Foundation Aid—A Way Forward

The Council recommends a two-stage strategy for funding and fixing the Foundation Aid formula.

Enactment of the Foundation Aid formula in 2007 was a great achievement in public policy. The formula:

- generally provided the greatest aid per pupil to the neediest districts—and still does;
- promised all districts greater predictability in aid; and
- used factors that could be understood, evaluated and debated, making funding decisions more transparent and decision-makers more accountable.

But more than 10 years have passed, and facts have changed. Enrollments are down in many districts, but student needs are up in nearly all. New challenges have emerged for schools, especially in the area of student mental health. And there was no school property tax cap in 2007.

There are disagreements over whether to fix the formula now, or to defer any action on changes until the formula has been fully funded. Right now, the state is $3.8 billion behind in fully funding the formula, assuming the continuation of save-harmless so that no district loses aid.

We recommend a two-stage approach:

- One stage can and should be longer-term—deciding whether and how to change the basic formula, affecting how much districts should receive when the formula is fully phased-in and fully funded. This should not be attempted in the compressed time span between now the April 1 start of the next state fiscal year.
  
  The State Education Department should be directed and funded to conduct studies over the next year to develop options addressing concerns with student needs measures, construction of the regional cost index, and other issues. Assuring public and stakeholder engagement can help build consensus on changes—as was achieved with the original formula.

- The other stage is immediate and practical—determining how much each district should receive in the year ahead and how to phase-in the basic formula.
  
  We recommend continuing to accelerate progress toward full funding for the districts furthest from that goal. Together with our partners in the Educational Conference Board, we also urge adoption of a minimum increase for all districts at least matching the inflation rate used in the property tax cap (1.81%), rather than the 0.25% proposed in the Executive Budget or the 0.75% provided in the 2019-20 enacted budget.

Along with our ECB partners, we advocate adopting a three-year timeline for fully phasing in the formula, including a $1.5 billion increase for 2020-21.

Finally, as explained more fully in other memoranda we have produced, we strongly urge rejection of the Executive proposal to consolidate 10 expense-based aids into Foundation Aid.