



## **Introduction**

The “Primer” is an annual publication highlighting key school aid concepts, including the impact of this year’s legislation. With the goal of locating some basic facts in one place, data and tables for this publication have been excerpted from several State Education Department reports or databases. The report is presented in two parts:

Section I provides an overview of school finance in New York State;

Section II highlights basic concepts and facts about State Aid to schools.

# **Section I**

## **School Finance in New York State**

### **Overview**

In New York State, estimated 2014-15 public education funding comes from three sources: approximately three percent from federal sources, 42 percent from State formula aids and grants, and 55 percent from revenues raised locally.<sup>1</sup> Local property taxes constitute about 88 percent of local revenues. The State assumed a significant portion of this local tax burden through the implementation of the School Tax Relief (STAR) p

\$276 million in non-property tax revenues helped support approximately 163 school districts.

Small city school districts can impose a utility tax; almost half of the 57 small city districts do so.<sup>4</sup> In addition, State law requires that payments in lieu of taxes (PILOTS) be distributed proportionally among the taxing jurisdictions (including school districts) affected by tax exemptions granted by Industrial Development Agencies (IDAs).<sup>5</sup> New York City imposes a modified local income tax on residents, a business and financial tax, and a tax on commercial rent, revenues from which are raised to support the City's budget including schools.<sup>6</sup> The City of Yonkers also imposes an income tax on non-resident commuters.<sup>7</sup>

The Big Five city school districts' fiscal dependency on their municipalit

ranged from \$10,490 for the district at the 10<sup>th</sup> percentile to \$20,019 for the district at the 90<sup>th</sup> percentile, a difference of 91 percent.<sup>9</sup>

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 2013-14, the average actual value of property per pupil among the lowest spending ten percent of districts was \$292,982, while the average actual value per pupil among the highest spending ten percent of districts was \$1,817,100, a difference of 520 percent.<sup>10</sup>

Because the highest spending districts are also those with the highest property values, their tax effort

The disparities in fiscal resources are due primarily to the varying ability

Table 1 - 2013-14 WEALTH, EXPENDITURE, REVENUE, AND AID DATA RANKED BY  
APPROVED OPERATING EXPENDITURE PER PUPIL DECILES FOR ALL MAJOR  
DISTRICTS, EXCLUDING NEW YORK CITY

## **Section II**

This section includes selected State Aid concepts and facts including:

Purposes of State Aid to Schools

Key Concepts

State Support for 2016-17

Local Support

Components of School Finance

Foundation Aid

Selected Expenditure-Based Aids





## Key Concepts Concerning School Aid

**Wealth Equalization:** To distribute State Aid in inverse proportion to fiscal capacity in order to offset dramatic differences in the ability of school districts to raise local revenues. This is different from the equalization of local property assessments, which is done by the State to make property values comparable from district to district.

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# State Support to Public School Districts 2016-17

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
- 2015-16 – 42.3 percent (estimated, including STAR)

## Revenue Sources

- 88 percent from the General Fund; including STAR, State income and sales taxes
- 12 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 67 percent.

## Legislative History

- 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’s 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)
- 2007-08 - Legislation was passed on April 1 with an estimated increase of \$1.7 billion, including major reform of State Aid.
- 2008-09 - Legislation was passed in April with

deficit reduction assessment (DRA) which was restored with federal fiscal stabilization funds. In December, a \$391 million supplemental DRA was enacted and restored with similar federal funding.

2010-11 - Legislation was passed in June,

Estimated 2016-17 (\$ in millions)

Foundation Aid	\$16,483
Building including Reorganization Incentive	3,022
Transportation Aid	1,775
BOCES and Special Services Aids	1,083
Special Education Aids	931
Universal Pre-Kindergarten Grant	385
Gap Elimination Adjustment	0



## 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.
- For the 2012-13 school year, and extended in 2015, the State Legislature and the Governor enacted legislation which created a tax levy limit. This legislation states that 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, which many do. 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 localities distribute a portion of the local sales tax to school districts.<sup>11</sup>
- Small city school districts may also impose a utility tax, not to exceed 3 percent.<sup>12</sup>

## Education - A \$63.5 Billion Enterprise - 2015-16 estimated

Total Revenue from State sources (incl. STAR)	\$26.875 billion
which represents	42.3 % of
Total General and Special Aid Fund Expenditures	\$63.5 billion

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<sup>11</sup> "Local Government Sales Taxes in New York State: 2015 Update." New York State Office of the State Comptroller, March 2015. p.14-18.

<sup>12</sup>Ibid. p.20.



# SOURCES OF REVENUE FOR EDUCATION

New York State, Major School Districts, 2013-14

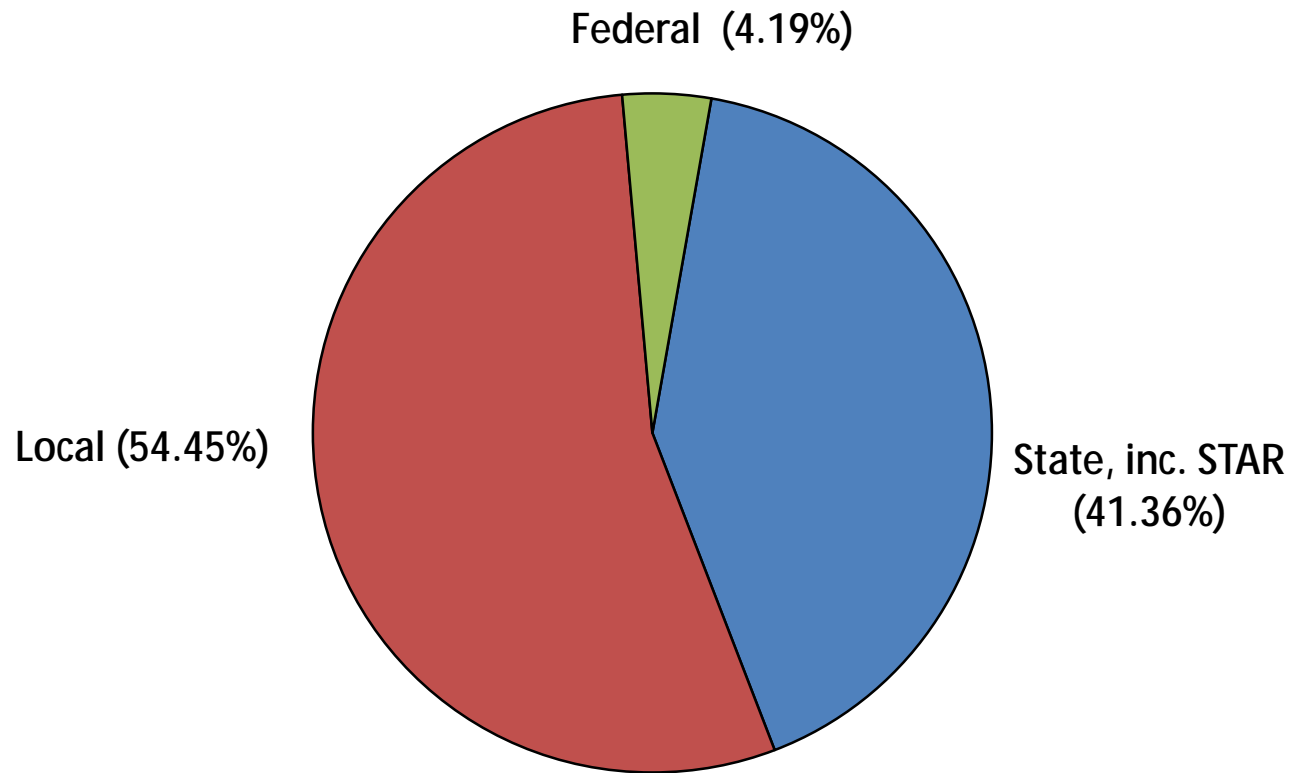


Figure 1 - Sources of Revenue for Education

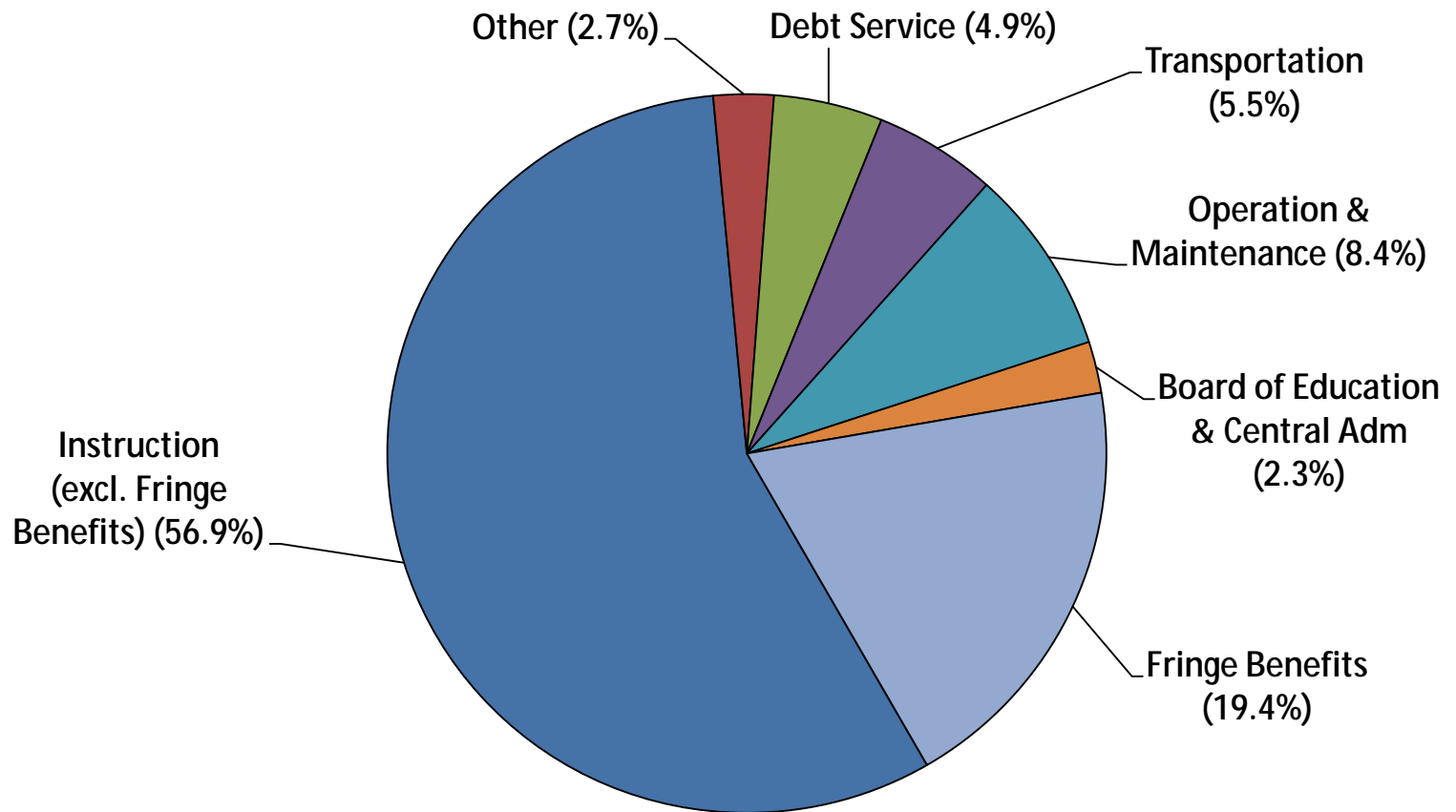


Figure 2 - Where the Education Dollar is Going, 1984-85



## Components of School Finance A Comparison of School Districts by Property Wealth Per Student<sup>13</sup>

Districts vary dramatically in their wealth per pupil. The average property wealth per pupil in the lowest wealth districts is \$177,534, about seven percent of the actual valuation per pupil in the highest wealth districts (\$2,423,101).

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Table 2 - 2013-14 WEALTH, EXPENDITURE, REVENUE, AND AID DATA RANKED BY ACTUAL VALUATION PER TWPU DECILES FOR ALL MAJOR DISTRICTS EXCLUDING NEW YORK CITY

Actual Valuation/TWPU Deciles (upper limit shown)	Actual Valuation per TWPU	AOE per TAPU for Exp.	Total Exp.** per TAPU for Exp.	DECILE AVERAGE*		Income per TWPU	Income per Return	Tax Rev. Q2.08317.5(ax3- )JTJ
				STAR Revenue per TAPU for Exp.	Other Revenue from State*** per TAPU for Exp.			
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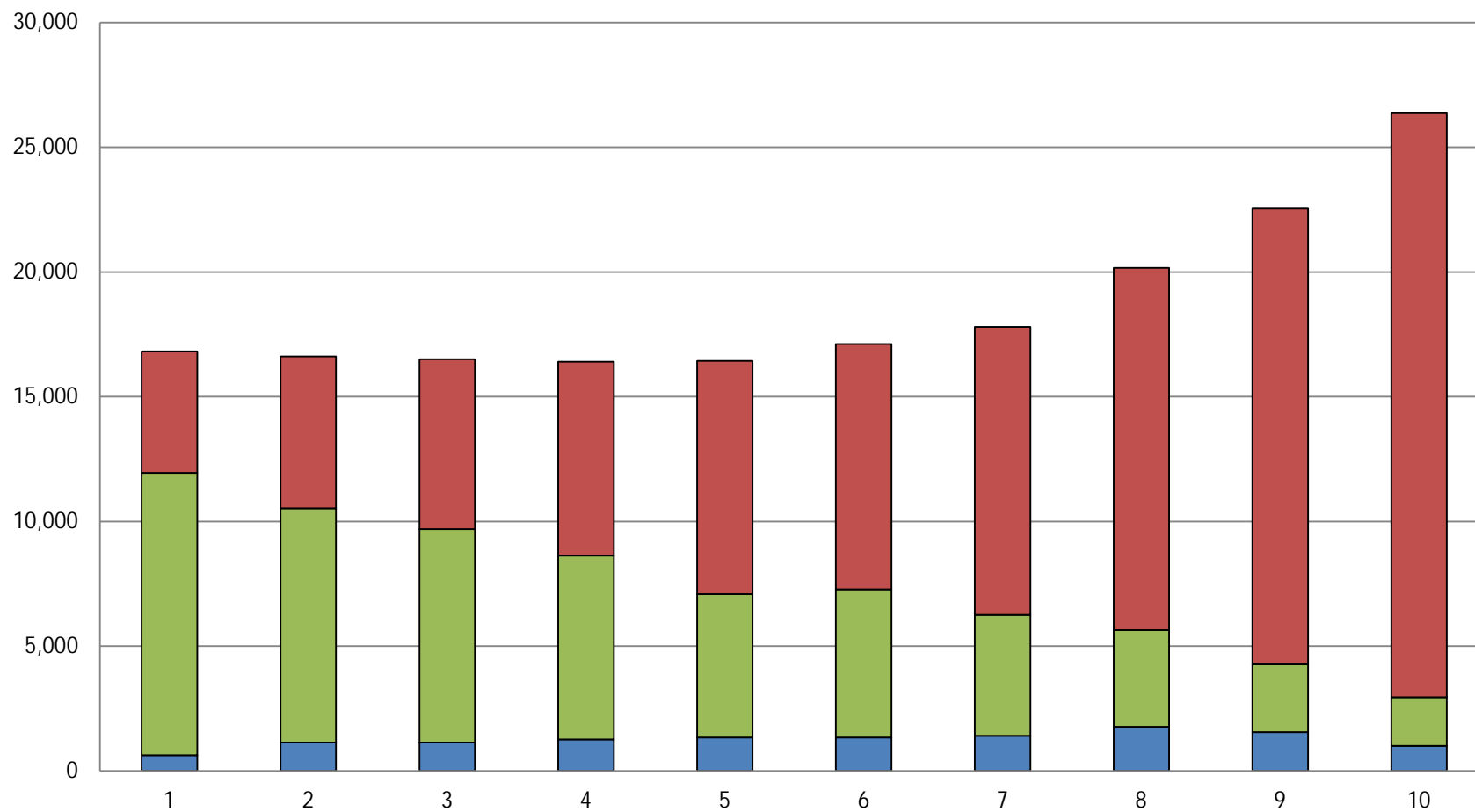


Figure 4 - Components of Total Expenditure per Pupil by Wealth Groups (Deciles)











# Foundation Aid State Sharing Ratio

State Sharing Ratio Calculation (1):

- Compare District Wealth Measures to State Average Wealth Measures

- Compute:

$$\frac{\text{District Actual Value per Pupil}}{\$555,100}$$

$$\frac{\text{District Income per Pupil}}{\$187,300}$$

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

$$0.50 \times \frac{\text{Dist AV per Pupil}}{\$555,100} + 0.50 \times \frac{\text{Dist Inc per Pupil}}{\$187,300}$$

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

For Example:

Average Wealth District	CWR = 1.00	1.00
Below Average Wealth	CWR = Less than 1.00	.20
Above Average Wealth	CWR = Greater than 1.00	1.60

# Foundation Aid State Sharing Ratio

## State Sharing Ratio Calculation (2):

**Basic Principle:** The poorer a district is compared to the State average, the greater the State Sharing Ratio. For high need/resource-capacity districts, the State Sharing Ratio is multiplied by 1.05.

<u>If the district's CWR is:</u>	<u>Then the State Sharing Ratio is computed as follows:</u>
.627 or less	$1.37 - (1.23 * CWR)$ with a maximum ratio of .90 Range .599 to .900
.627 - .800	$1.00 - (.64 * CWR)$ Range .488 to .599
.800 - 1.336	$.80 - (.39 * CWR)$ Range .279 to .488
Greater than 1.336	$.51 - (.173 * CWR)$ with a minimum ratio of zero Range 0 to .279





# 2006-07 Foundation Aid Base

## SELECTED EXPENDITURE-BASED AIDS

Aid (\$ and # for major districts)	Formula/Calculation <sup>16</sup>
Building Aid \$2,996.8 million 671 districts aided 674 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 w l vpr -1.; 14.04 226.5(0.001 Tw 10.w 10.w 1-1.13.2(t)9.744368 0 Td ( )



## SELECTED EXPENDITURE-BASED AIDS

Building Reorganization

Incentive Aid

\$25.0 million

77 districts aided

93 districts potentially eligible



## SELECTED EXPENDITURE-BASED AIDS

Aid Ratio =  $1 - (.51 \times \text{AV/RWADA wealth ratio})$ ,  
 minimum = .00; maximum = .90.

Public Excess Cost High Cost  
 Aid

\$594.9 million

643 districts aided

674 districts eligible

Note: estimated expenditures  
 are based on district averages

but actual expenditures are based on actual expenditures



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 S.48 50.1e

Expanding our Children's Education and Learning (EXCEL)	Starting with 2006-07, a total of \$2.6 billion is available over multiple years for capital construction. The maximum allocations are: \$1.8 billion for the New York City School District; \$400 million for non-NYC high Need/Resource-Capacity districts, based on a flat grant per pupil; and \$400 million for average and low Need/Resource-Capacity districts, based on a smaller flat grant per pupil.
Smart Schools Bond Act	In the November 2014 general election, voters approved the sale of State bonds up to \$2 billion. Proceeds will be allocated to school districts statewide to provide access to classroom technology and high-speed internet connectivity to equalize opportunities for children to learn, to add classroom space to expand high-quality pre-kindergarten programs, to replace classroom trailers with permanent instructional space, and to install high-tech smart security features in schools.