

# Explaining the Executive Budget Foundation Aid Changes

## Foundation Aid Formula Now

**[(Foundation Amount X Pupil Needs Index X Regional Cost Index) – Expected Local Contribution]  
X Selected TAFPU, with save-harmless and sometimes a guaranteed minimum increase**

- **Foundation Amount:** \$7,821 per pupil, adjusted annually by inflation (8.0% for 2023-24 aid) – intended to represent spending necessary to support adequate general education, exclusive of costs aided through other formulas; uses spending of districts deemed successful based on state assessment results
- **Regional Cost Index:** divides state into nine regions; index is based on wages and salaries of workers with credentials similar to those required of teachers; index values have never been updated since 2007
- **Pupil Needs Index:** based on 3-year average % of K-6 Free/Reduced Price Lunch eligible enrollment, 2000 Census poverty rate, English Language Learners, and a sparsity factor (students per square mile)
- **Expected Local Contribution:** Varies based district property wealth and resident incomes, affected by changing pupil counts and how district compares to state as a whole
- **Selected TAFPU (Total Aidable Foundation Pupil Units):** Average Daily Membership, plus weightings (e.g., 1.41 for students with disabilities, .5 for declassified students, .12 for summer school students); more favorable of latest TAFPU or 2-year average (cushions declines)

The above steps result in an amount referred to in law as “Total Foundation Aid” (referred to here as the **full funding target**). In practice (going back decades) the state has allowed districts the greater of that formula amount or the aid amount it received in the prior year— “**save-harmless**.”

In many years, the state has also applied a guaranteed minimum increase, in some years the same percentage for all districts; in others, varying by district characteristics.

We speak of districts as being “**on the formula**,” or “**on save-harmless**.” For 2023-24, 35.5% of districts are on save-harmless; for 2024-25 that figure would rise to 43.3% *under current law*. Save-harmless funding for 2023-24 totaled \$326 million; 82% of that save-harmless funding goes to districts deemed average or high need.

## Governor’s Proposed Changes to Foundation Aid

### 1. Inflation Adjustment Change

Under Current law, the Foundation Amount is to be increased by a 4.1% inflation factor (in its November 2023 estimates, SED did not have complete data and applied a 3.8% inflation factor. The proposed budget would apply a 2.4% inflation factor based on the average change in the Consumer Price Index over the past 10 years, excluding the highest and lowest years.

The inflation change lowers the full funding target for all districts. For districts “on the formula,” this lowers the size of the increase they would receive, for most by 1.4 percentage points (e.g., instead of a 3.8% increase it might receive 2.4%). The change is also enough to push some districts on to save-harmless, if they were due for a small percentage increase under current law. Forty-nine additional districts fall on to save-harmless as a result, bringing the share of such districts to 50.1%.

### 2. Save-Harmless Reduction

The budget would reduce save-harmless by multiplying a district’s save-harmless amount—the difference between what the formula would provide (the full funding target) and their 2023-24 aid—by a wealth-adjusted reduction factor. Reductions range between 9.0% (for the poorest districts) to a maximum of 50%. Over half of save-harmless districts would receive 50% reductions.

The effect of the reduction is that a wealthy district might lose a large sum due to a high percentage reduction, while a poorer district may lose a large sum due to being deeply on save-harmless—if its save-harmless amount is very large, it would lose a large sum no matter how low its percentage reduction.

There is interplay between the inflation adjustment and the save-harmless reduction. For save-harmless districts, lowering the inflation adjustment lowers each district’s full funding target, thereby increasing the difference between their 2023-24 Foundation Aid and their 2024-25 full funding amount and thus also making the reductions larger.