State Aid to Schools

A Primer

Pursuant to Laws of 2021

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

share a portion of their sales tax wi

STAR program reduces the property tax burden on local taxpayers, particularly senior citizens, and has provided significantly more revenue per pupil to wealthier districts. The poorest decile received an average of $521 per pupil, while those in the wealthiest decile received tax relief equivalent to $1,437 per pupil. The 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 445 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

Table2: 2018-19 Wealth, Expenditure, Revenue, and Aid Data
Ranked by Income per TWPU Deciles for All Major Districts
Excluding New York City

		DECILE AVERAGE*									
Income/TWPU Decile (upper limit shown)		Income per TWPU	AOE per TAPU for Exp.	Total Exp.** per TAPU for Exp.	STAR Revenue per TAPU for Exp.	Other Revenue from ^ š š • ‰ TAPU for Exp.	Actual Valuation per TWPU	Income per Return	Tax Rev. (excl. STAR) per TAPU for Exp.	Tax Rate (excl. STAR) per $1,000 Full Value	2018-19 Enrollment
1	$98,331	$81,870	$13,672	$20,144	$521	$14,389	$210,185	$38,531	$3,155	15.00	241,147
2	112,457	105,594	13,763	19,990	889	12,827	320,003	42,807	4,678	14.71	91,535
3	126,945	120,191	15,241	21,005	1,099	11,646	397,075	45,675	6,600	16.69	91,759
4	142,791	135,777	14,725	20,329	1,127	10,202	395,084	47,242	6,997	17.80	

Section II

This section includes selected State Aid concepts and facts including:

- Key Concepts
- State Support for 2021-22
- Local Support
- Components of School Finance
- Foundation Aid
- Selected Expenditure-Based Aids

- History - Revenue from State sources as a percent of total expenditures for public schools

  Low point - 1944-45 - 31.5 percent

  High point - 2001-02 - 48.2 percent

  2020-21 - 36.4 percent (estimated, including STAR)

- Revenue Sources

  87 percent from the General Fund; including STAR, State income and sales taxes

  13 percent from Lottery receipts, VLT revenue, and Commercial Gaming funds

- Payments

  The school year is funded from two State fiscal years with approximately 70 percent (plus $378.2 million) paid by March 31 (the end of the first State fiscal year).

- Aid Programs

  Numerous programs but Foundation Aid alone accounts for about 68.2 percent as of 2021-22 aid projections.

  Expense-based aids reimburse school districts for certain costs and generally are based on multiplying expenses by an aid ratio. This category includes Transportation, Building, BOCES, Public Excess Cost High Cost, and Private Excess Cost aids and accounts for about 27.5 percent of aid as of 2021-22 aid projections.

1990 - Payments to the Teachers Retirement System for 1989-90 amortized over 15 years, reducing State Aid by $684 million.

1990 - Unprecedented mid-year deficit reduction legislation cut 1990-91 State Aid payments by $190 million.

1991-92 - A State budget was adopted more than two months late with $925 million in deficit reductions.

1992-93 - Deficit reductions continued for $1,039 million.

1993-94 - State Aid reforms were introduced, deficit reductions eliminated and an estimated increase of $330 million provided.

1994-95 through 1997-98 - A State budget was adopted several months late each year, with estimated increases of:

- 1994-95 - $435 million (June)
- 1995-96 - $ 67 million (June)
- 1996-97 - $177 million (July)
- 1997-98 - $661 million (August)

1998-99 ±Legislation was passed in mid-April. After vetoes, the estimated increase was $967 million.

1999-00 ±Legislation was passed in August with an estimated increase of $922 million.

2000-01 ±Legislation was passed in mid-May with an estimated increase of $1.094 billion.

2001-02 ±Legislation was passed in August to institute a baseline budget and supplemented in October with additional funds, for an estimated total increase of $680 million.

2002-03 through 2006-07 ±State budgets were adopted with estimated increases (or decrease in 2003-04) as noted:

- 2002-03 - $420 million (May)
- 2003-04 - $207 million decrease (May)
- 2004-05 - $740 million (August)
- 2005-06 - $830 million (March)
- 2006-07 - $ 1.1 billion (March)

Sources of Support for Public School Districts

- 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. Several counties impose an additional sales tax of three-eighths of a percent for the benefit of the Metropolitan Commuter Transportation District. A few localities distribute a portion of the local sales tax to school districts.[14]

  Small city districts may impose a utility tax.

- STAR

  Although STAR does not represent additional funds for education, it provides State funds to reduce the property tax

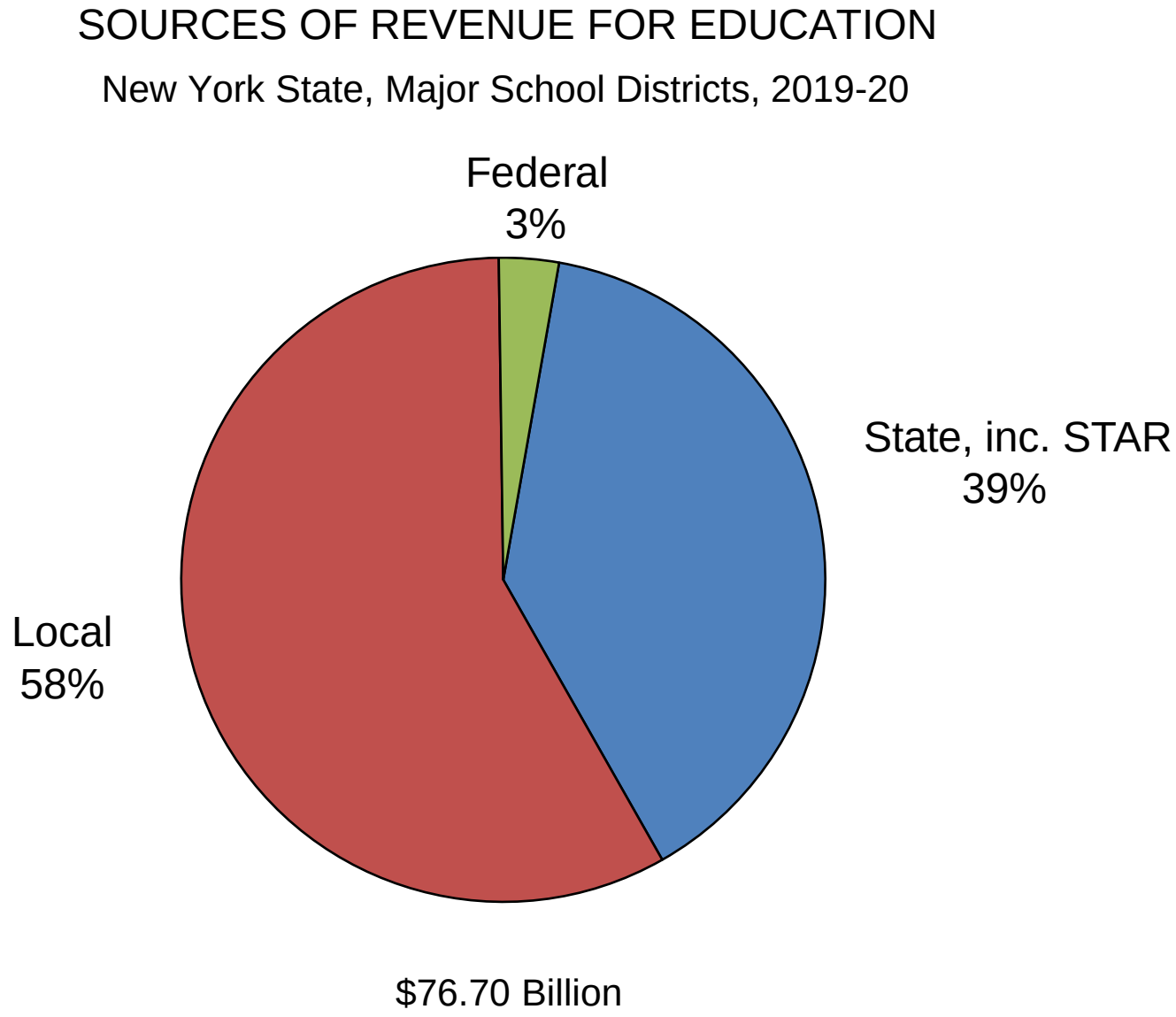

Figure 1 ±Sources of Revenue for Education

Table 3: 2018-19 Wealth, Expenditure, Revenue, and Aid Data
Ranked by Actual Valuation per TWPU Deciles for All Major Districts Excluding New York City

Foundation Aid

The Laws of 2007 U H I R U P H G W K H 6 W D W H ¶ V P H W K R G R I D O O I 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. For a history of changes in the Enacted Budget, see Legislative History/F2 14.04 Tfa 0 G [90000912 0 61eL.. .00000912

x 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 2021-22 Aid: $689,800

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

Figure 4 - State Sharing Ratio as a Function of a District's Combined Wealth Ratio (CWR)

2006-07 Foundation Aid Base

For phasing-in Foundation Aid for 2007-08 and 2008-09, the 2006-07 Foundation Aid Base (FAB) is the sum of these aids and grants:

- Flex Aid
- Public Excess Cost Aid (excluding High Cost Aid)
- Limited English Proficiency Aid
- Sound Basic Education Aid
- Enrollment Adjustment Aid
- Supplemental Extraordinary Needs Aid
- Growth Aid
- Operating Reorganization Incentive Aid
- High Tax Aid
- Tax Limitation Aid
- Early Grade Class Size Reduction Grants
- Small Cities Aid
- Teacher Support Aid
- Improving Pupil Performance Grants
- Categorical Reading and Math Grants
- Magnet School Grants (including additional amounts)
- Fort Drum Grants
- Tuition Adjustment Aid

These Aids and Grants are also eliminated:

- Comprehensive Operating Aid
- Formula Operating Aid
- Educationally Related Support Services Aid
- Extraordinary Needs Aid
- Gifted and Talented Aid
- Minor Maintenance and Repair Aid
- Operating Standards Aid
- Summer School Aid
- Tax Effort Aid
- Tax Equalization Aid
- Transition Adjustment Factor
- Shared Services Savings Incentive

SELECTED EXPENDITURE-BASED AIDS

Aid ($ and # for major districts)	Formula/Calculation [18]
Building Aid $3,151.3 million 668 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-capacity districts; aid provided for security devices, capital outlays that merit exception, water testing, and building condition survey. Maximum aid ratio is 95 percent (98 percent in certain cases).

[18]) R U P R U H L Q I R U P D W L R Q R Q I R U P X O D V 2020-21 State Aid Handbook, State Formula Aids and Entitlements for Schools in New York State as Amended by Chapters of the Laws of 2020 ´ 1 H Z < R U N 6 W D W H (G X F D W L R Q D O D Q G R W K H U S X E O L F D W L R Q V , V H H W K H 6 W D W H (G X F D W L R Q 'H S D U W P H Q W ¶ V $ X G L W R U L X P ¶ V https://stateaid.nysed.gov/publications/handbooks/handbook_2020.pdf

SELECTED EXPENDITURE-BASED AIDS

Aid ($ and # for major districts)	Formula/Calculation [18]
Building Reorganization Incentive Aid $17.7 million 77 districts aided 89 districts potentially eligible	Aid = Additional apportionment (incentive factor) of building aid for eligible building projects. Incentive Factor = 0.25 for districts that reorganized prior to July 1, 1983; 0.30 for districts reorganized since then. Maximum aid = the sum of building aid and reorganization building aid cannot exceed 95 percent of the approved building expenditures (98 percent in certain cases).
Transportation Aid $2,082.8 million 673 districts aided 673 districts eligible	Aid = Approved Capital and Non-capital Expenditures x Selected Aid Ratio. Non-capital expenditures = approved transportation operating expenditures and account for about 95 percent of approved expenditures. Capital expenditures = assumed amortization of purchase, lease and equipment costs over five years, at a statewide average interest rate. Aid Ratio = highest of 3 aid ratios plus a sparsity adjustment; 0.065 minimum; 0.90 maximum. 3 aid ratio choices = a) 1.263 x State Sharing Ratio; b) 1.01 ±(0.46 x RWADA wealth ratio); c) 1.01 ±(0.46 x enrollment wealth ratio).

SELECTED EXPENDITURE-BASED AIDS

SELECTED EXPENDITURE-BASED AIDS

Aid ($ and # for major districts)	Formula/Calculation [18]
Public Excess Cost High Cost Aid $664.0 million 643 districts aided 673 districts eligible Note: estimated expenditures are based on district averages but actual expenditure is computed on a per pupil basis.	Aid = (Approved Program Cost ±Deduction) x Aid Ratio. Eligibility: To be eligible for this aid, the cost per student must exceed the lesser of: $10,000 or (4 x 2019-20 AOE/Pupil). If eligible, approved program costs are equal to the sum of the annualized tuition above the deduction for students with disabilities educated in district or BOCES programs. Deduction = 3 x 2019-20 AOE/pupil. Aid Ratio = 1 ±(0.51 x Combined Wealth Ratio); minimum = 0.25. Aid is in addition to Foundation Aid.

Aid Type	Description of Aid
Special Services [2] 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.

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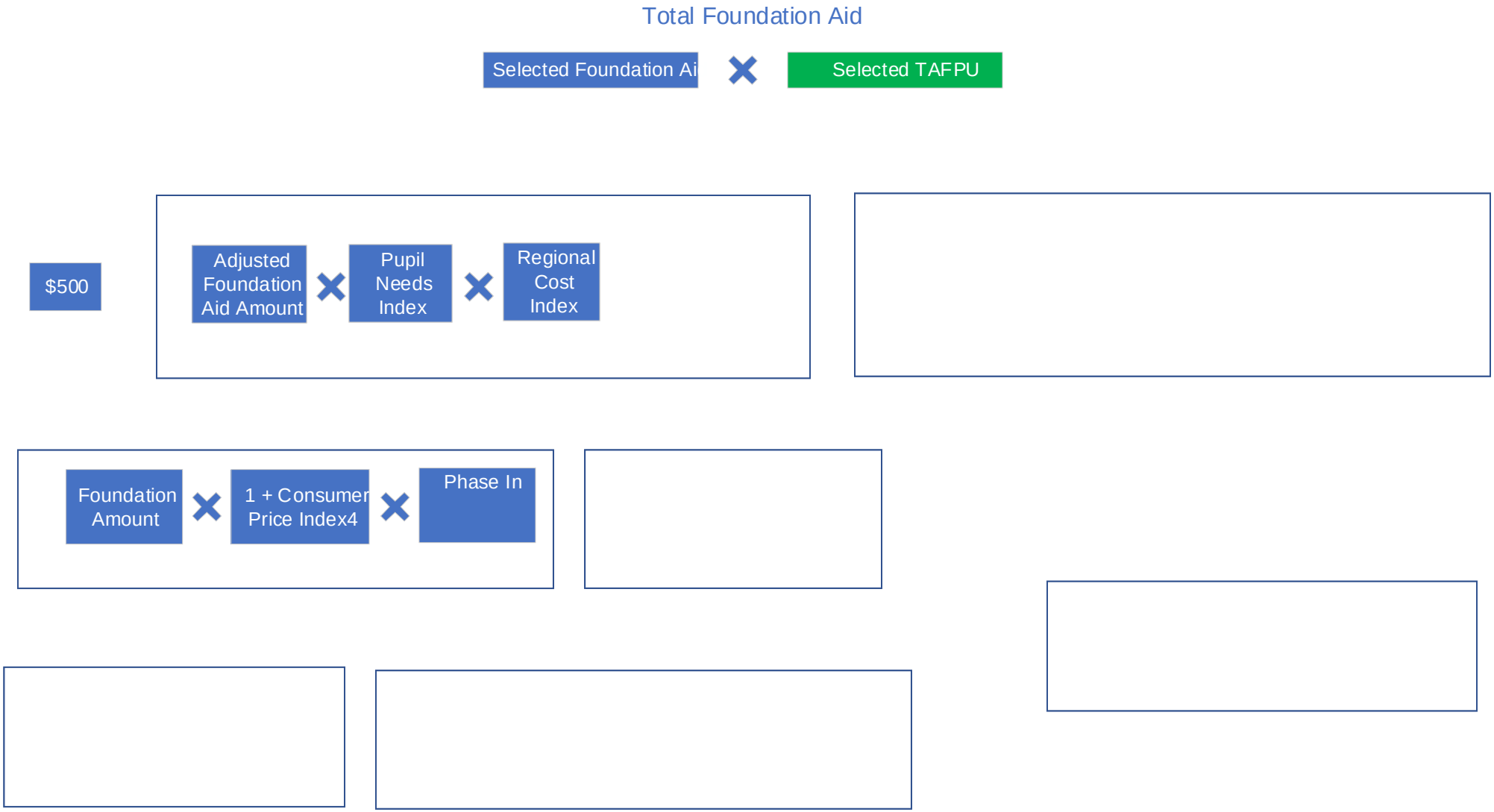
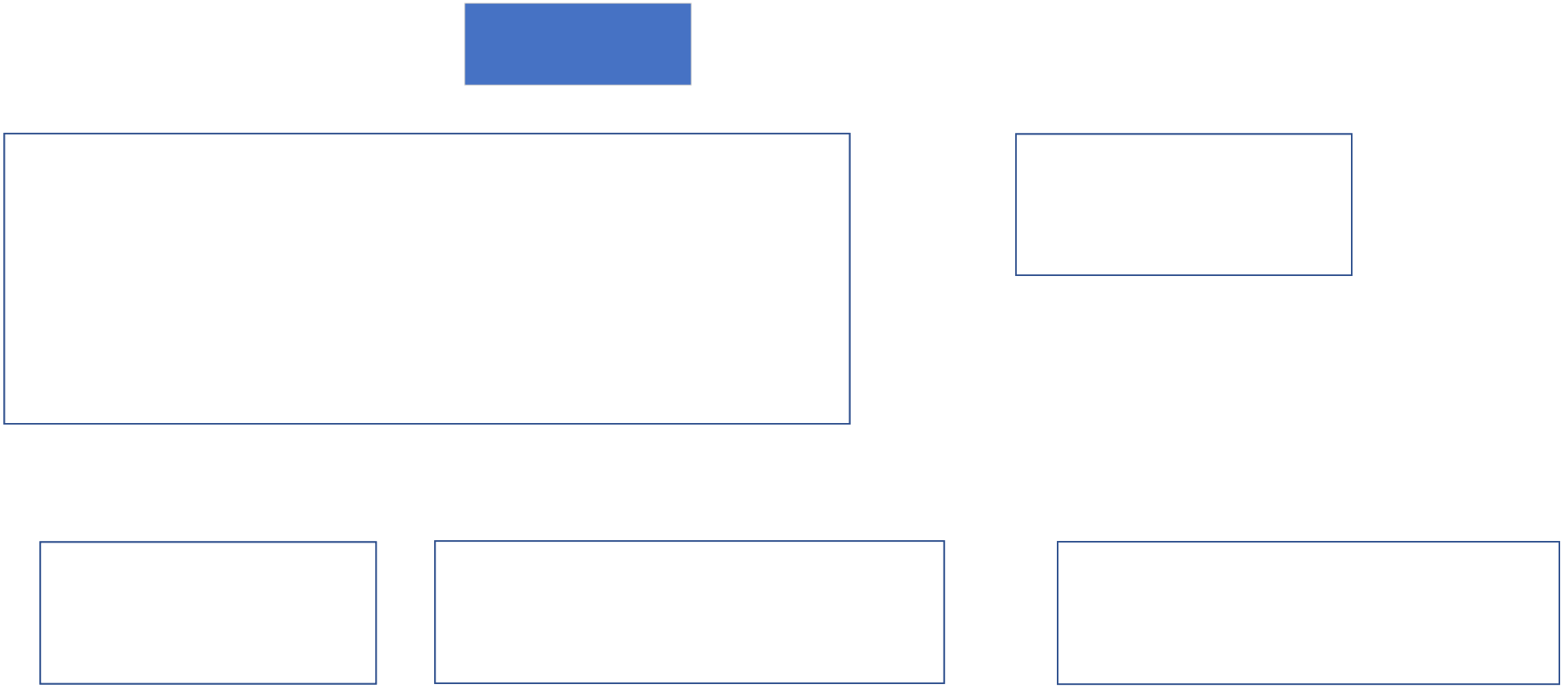
APPENDIX B

Flow Charts of Selected Formula Aids

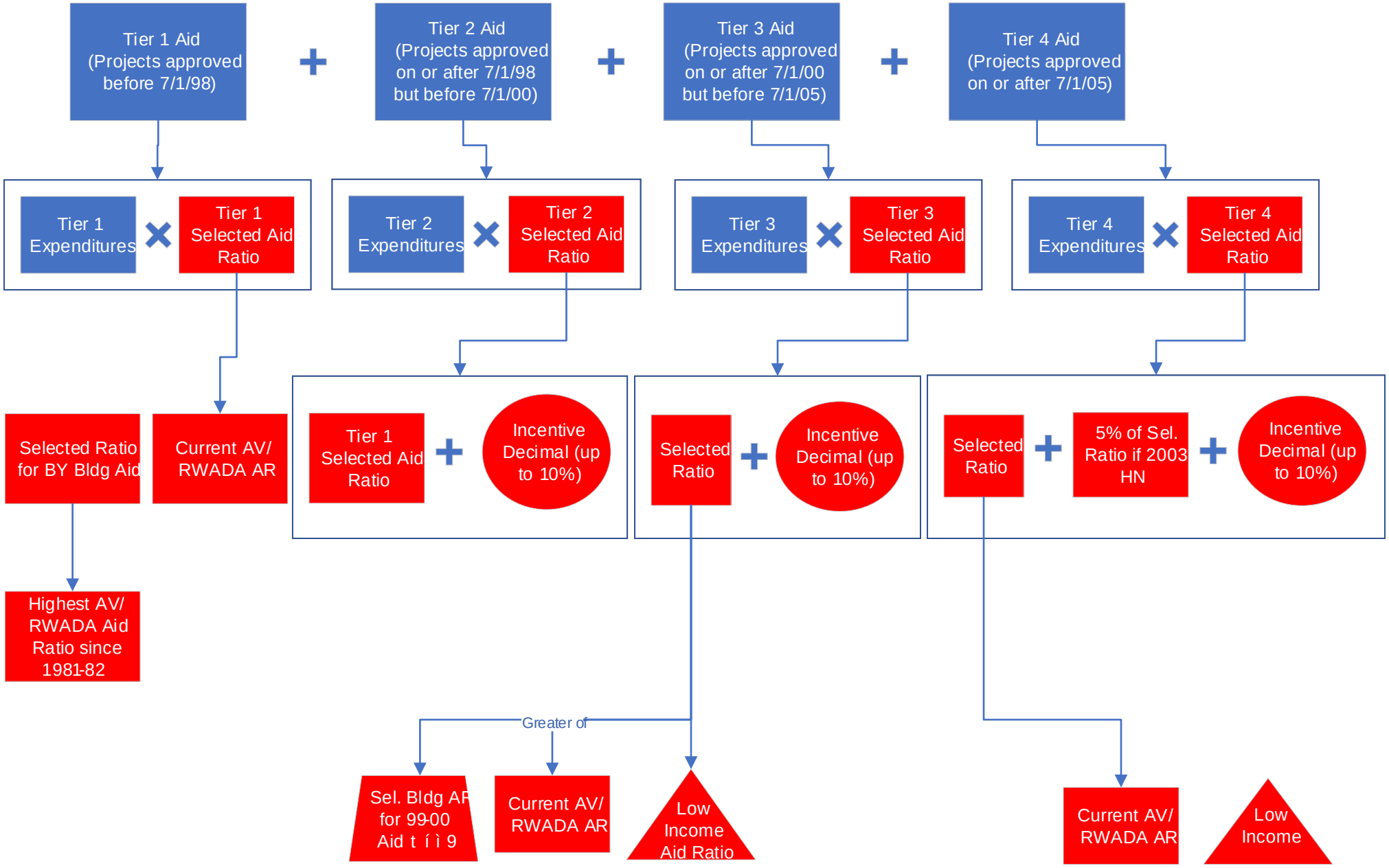
(Below are Acronyms Used in the Flow Charts

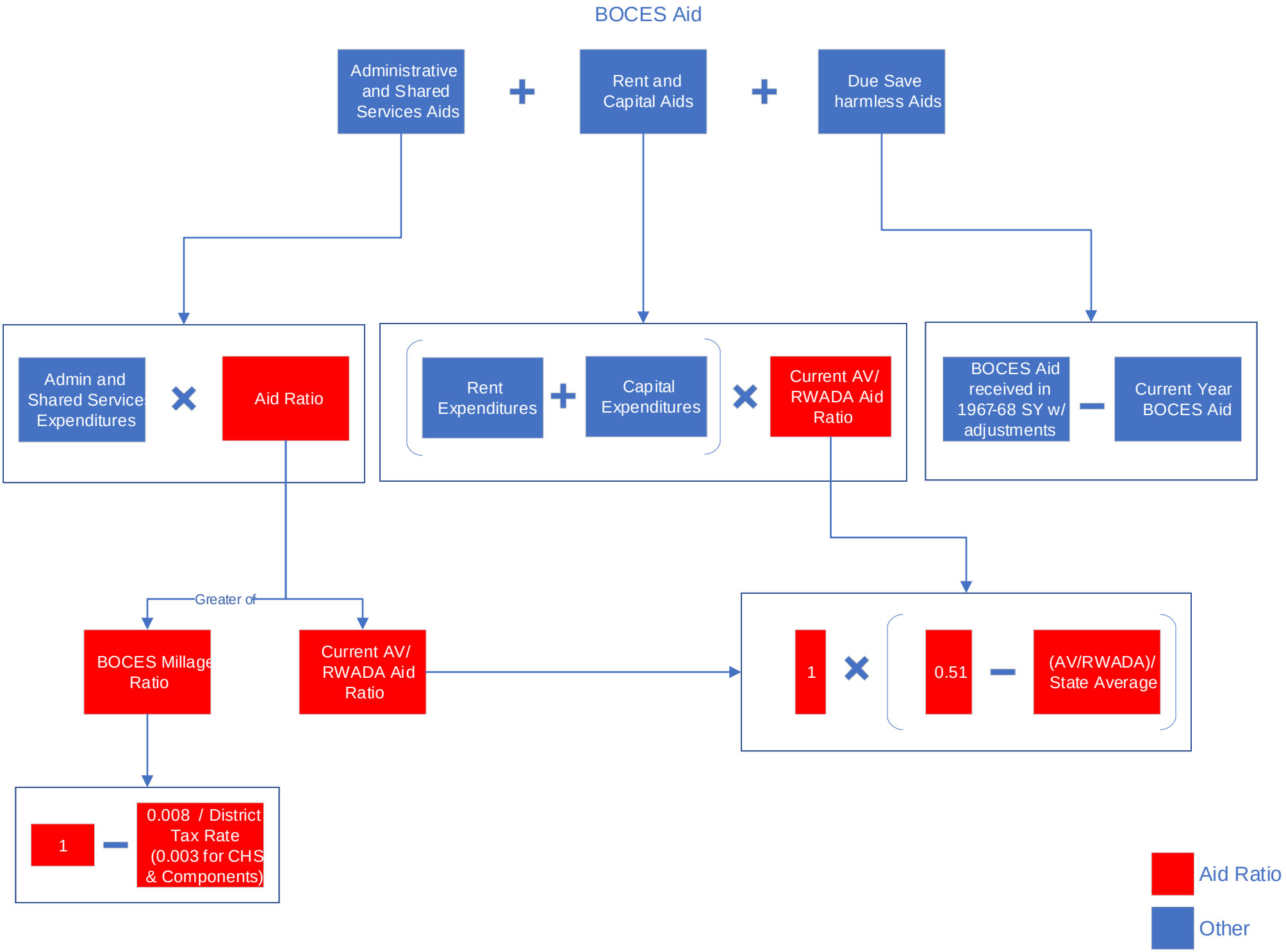

Total Foundation Aid
Selected Foundation Ai
Selected TAFPU
$500
Adjusted Foundation Aid Amount
Pupil Needs Index
Regional Cost Index
Foundation Amount
1 + Consumer Price Index4
Phase In

Transportation Aid

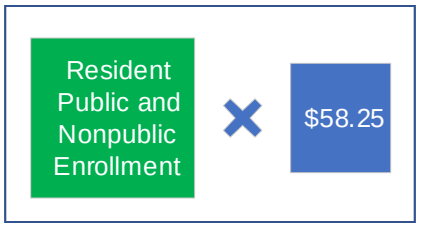


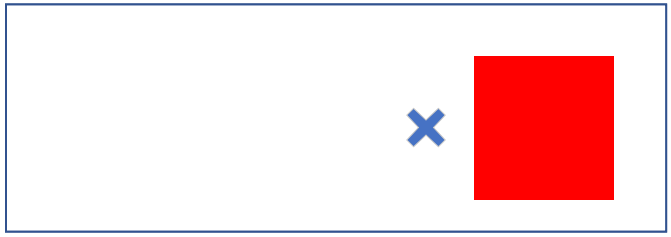
Building Aid



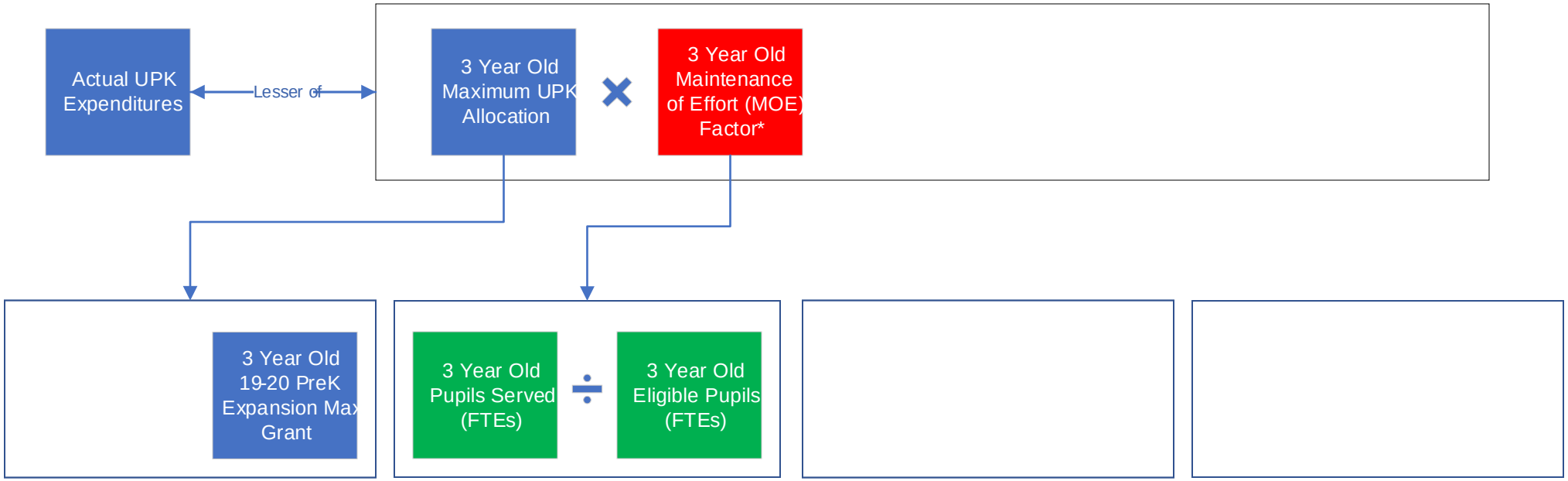

BOCES Aid
Administrative and Shared Services Aids
+
Rent and Capital Aids
+
Due Save harmless Aids
Admin and Shared Service Expenditures
×
Aid Ratio
Rent Expenditures
+
Capital Expenditures
×
Current AV/ RWADA Aid Ratio
BOCES Aid received in 1967-68 SY w/ adjustments
−
Current Year BOCES Aid
Greater of
BOCES Millage Ratio
Current AV/ RWADA Aid Ratio
1
×
0.51
−
(AV/RWADA)/ State Average
1
−
0.008 / District Tax Rate (0.003 for CHS & Components)
Aid Ratio
Other

Instructional Materials Aids*



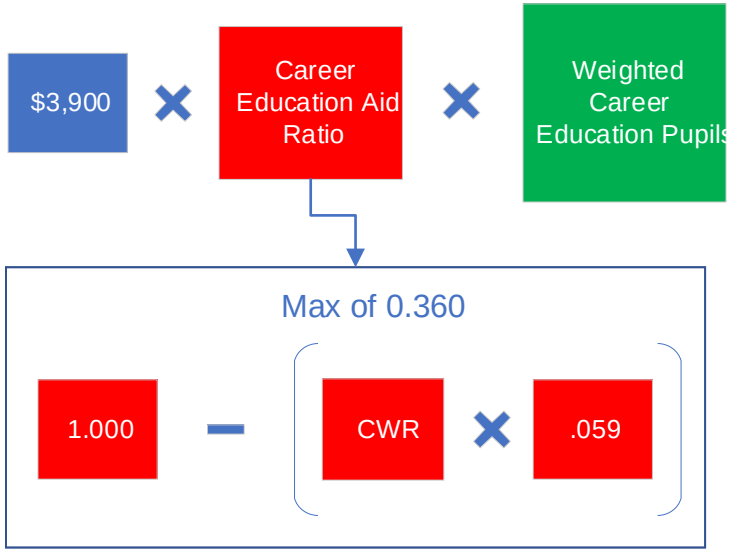


2020-21 Universal Prekindergarten Aid

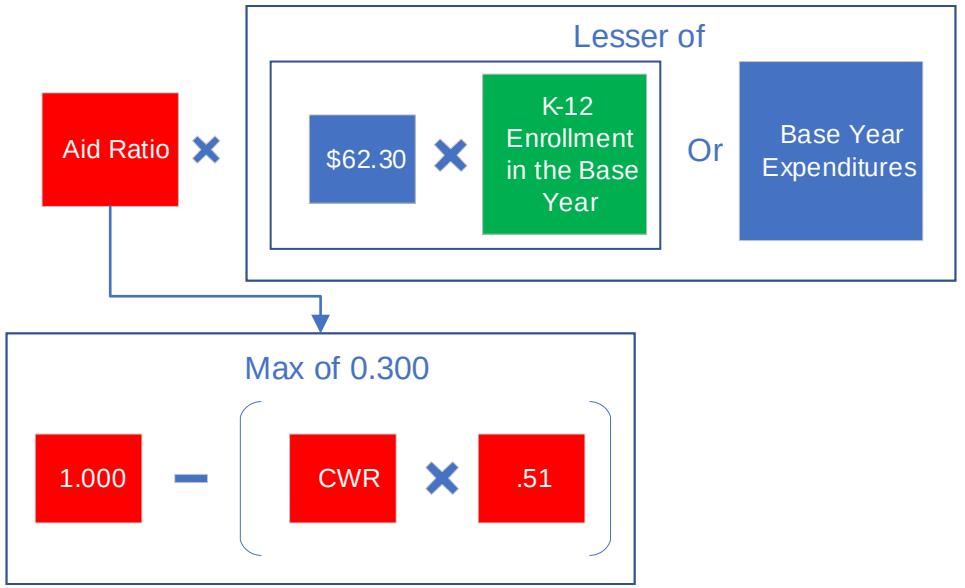


Special Services Aids

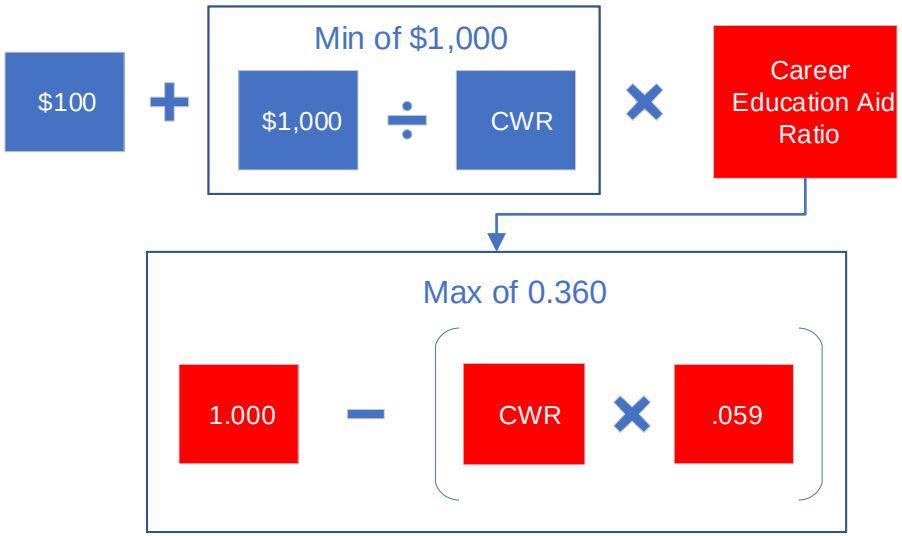
Career Education Aid



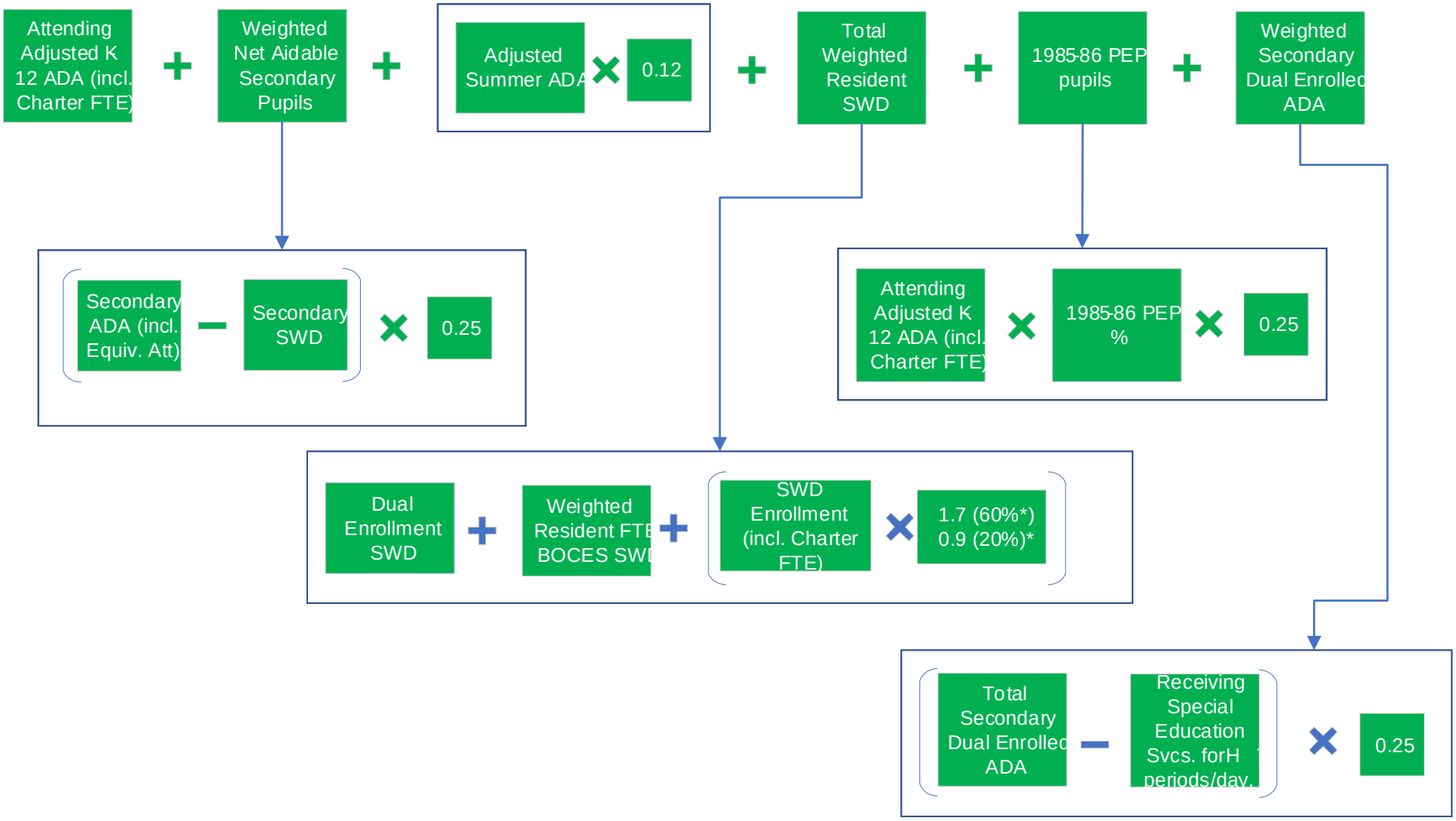
Computer Administration Aid



Academic Improvement Aid

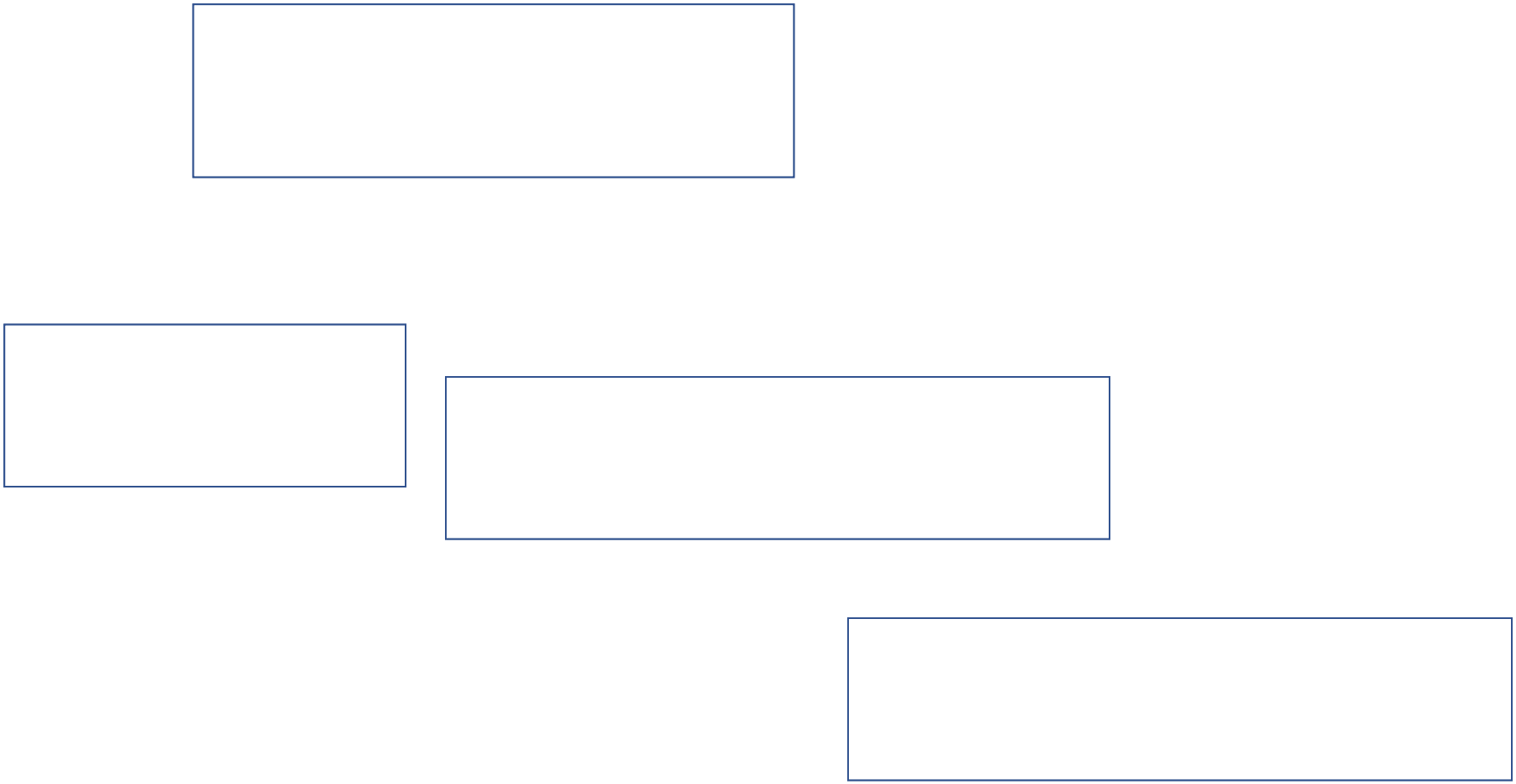


TAPU



* 20% = In a 5 day week, they attend 1 or more days; 60% = In a 5 period day, they attend 3 or more periods.

** Distributed for CHS and Components



Textbook Pupils