



## **Foundation Aid and the impact on Monroe County School Districts**

### **Q. What is Foundation Aid?**

**A.** Foundation Aid is the base amount of money that school districts receive to run their programs and facilities or to “operate”. If you think about your own paycheck, then your base salary would be the dollars that you receive prior to any additions you may get as benefits. There are additional aids that school districts qualify for, but foundation aid is the largest component of these aides. Currently, the school districts in Monroe County\* receive **\$734,637,644** in Foundation Aid.

### **Q. How is Foundation Aid calculated?**

**A.** The Foundation Aid formula has become more complicated over the years and can be difficult to determine due to the manipulations it receives from the state budget year to year. The current legislation describing the state aid formula is 15 pages long. The formula was designed to promote equity across all school districts in a consistent, predictable, and fair manner based on two primary factors;

- School district wealth ratios- meaning poorer districts in the state would get more money, while wealthier districts get less and
- Population- districts with growing enrollments would receive more than districts without growth.

However, in 2009 the Foundation Aid formula was frozen due to the poor financial position of the state and in 2010, the Gap Elimination Adjustment (GEA) was adopted to allow money owed to schools to be diverted to fill state budget gaps. While the GEA was finally eliminated this past year, it has left a lot of questions about what will now happen with Foundation Aid.

Since the 2010- 2011 Monroe County school districts\* lost **\$481,612,243** because of the GEA. NOTE: This is a permanent loss for schools.

### **Q. How are our school districts affected by Foundation Aid?**

**A.** Due to the GEA and the freezing of the Foundation Aid formula, our districts have not received the dollars that they should have been getting all along. Again, thinking of your paycheck, this would be like having your salary frozen and then being forced to also give back some from your paycheck. Finally after several years of this, you no longer have to give up money, so you get back to what you originally earned, but now it is several years later. You not only lost, forever, those dollars that were taken away, but you are now behind those who didn't have either of these things happen.

In Monroe County\* the dollars that our districts should have received had the Foundation Aid formula not been frozen is **\$161,745,803**.

(\*this data includes the Kendall and Holley school districts)

**Q. What have our school districts been doing to deal with the loss of Foundation Aid?**

**A.** School districts have two major sources of revenue; state aid and property taxes. However, on top of freezing the Foundation Aid formula and instituting the GEA, in 2012, the legislature adopted the Tax Cap which limits the amount that districts can raise in property taxes. The tax cap law prohibits school districts from exceeding this cap unless they can get a supermajority vote supporting the proposed budget (60% versus a simple majority).

Because the tax cap has been well under its 2% limit due to a low CPI (Consumer Price Index), school districts have only two choices for protecting programs and services for their children under the current state aid limitations;

- Use their savings (called reserve accounts or fund balance). Once reserves (savings) are depleted, districts either have to cut programs and other services that support instruction or;
- Override the tax cap. School districts that have asked taxpayers to override the tax cap have had difficulties in getting budgets approved. IF a district that asks for a tax cap override fails to get approval, districts can try one more time, or they may submit a budget under the cap. IF they fail to get a budget approved on the second try, they must revert to a \$0 budget increase from the previous year.

Like living paycheck to paycheck, districts that use their reserves without a mechanism for replacement become fiscally stressed. If there are no changes in the current state aid structure and tax cap formula, more school districts will fall into fiscal stress every year.

**Q. What might be a solution to the Foundation Aid problem?**

**A.** School districts need an adequate, equitable and stable funding mechanism in order to be able to develop budgets to meet the needs of all students. Unfreezing foundation aid allows for the formula to begin working again. However, just unfreezing the formula will not provide all of the relief that schools need. Adjustments will be needed to the formula and the tax cap if schools are going to be able to sustain their instructional programs and their facilities. Mandates also need to be addressed so that schools do not have to continue to add resources and staff in order to meet new requirements.

Invite legislators to your district. Provide them with your data and then have them tour your schools. This is a really effective way to help them better understand the impact that Foundation Aid has on your students and your community.