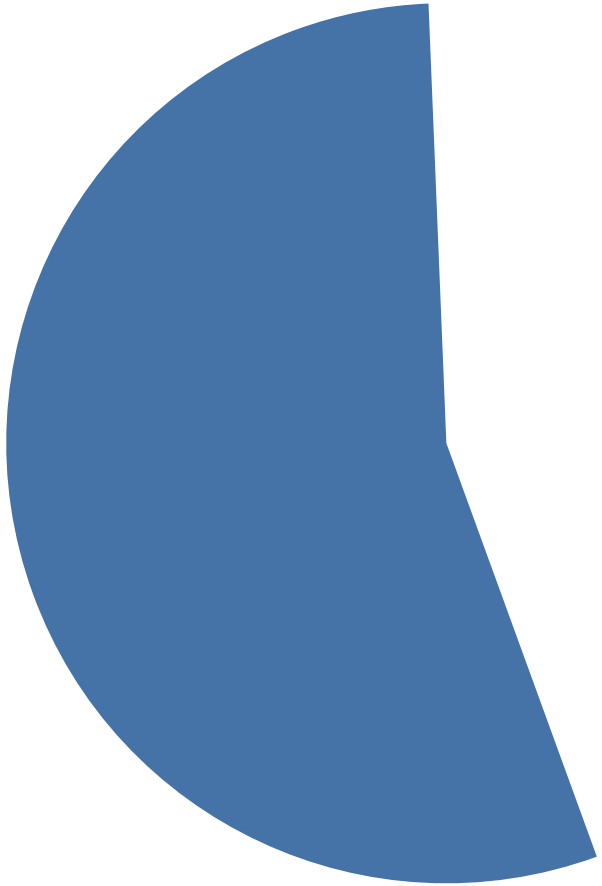

Figure 2 - Where the Education Dollar is Going

wealth per pupil in the lowest wealth districts is $192,992, which is about seven percent of the actual valuation per pupil in the highest wealth districts ($2,816,054).

State Aid (State revenue other than STAR) is wealth equalizing. Low-wealth districts receive nearly six times more aid per pupil than the highest wealth districts ($13,605 versus $2,432).[17]

Despite 036 a42 14.2 reW* nQEMC /P 1 0 0.9et3QP42 14.2 reW* n6id6 Tc[(17)] TJET

Figure 3 - Components of Total Revenue per Pupil by Wealth Groups (Deciles)

Foundation Aid

The Laws of 2007 reformed the State's method of allocating resources to school districts by consolidating some thirty existing aid programs into a Foundation Aid formula that distributes funds to school districts based on the cost of providing an adequate education, adjusted to reflect regional costs and concentrations of pupils who need extra time and help in each district. The 2007-08 Enacted Budget also included a four-year phase-in of Foundation Aid. The 2009-10 Enacted Budget extended the phase-in to 2013-14 and froze 2009-10 and 2010-11 payable Foundation Aid to 2008-09 Foundation Aid levels. The 2011-12 Enacted Budget extended the phase-in to 2016-17 and froze 2011-12 payable Foundation Aid to 2008-09 Foundation Aid. Enacted Budgets in 2012-13 through 2019-20 included Foundation Aid increases. The 2020-21 Enacted Budget did not include an increase to Foundation Aid.

District Foundation Aid per Pupil = [Foundation Amount X Pupil Need Index X Regional Cost Index] – Expected Minimum Local Contribution.

The Foundation Amount is the cost of providing general education services. It is measured by determining instructional costs of districts that are performing well. It is adjusted annually to reflect the percentage increase in the consumer price index (CPI). For 2007-08 aid, the Foundation Amount was $5,258, and was further adjusted by the phase-in foundation percent (1.0768 for 2007-08). For 2020-21, the adjusted amount is: $6,714 x 1.018 x 1.0000, or $6,835.

The Pupil Needs Index (PNI) recognizes the added costs of providing extra time and help for students to succeed. It is 1 + the Extraordinary Needs (EN) percent and ranges from 1 to 2. The EN% is based on:

Lunch count X .65	Uses a 3-year average Free and Reduced-Price Lunch percent

Annual Computations:

Actual Value Per Pupil

Selected actual valuation of all districts divided by resident pupils of New York State to obtain State average selected AV/pupil. For 2020-21 Aid: $650,900

Adjusted Gross Income Per Pupil

Selected adjusted gross personal income of all taxpayers, as reported on New York State income tax returns and including results of the statewide computerized income verification process, divided by resident pupils of New York State to obtain State average selected income/pupil. For 2020-21 Aid: $218,700

Foundation Aid Combined Wealth Ratio

Combined Wealth Ratio Calculation:

Compare District Wealth Measures to State Average Wealth Measures

Compute:

$$\frac{\text{District Actual Value per Pupil}}{\$650,900}$$

$$\frac{\text{District Income per Pupil}}{\$218,700}$$

Weight Income and Actual Value Equally (50:50):

$$0.50 \times \left[\frac{\text{Dist AV per Pupil}}{\$650,900}\right] + 0.50 \times \left[\frac{\text{Dist Inc per Pupil}}{\$218,700}\right]$$

This is the district's Foundation Aid Combined Wealth Ratio (FACWR), a measure of district fiscal capacity based on income and actual value.

Average Wealth District: FACWR = 1.00

Below Average Wealth: FACWR = Less than 1.00

Above Average Wealth: FACWR = Greater than 1.00

SELECTED EXPENDITURE-BASED AIDS

Aid ($ and # for major districts)	Formula/Calculation[19]
Building Aid $3,097.6 million 669 districts aided 673 districts eligible	Building Aid = Approved Expenditures x Building Aid Ratio. Approved Expenditures = assumed amortization of approved project costs or current year lease expenditures. Aid Ratio = a) for projects with voter approval dates (VAD) before July 1, 2000, the highest of the Actual Value/RWADA aid ratios from 1981-82 through 2019-20. AV/RWADA Aid Ratio = 1 – (0.51 x RWADA wealth ratio), min 0. b) for projects with VAD on or after July 1, 2000, generally the higher of the current AV/RWADA aid ratio or the aid ratio selected for 1999-00 building aid. c) Other adjustments: up to 10 percent of additional aid is provided for projects with VAD on or after July 1, 1998; additional aid ratio option for certain low income wealth districts and up to 5 percent additional aid for high need/resource

SELECTED EXPENDITURE-BASED AIDS

Aid ($ and # for major districts)	Formula/Calculation[19]
Building Reorganization Incentive Aid $20.1 million 76 districts aided 94 districts potentially eligible	Aid = Additional apportionment (incentive factor) of building aid for eligible

SELECTED EXPENDITURE-BASED AIDS

Aid

APPENDIX A

Description of 2020-21 Formula Aids to School Districts

Aid Type	Description of Aid
Foundation	Unrestricted aid to school districts for school operation and maintenance. It replaces 30 aids and grants from 2006-07. Based on an adjusted foundation amount less an expected minimum local contribution. Formula recognizes regional cost, district need factors and fiscal capacity and is phased-in over time.

Aid Type	Description of Aid
Special Services— Career Education; Academic Improvement	Expenditure-based aid up to a maximum per pupil for career education expenditures. Equalized for district fiscal capacity. Only Big 5 Cities and other non-component districts of a BOCES are eligible.
Reorganization Incentive - Operating	Additional unrestricted operating aid for districts that reorganize after July 1, 2007. Depending on the year of reorganization, up to an additional 40 percent of 2006-07 formula operating aid is provided (the percent is scaled down after 5 years by 4% per year).
Excess Cost Public High Cost	Additional wealth-equalized, per-pupil aid for students with disabilities in public school- or BOCES-run very high cost programs. Costs exceeding a threshold are reimbursed using an aid ratio based on district property and income wealth.
Supplemental Public Excess Cost Amount	Aid for eligible districts to accommodate changes in the way aid is provided for public excess cost pupils. Aid is frozen to the 2008-09 amount.
Excess Cost--Private	Wealth-equalized, per-pupil aid for students with disabilities that the public school places in private school settings or State-operated schools for the deaf or blind.
Transportation	Expenditure-based aid for approved operating expenditures for transportation of pupils. Property wealth equalized with a choice of aid ratios and sparsity adjusted. Starting in 2005-06, debt service expenditures are aided on an assumed amortization schedule.

Aid Type	Description of Aid
Expanding our Children's Education and Learning (EXCEL)