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A Look at the New Basic Education Funding Formula

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Important Notes

- Formula is NOT designed to redistribute ALL current BEF funds; preserves base year funding so no district will receive less in BEF
- Formula is ONLY designed to distribute NEW BEF funds
- Do not compare districts based on % increase from the formula; it is dependent on current state funding
- Measuring current distribution of BEF (per student or total) with the new formula is misleading and irrelevant
- In 10 years (assuming 3% BEF increase/year), current haphazard BEF distribution still comprises almost 3/4 of the total BEF/district amount
- In 20 years (assuming 2% BEF increase/year), current haphazard BEF distribution still comprises almost 2/3 of the total BEF/district amount

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Important Notes

- Formula is designed to direct resources to districts that need them the most (growing districts, high poverty, high ELL, high charter school costs)
- Other factors are designed to address district geographic and fiscal capacity issues
- Formula is dynamic and distribution will respond to changing district demographics (new funds are redistributed through the formula each year)
- The formula is factor-specific; it does not distribute new dollars in the same way to all urban, suburban and rural districts

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Step 1: Count Students

Use 3 year average ADMs



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Step 2: Apply Poverty Weights

Research shows that students in poverty require additional resources to achieve academic benchmarks compared to their peers.





New Poverty Indicator

- Replaces free/reduced lunch with federal Census data for all 3 poverty weights
 - Cannot continue using FRL data due to participation in Community Eligibility Program and opting out of National School Lunch Program
- Measures residents not students
- Generally consistent with Title I measure



Acute Poverty



- Acute Poverty = % of children 6 to 17 years old residing in a school district and living below the poverty line (Census data)
- The % is applied to most recent year's Adjusted ADMs to get ADMs in Acute Poverty
- Acute Poverty Weight = 0.6
- All districts receive an adjustment

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Moderate Poverty



- Moderate Poverty = % of children 6 to 17 years old residing in a school district and living in families earning between 100-184% of the poverty line (Census data)
- The % is applied to most recent year's Adjusted ADMs to get ADMs in Moderate Poverty
- Moderate Poverty Weight = 0.3
- All districts receive an adjustment



Concentrated Acute Poverty



- Concentrated Poverty = 30% or more of all children 6 to 17 year old residing in a school district are living below the poverty line
- The % is applied to most recent year's Adjusted ADMs to get ADMs in Acute Poverty
- Concentrated Poverty Weight = 0.3
- This weight is in addition to the Acute Poverty Weight
- 42 districts receive an adjustment



Step 3: Apply ELL Weight

English Language Learners require additional resources, which may be in the form of individualized language instruction, to ensure they reach academic benchmarks.





English Language Learners



- Students identified in PIMS as English Language Learners
- ELL Weight = 0.6
- 423 districts receive an adjustment



Step 4: Apply Charter School Weight

Charter school tuition costs continue to increase and are a driving force behind rising school district budgets.





Charter School ADMs



- Students from a school district attending charter Schools
- Data comes from year end Child Accounting Reports
- Charter School Weight = 0.2
- 498 districts receive an adjustment



Weighted Student Count

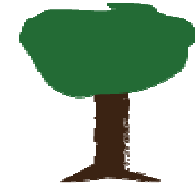
- SD ADMs
- Acute Poverty Adjustment
- Moderate Poverty Adjustment
- Concentrated Poverty Adjustment
- ELL Adjustment
- Charter School Adjustment

Weighted Student Count





Step 5: Sparsity/Size Ratio



- Provides an adjustment for small AND rural districts that can't achieve economies of scale
- Same measure used in Act 126 (Special Ed.)
- Measures ADMs/square mile compared to state average (40%) and total ADMs compared to state average (60%)
- Applies to districts above the 70th percentile of the combined ratio
- 150 districts get adjustments to their ADMs



New Measures

Formula uses new measures for local wealth and local effort, replacing Aid Ratio and Equalized Mills with more accurate factors





Step 6: Median Household Income Index

- New measure for local wealth
- Use Federal census data to determine median household income by school district
- Compare median district household income to state median household income (\$52,548)
- If > 1 = district median is below state median
- If < 1 = district median is above state median



MHII Calculation



$$1 / \frac{\text{SD MHI}}{\text{State MHI}}$$

Maximum MHII:

$$1 / \frac{\$20,152}{\$52,548}$$

MHII=2.6076

Minimum MHII:

$$1 / \frac{\$123,585}{\$52,548}$$

MHII=0.4252

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Median Household Income Index



- 220 districts receive a slight reduction in their ADMs (MHII <1) because their median household income is more than \$52,548
- 280 districts receive a slight increase in their ADMs (MHII >1) because their median household income is less than \$52,548

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Step 7: Local Effort Capacity Index

- New measure comprised of 2 components: local tax effort and local tax capacity
- Combines a district's local tax effort with the ability to generate local resources
- Functions as a multiplier
- Range of LECl: 0.09 to 2.25; median is 1.06



Local Effort Index

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- Replaces equalized mills as tax effort measure
- School district's local tax-related revenue divided by median household income times the number of households compared to the state median
- Index is adjusted down if a district's current expenditures are **more** per student than the state median



Local Effort Index Calculation



PART 1:

$$\left(\frac{\text{SD local tax-related revenue}}{\text{SD MHI} \times \text{Households in SD}} \times 1,000 \right)$$

49.84

EXAMPLES:

$$\left(\frac{\$1,777,716}{\$39,306 \times 2,217} \times 1,000 \right)$$

49.84

$$\left(\frac{\$155,220,310}{\$55,810 \times 22,334} \times 1,000 \right)$$

49.84

Minimum = 0.41

Maximum = 2.50

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Local Effort Index Calculation



PART 2:

$$1/ \left(\frac{\left(\frac{\text{SD current expenditures}}{\text{SD adj. ADMs} + \text{SD weighted ADMs}} \right)}{\$10,760} \right)$$

EXAMPLES FROM PART 1:

$$1/ \left(\frac{\left(\frac{\$8,852,578}{693 + 257} \right)}{\$10,760} \right)$$

= 1.16

$$1/ \left(\frac{\left(\frac{\$160,457,413}{10,267 + 2,297} \right)}{\$10,760} \right)$$

= 0.84

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Local Effort Index Calculation



- If Part 2 is GREATER than 1 (SD current expenditures/ADM is less than the state median), Local Effort Index=Part 1
- If Part 2 is LESS than 1 (SD current expenditures/ADM is more than the state median), Local Effort Index=Part 1 X Part 2

EXAMPLES FROM PART 1:

Minimum LEI

Part 1 = 0.41

Part 2 = 1.16

Local Effort Index = 0.41

Maximum LEI

Part 1 = 2.50

Part 2 = 0.84

Local Effort Index = 2.11

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Local Effort Index

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- High spending districts get a reduction in their index to disincentivize high taxing for high spending
- Low spending districts get no reduction applied to their index
- Median LEI= 0.92

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Local Capacity Index



- Local Capacity= district's ability to generate local tax-related revenue per student
- Compares a school district's personal income and market value to the state median of local tax related revenue divided by the sum of personal income and market value
- Adjusts **ONLY** those districts with a local tax capacity per ADM that is **less** than the state median



Local Capacity Index Calculation **\$\$**

$$\frac{\left[\left(\text{SD Personal Income} + \text{SD Market Value} \right) \times 1.32\% \right]}{\text{SD adj. ADMs} + \text{SD weighted ADMs}}$$

EXAMPLES :

$$\frac{\left[\left(\$2,454,174,434 \right) \times 1.32\% \right]}{30,362}$$

=\$1,067/ADM

$$\frac{\left[\left(\$18,726,794,633 \right) \times 1.32\% \right]}{7,933}$$

=\$31,160/ADM

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Local Capacity Index Calculation \$\$

If result is GREATER than \$6,198/ADM, Local Capacity Index = 0 (NO ADJUSTMENT)

If result is LESS than \$6,198/ADM, Local Capacity Index =

$$1 - \frac{\text{Part 1 } \$/\text{ADM}}{\$6,198}$$

EXAMPLE FROM PART 1:

$$1 - \frac{\$1,067}{\$6,198} = \text{Local Capacity Index} = 0.83$$



Local Capacity Index

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- 259 districts get no capacity adjustment because they have the capacity to raise more (MV + PI) than the state median per student
- Provides adjustment to 241 districts that have a capacity per student less than the state median
- Range of adjustment for 241 eligible districts is 0.01 to 0.83

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Local Effort Capacity Index



- Add **Local Effort Index** and **Local Capacity Index** together
- 182 districts receive a reduction in their ADMs (LECI<1)
- 16 districts have an LECI of 1
- 302 districts receive an increase in their ADMs (LECI>1)



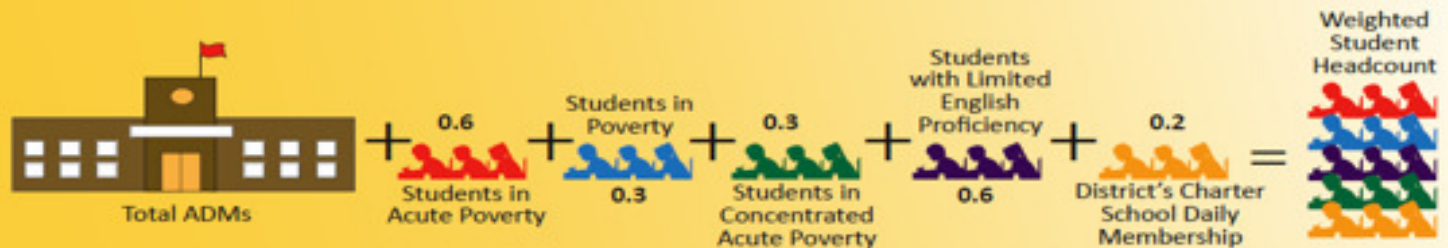
Step 8: Proration of New Dollars

- Multiply the **Local Effort Capacity Index** by the **Median Household Income Index** and by the sum of the **Weighted Student Count + Sparsity Size Adjustment**
- Divide each individual district's final product from the sum of the product of all districts (proration)
- This generates a % which will be each district's share of any new dollars added to BEF



Formula Recap

STEP 1: Weighted Student Count



STEP 2: District Adjustments





Relative Impact of Weighted Student Factors

3 year ADMs=	1,728,367 (82%)
Acute Poverty Weight=	181,040 (9%)
Moderate Poverty Weight=	88,671 (4%)
Concentrated Poverty Weight=	45,011 (2%)
ELL Weight=	29,131 (1%)
Charter Weight=	25,823 (1%)
Sparsity/Size Adjustment=	14,333 (1%)
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TOTAL Weighted Student Count=	2,112,377

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Relative Impact of District Factors

Weighted student count=	2,112,377 (78%)
MHII=	163,146 (6%)
LECI=	445,903 (16%)
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Total ADMs for Proration=	2,721,426

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Act 580 (1966) And ESBE (1983) Similarities

- The law transitioned funding based on teaching units to a formula based on district wealth (Aid Ratio) times Actual Instructional Expense per Weighted Average Daily Membership (WADM) times the district's WADM. There was also additional state support based on poverty, density or sparsity, home bound instruction and vocational education.
- Additionally, Act 580 set the level of state support at 50% of reimbursable costs. This funding framework remained in place until 1983.
- The ESBE formula:
 - Aid Ratio times Factor For Educational Expense (FEE) and times WADM.
 - The FEE was set at \$1,650 and
 - Additional funding by an Economic Supplement that used poverty, local tax effort and population per square mile as factors.
- The legislation creating ESBE removed the 50% state share and added a minimum annual increase of 2%. The ESBE formula determined state funding for schools through the 1991-92 fiscal year.



Northern Tioga School District

The Northern Tioga School District serves an extensive rural region, spanning 335 square miles across the northern section of Tioga County. The district has an enrollment of slightly more than 2,000 students. The current Aid Ratio for the districts is .7155 which ranks 75th and spends just under \$14,000 per ADM which is very close to the median in the state.



Example: Northern Tioga SD

3 year average ADMs	2,132
Acute Poverty Adj.	274 (456 students x 0.6)
Moderate Poverty Adj.	161 (538 students x 0.3)
Concentrated Poverty Adj.	No adjustment
ELL Adj.	1 (2 students x 0.6)
Charter School Adj.	11 (54 students x 0.2)
Sparsity/Size Adj.	77
Total Weighted Student Count	2,657



Example: Northern Tioga SD

SD Median Household Income	\$41,619
MHII	1.2626
Local Tax-Related Revenue	\$10,291,595
Number of Households	6,006
Local Effort	0.83
Current Expenditures	\$26,988,993
Current Expenditures/ADM	\$10,110 (below state median)
Ratio Current Exp/ADM vs State Median	1.06
Local Effort Index	0.83
SD Market Value	\$619,954,541
SD Personal Income	\$175,203,940
MV+PI per weighted ADM	\$3,932 (below state median)
Local Capacity Index	0.37
LECI (LEI + LCI)	1.20 (0.83+0.37)
Weighted Count x MHII x LECI	4,026 (2,657 x 01.2626 x 1.20)



Questions Remaining

- How much will go into the formula?
- When will additional dollars go into the formula?
- What will be the base year?

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