

March 2020

Governor's Budget Comes Up Short on Expected Aid For City Schools

Governor Cuomo's Executive Budget for state fiscal year 2021 proposes an increase in school aid statewide of \$826 million (up 3 percent from 2020), a smaller boost than this year's \$960 million year-over-year increase, as the state deals with a \$6 billion shortfall in next year's budget. The Mayor's Preliminary Budget for 2021, released before the Governor's budget, assumed that the state would provide the city with \$130 million more in state aid for city fiscal year 2021 than the Governor's budget anticipates.

The decision to slow education aid increases might appear to be driven by the state's looming budget deficit in the coming fiscal year. But in his budget address the Governor framed the problem of education funding in terms of the inability of the state's Foundation Aid formula—the state's single largest source of school aid—to equitably distribute funds to schools rather than a lack of funding. Foundation Aid allocates largely unrestricted funds to school districts based on the cost of providing a sound basic education to students, with the amount of aid determined by the needs of the students in the district and the expected local contribution for education.

The Governor proposed two changes intended to increase equity in the distribution of school aid. First, the Governor introduced a new \$200 million fiscal stabilization fund for high-need school districts. While this proposal to dedicate funding to high-need districts is similar to the \$152 million equity formula set-aside proposed (though not enacted) in last year's Executive Budget, the fiscal stabilization fund is separate from Foundation Aid and targets high-need districts whereas the equity formula set-aside was structured to be a component of Foundation Aid for high-need schools. The Executive Budget does not detail how the fiscal stabilization fund would be distributed, or how high-need districts would be identified. Second, the Governor would alter the composition of Foundation

Aid by folding 10 previously separate expense-based aid categories into Foundation Aid. The consolidation of these aid categories into Foundation Aid has the effect of making Foundation Aid look like it is growing faster than the increase in baseline Foundation Aid (excluding the expense-based aids), which blunts the critique of advocates seeking more Foundation Aid money under the original formula.

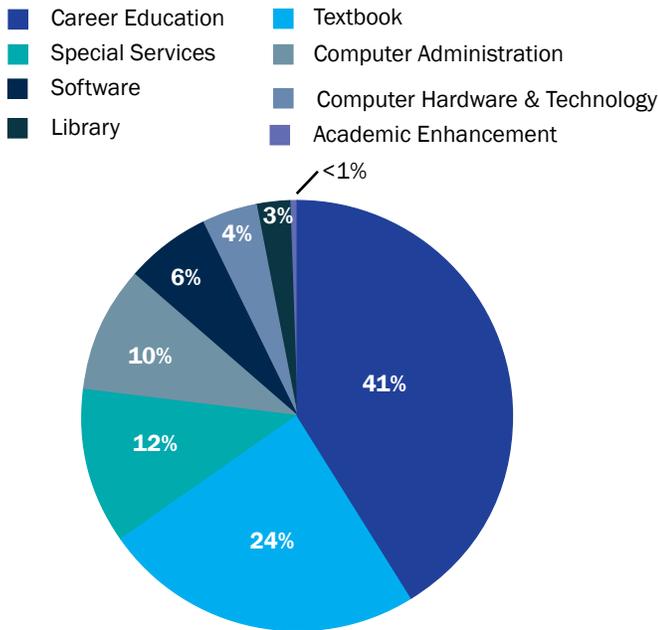
Adjusting for the proposed consolidation, Foundation Aid funding would increase statewide by \$504 million (2.5 percent) to \$20.8 billion. This total is far below the amount originally projected under the 2007 legislation that created Foundation Aid as a means of fulfilling the state's obligations under the state Court of Appeals decision in the Campaign for Fiscal Equity case (see [sidebar](#)).

Proposed Changes to Foundation Aid. For the 2020-2021 school year, 10 existing expense-based aids would be consolidated into Foundation Aid with the intent of making the "adjusted" Foundation Aid formula more equitable. The Executive Budget would then eliminate these aid categories in the 2021-2022 school year and thereafter.

Folding the 10 expense-based aids into Foundation Aid using their existing formulas likely perpetuates the existing disparities in how these aids are distributed. According to the Governor's Budget Briefing Book, high-need districts receive approximately 50 percent of these aids compared with over 70 percent of Foundation Aid. On the other hand, for New York City, the average annual growth rate of Foundation Aid over the past three years (4.4 percent) has exceeded the average annual growth of these expense-based aids collectively (0.4 percent), so folding these aids into the Foundation Aid formula would likely bring more money to the city and other needy districts in the future. A more equitable strategy, however, would first adjust the formulas to incorporate student need before folding the 10 aids into Foundation Aid. Additionally, this change does



Career Education Aid and Textbook Aid Comprised the Largest Share of Governor's Proposed Consolidation in School Year 2019-2020



SOURCE: New York State Education Department State Aid Run
New York City Independent Budget Office

Foundation Aid was created, there was a set-aside for Contracts for Excellence, a category that directs funding towards specific programs such as class size reduction, supplementary before- or after-school programs, and individualized tutoring. The Governor's proposal maintains this set-aside at \$531 million for New York City in the coming year. Since 2017, the state has also set aside a portion of Foundation Aid for community schools. The community school set-aside, which funds academic supports as well as health, mental health, and other services for students and families, has increased at a much faster pace than Foundation Aid overall. For 2021, the Governor proposes increasing Foundation Aid statewide by 3 percent while increasing the portion dedicated to community schools by 20 percent to a total of \$300 million. For New York City, the 2021 community school set-aside increase of \$21 million represents an 18.0 percent increase from last year compared with the city's 2.7 percent increase in adjusted Foundation Aid. Given that the community school set-aside is small relative to Foundation Aid overall, however, the share of the city's Foundation Aid that is restricted would increase only slightly, from 8.0 percent in 2020 to 8.3 percent in 2021.

not address the Governor's concern about school funding inequity within districts.

In the 2019-2020 school year, New York City received funding from 6 of the 10 aids being consolidated: Academic Enhancement Aid, Special Services Aid (composed of Academic Improvement Aid, Career Education Aid, and Computer Administration Aid), Hardware and Technology Aid, Software Aid, Library Materials Aid, and Textbook Aid.¹ The largest of these categories in the 2019-2020 school year were Career Education Aid (\$128 million) and Textbook Aid (\$74 million); the smallest was Academic Enhancement Aid (\$1.2 million).

To estimate the gap in Foundation Aid in the city's Preliminary Budget compared with the Governor's budget, IBO estimated New York City's Foundation Aid for the 2020-2021 school year without the consolidation. IBO removed the estimated total for the consolidated aid categories for school year 2020-2021 (based on their average annual growth over the past three years) from the adjusted Foundation Aid based on the Governor's proposal. We estimate the shortfall in Foundation Aid in the city's Preliminary Budget to be over \$200 million; a larger shortfall than for total state aid.

Further, the Executive Budget continues to increase the amount of Foundation Aid that is restricted. When

Other Proposals for Foundation Aid

While the Executive Budget includes a \$504 million increase in Foundation Aid statewide, elected officials, advocates, and other state officials have called for proposals to fully phase in the Foundation Aid legislated in the wake of the Campaign for Fiscal Equity lawsuit. The New York State Education Department Board of Regents proposed a three-year phase-in period starting with a nearly \$2 billion increase in Foundation Aid for 2021. In his testimony at a recent City Council oversight hearing on class size reduction, State Senator Robert Jackson indicated that the Senate's Education Working Group is advocating for the Senate's one-house budget proposal to incorporate a similar phase-in.

Prepared by Nicholas Martin

Historical Gap in Foundation Aid to New York City

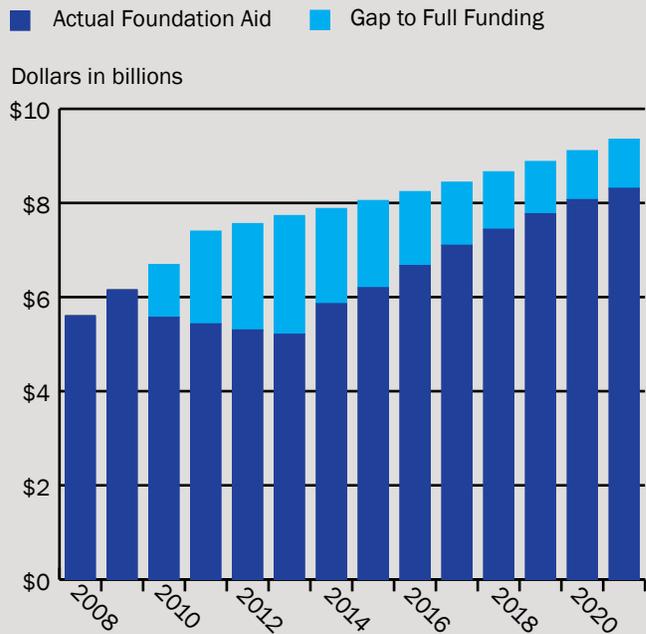
In response to the 2007 State Court of Appeals decision in the Campaign for Fiscal Equity lawsuit, New York State enacted legislation to provide the resources for a sound basic education for all students in the state. This legislation would have provided \$7 billion in education funding, \$5.5 billion of which would have been allocated through Foundation Aid.

The formula for Foundation Aid, the single largest category of school aid, was intended to allocate largely unrestricted funds to school districts based on the cost of providing a sound basic education to students, the needs of students in the district, and the expected local contribution for education. In turn, school districts were responsible for allocating Foundation Aid funding to schools.

To phase in this \$5.5 billion in Foundation Aid, of which New York City was promised \$2.4 billion, a four-year process was established. In the wake of the 2008 recession, Albany short-circuited this process: annual budget bills have overridden the formula since 2009. Instead, Governor Cuomo's Executive Budget continues to update the system of tiered funding, in which districts receive incremental year-over-year increases in Foundation Aid other than those indicated under the 2007 legislation.

Using IBO's calculation of unadjusted Foundation Aid for New York City for 2021, under the Governor's budget proposal, Foundation Aid would increase by \$241 million (up 3.0 percent from 2020). That increase would still leave a gap of \$1.0 billion between full funding under the Foundation Aid formula and how much New York City receives in 2021. While the gap for the City has narrowed from a high of \$2.5 billion in 2013, the state is still far short of its 2007 commitment to New York City schools.

2007 State Legislation: New York City's Fully Funded vs. Actual (and Projected) State Foundation Aid



SOURCE: New York City Comptroller's Comprehensive Annual Financial Report, New York City Fiscal Year 2021 Preliminary Budget, and Governor's Fiscal Year 2021 Executive Budget
 NOTE: Figures for 2020 and 2021 are projections; estimate for 2021 is based on the Governor's adjusted proposal, excluding the 10 expense-based aids

New York City Independent Budget Office

Endnotes

¹New York City does not receive the remaining four aids proposed for consolidation: BOCES Aid, High Tax Aid, Charter School Transitional Aid, and Supplemental Public Excess Cost Aid.

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