

RED HOOK CENTRAL SCHOOL DISTRICT

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New York State Foundation Aid Formula Modification Analysis

This analysis is presented by Bruce Martin, Assistant Superintendent for Business at Red Hook Central School District. Mr. Martin has been involved in New York State School Finance for over 30 years.

Executive Summary

Key takeaways from this analysis are summarized here.

1. Everyone should agree that the goal of a good state aid formula should be a wealth-based formula that allocates greater resources to school districts with less local capacity and lesser resources to school districts with greater local capacity. The resulting formula should be equitable, adequate, predictable, stable, and understandable.
2. The current Foundation Aid formula already meets this standard in a reasonable manner except that many of the factors that are used have fallen out of date, many districts have not been consistently on the formula because of capping and hold harmless provisions, and there is no predictable mechanism to automatically adjust annual payments based on the annual ability of New York State to fund the formula.
3. To the extent that modifications to the aid formula create greater or lesser funding for individual districts, these changes must be implemented over a long period of time to allow districts to plan for the new funding levels. This is important for both districts that will see a reduction in funding levels as well as districts that will see increases in funding levels. A sudden and drastic decrease in funding will cause fiscal difficulties that will result in loss of educational services for students in that district and a sudden and drastic increase in funding cannot be planned for and implemented in an effective and efficient manner and cannot be sustained as the pace of funding increases slow or reverse.
4. A historical look back at under and over funding should be considered when analyzing current and future funding levels and the phase in of those new funding levels for individual districts.

The More Detailed Analysis

The New York State Foundation Aid formula was created with the intention of ensuring equitable funding for school districts across New York State, balancing both the needs of students and the fiscal capacity of the communities in which they reside. However, changes to the formula or its implementation can have wide-reaching impacts, particularly for districts like Red Hook Central School District, which has a unique history with school aid distribution. While it is crucial to maintain a fair and just school aid formula, sudden changes in funding can lead to disruptions that threaten the stability of individual districts and, by extension, the quality of education for the students they serve.

The Elements of a Good School Aid Formula

At its core, a good school aid formula should address several fundamental principles to ensure fair and effective distribution of state resources:

1. Equity: The formula must account for differences in wealth and resources among school districts. Wealthier districts with higher wealth factors should receive less aid compared to districts with lower wealth factors and lower fiscal capacity. This ensures that students, regardless of where they live, have access to a quality education. There is certainly room for reasonable individuals to disagree on the details of an equitable formula, but the formula should involve a variety of wealth and need measures designed to distribute resources fairly.
2. Adequacy: The aid provided must meet the basic educational needs of every student. It should ensure that all districts, regardless of local circumstances, can meet state educational standards without placing an undue burden on local taxpayers in individual communities.
3. Predictability and Stability: A strong formula should provide districts with predictable funding levels so that they can plan their budgets and programming for the long term. Sudden reductions in funding destabilize district finances, often forcing schools to make drastic cuts that can harm students. Additionally, sudden increases in funding can be just as harmful in that these funds tend to be spent inefficiently when first received and then programs implemented become difficult to sustain when funding increases slow or reverse. The current Foundation Aid formula does not contain a mechanism to predict and adjust for the annual fluctuations in New York State ability to fund the formula. This leaves school districts with last-minute access to the determination of funding levels on an annual basis and the challenge of adjusting to those annual fluctuations when attempting to plan long term budgets and programs.
4. Understandability: To be broadly accepted for the long term as fair and just, the formula must be understandable to schools and community members. Complex formula methodologies that produce results that are not understandable cause confusion and lack of confidence in the formula thereby rendering the formula ineffective over the long term.

These pillars are foundational for creating a system that ensures every child in New York State has access to the resources they need for a strong education. However, the proposed changes to the Foundation Aid formula could disproportionately impact certain districts, such as Red Hook Central School District, which has faced a long and complicated relationship with the formula, if they are not implemented gradually.

The Historical Perspective of Red Hook Central School District

For many years, Red Hook Central School District has been underfunded according to the current Foundation Aid formula. From 2007 to 2021, the district was funded at more than \$11 million below what the formula dictated. This significant underpayment placed immense strain on the district's ability to provide essential services, support staff, and maintain critical programs. For more than a decade, Red Hook was forced to do more with less, and its students and staff bore the consequences of these fiscal shortfalls.

It was only in recent years that Red Hook found itself in a "hold harmless" situation, where the district received more aid than the formula generated. While this has offered temporary relief, it does not erase the years of underpayment and the cumulative effects of those shortfalls on the district's overall stability. To now propose that Red Hook face cuts because it is receiving more than the formula generates seems deeply inequitable. Such a change would effectively penalize the district twice—first for the many years of underfunding, and now for receiving relief that was long overdue.

The Need for a Fair Transition

Any adjustment to the Foundation Aid formula must be implemented with care to ensure that districts like Red Hook are not disproportionately harmed by sudden changes. While it is essential to refine the formula to meet the current needs of New York's students, the state must consider the disruptive impact of immediate aid decreases. School districts require time to adjust to new funding levels, particularly after years of financial stress. A sudden reduction in aid would likely lead to program cuts, staff reductions, and a diminished quality of education—outcomes that are especially harmful after years of prior underfunding. These negative impacts related to sudden decreased funding would be even more troubling because of the knowledge that sudden increases had been provided to other districts who were not in a position to efficiently absorb and use those resources. Sudden and unexpected increases in funding tend to be spent inefficiently and then programs implemented with those new funds become unsustainable as funding levels slow or reverse.

A gradual phase-in of any increases or reductions would offer a more balanced approach. This would allow Red Hook Central School District and other districts in similar positions to make thoughtful changes to their financial planning without causing undue harm to students, educators, and the broader community. The goal should not be to "punish" districts like Red Hook Central School District for finally receiving the funding they have long been deprived of but to create a system that lifts all districts equitably without destabilizing them in the process.

Conclusion

The Rockefeller Institute review of the Foundation Aid formula presents an opportunity to ensure that New York State school districts are funded in a manner that promotes equity, adequacy, and stability. However, it is crucial to recognize the individual histories of districts like Red Hook Central School District, which has experienced both underfunding and the temporary relief of a "hold harmless" status. Implementing rapid aid changes now would unfairly harm districts that have already endured years of financial strain.

A fair formula is one that accounts for past underfunding, provides adequate time for districts to adjust, and ensures that no student's education is compromised by sudden shifts in funding. As New York State looks to refine its school aid formula, the needs of students, communities, and the unique circumstances of districts like Red Hook must remain at the forefront of these discussions.

Respectfully Submitted,

A handwritten signature in cursive script, reading "Bruce T. Martin". The signature is written in black ink and features a long, sweeping horizontal line extending to the right.

Bruce T. Martin
Asst. Supt. for Business