



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

TO: State Aid Subcommittee

FROM: Phyllis D. Morris
Chief Financial Officer *Phyllis D. Morris*

SUBJECT: 2023-2024 Regents State Aid Proposal

DATE: December 1, 2022

AUTHORIZATION(S): *Betty Morris*

Issue for Decision

Should the Board of Regents approve the 2023-2024 State Aid proposal reflecting the Regents' priorities for State Aid to school districts?

Reason(s) for Consideration

Review of policy.

Proposed Handling

The 2023-24 Regents State Aid Proposal will be presented to the Full Board for approval at the December 2022 meeting of the Board of Regents. The 2023-2024 Regents State Aid Proposal is attached (Attachment A).

Procedural History

Each year the Board of Regents, through its State Aid Subcommittee, develops a proposal on State Aid to support public education. The 2023-24 conceptual proposal was discussed by the Board at the October and November State Aid Subcommittee meetings.

Background Information

As the 2023-2024 state budget development cycle commences, several issues have risen for state policymakers and school districts around the state. With full funding

of Foundation Aid in 2023-24, the Regents State Aid Proposal is able to address other critical issues, such as expanding access to Career and Technical Education (CTE) and reducing barriers to regionalization. The proposal is designed to provide both fundamental support for district operating needs and targeted support for educational needs.

Related Regents Items

November 2022: [Conceptual 2023-2024 Regents State Aid Proposal](https://www.regents.nysed.gov/common/regents/files/1122sad1.pdf)
(<https://www.regents.nysed.gov/common/regents/files/1122sad1.pdf>)

Recommendation

It is recommended that the Board of Regents take the following action:

VOTED: that the Board of Regents adopt the attached as their proposal on State Aid to school districts for the school year 2023-2024.

Timetable for Implementation

The Regents State Aid Proposal is effective immediately. The Regents State Aid Proposal is a recommendation to the Governor and the Legislature. The Governor will issue budget recommendations in January and ask the Legislature to approve a State budget by April 1.

2023-2024 Regents State Aid Proposal

Introduction

Each year, the Board of Regents begins the state budget development cycle with a proposal to improve the way in which the state meets the emerging needs of students and schools across New York. This year, the 2023-2024 budget cycle, marks the final year of the three-year phase-in of Foundation Aid. As the state completes this momentous achievement, the Regents have considered targeted supports that will complement the Foundation Aid increase.

The 2023-2024 Regents State Aid Proposal recommends new investments to improve education and funding equity throughout the state and enhance educational opportunities for all students. Overall, the proposal calls for \$3.4 billion in additional state aid for the 2023-2024 school year and additional commitments thereafter. The Board of Regents is committed to supporting all school districts through three key proposal components:

- Fully funding foundation aid and other state aids as provided under current law;
- Expanding access to Career and Technical Education across the state through enhanced aid; and
- Providing a series of options to encourage districts to engage in regional collaboratives to provide educational services at scale.

Foundation Aid (\$2.7 billion)

Full Funding of the Foundation Aid Formula

The 2021-2022 enacted budget implemented a three-year phase-in schedule for Foundation Aid, with 2021-2022 as the first year. The 2023-2024 school year will mark the completion of this long-term state funding goal. All districts will receive at least as much as is calculated by the formula, adjusted annually for inflation. The Regents proposal also includes a 3 percent minimum increase, adjusted by the state sharing ratio, to ensure districts with limited local resources receive an increase to help address rising costs.

Funding to Study Potential Foundation Aid Formula Changes

The Foundation Aid formula was a major policy accomplishment for the Board of Regents and New York State when it was enacted in the 2007-2008 budget. The formula replaced and combined approximately thirty existing aid programs into a single flexible operating aid formula based on actual district expenditures and student needs. Over time, opportunities for improved accuracy and targeting of aid have become apparent. This proposal requests \$1 million in 2023-24 for the Department to contract with a team of educational researchers and engage with stakeholders. The researchers

will first gather feedback from schools, advocacy groups, and school funding experts. This team will design and model research-based updates to Foundation Aid to inform discussions as to how to make the formula more equitable and responsive starting in the 2024-25 school year after the formula has been fully phased-in.

Enrollment Adjustment Aid

In addition, over the last several years, a limited number of districts have experienced unexpected and significant growth in enrollment, particularly among English language learners. While enrollment growth does not generate additional Foundation Aid until the year after enrollment has grown, the educational needs of the students cannot wait. To ensure districts have the resources required to serve these students, a new operating aid would provide current-year Foundation Aid funding for each new student in excess of 40 students and 2 percent of the district's total enrollment. Districts would apply on a form prescribed by the Commissioner of Education in the fall of each school year. The application would include an explanation of the need and how additional resources would be utilized. Once approved, funding would be paid as part of general aids in the current year based on district enrollment estimates. At the end of each school year, this aid would be reconciled to actual enrollment counts to ensure the resources match the enrollment.

Expense-based Aids – Improve Equity and Opportunity (\$293.3 million)

Fully Funding Expense-Based Aids and Updating Instructional Materials Aid

Expense-based aids provide state funds for critical school functions such as capital construction, transportation, and BOCES shared services. For the 2023-2024 school year, the Regents recommend an increase of \$293.3 million to fully fund expense-based aids.

This increase includes funding to update Instructional Materials Aids. These per pupil amounts have not been adjusted for inflation in many years, despite rapid increases in the cost of instructional materials and the shift towards technology. These enhancements will update per pupil amounts for inflation, utilize resident rather than attending enrollment, and apply an aid ratio to the calculations with a minimum to ensure enhanced aid is targeted to where it is needed. This enhancement also supports nonpublic schools through loans. Since nonpublic schools are often concentrated in high needs districts, adjusting the aid amounts upward for inflation will, in effect, increase support for both public and private sector students at the same time.

Aiding Zero-Emission Bus Transition Planning

The 2022-23 Enacted State Budget provided that all new school buses purchased in the state in 2027 and thereafter must be zero-emission (electric or hydrogen). This represents a major shift to the future of pupil transportation in New York. Department staff are working with multiple other state agencies to support our

districts through this historic transition. As we have worked together, the multi-agency group has identified several issues that may necessitate future changes to the two reimbursement-based aid programs that will support the transition costs: transportation aid and building aid. The details of the necessary changes will emerge over time.

Some school districts have already begun their planning for the transition, which could require increased electrical capacity at district bus depots, garages, and lots. This may require bus electrification studies, which are not currently aidable under transportation aid, but which for many districts will be an essential step to ensuring a safe and effective implementation of the initiative. The Regents State Aid Proposal would provide reimbursement to districts procuring a study on transitioning to zero-emission buses.

Supporting Regional Transportation

Some districts are considering regional transportation collaboratives which will provide centralized transportation through regional contracts or shared depots. This will reduce systemic costs by streamlining redundant services. These collaboratives could be operated by districts, BOCES, or counties. To encourage the creation of wide-ranging and diverse collaboratives, under the Regents State Aid Proposal, all districts utilizing these collaboratives would be eligible to receive the most favorable transportation aid ratio among participants.

Career and Technical Education – Improving Access

High quality Career and Technical Education (CTE) increases opportunities for students to prepare for their futures and supports the needs of New York State's employers. New York State has some very fine Career and Technical Education programs, but outdated and inequitable funding models limit many students' ability to participate in these programs. This is true in many communities across the state, from small rural districts to large urban ones. Often, students in the neediest districts have the *least* opportunity to acquire high quality training that will help them as the future workers in their regions.

To close this economic preparedness gap, the conceptual proposal recommends a significant change to the funding model for CTE. In particular, the Board recommends the creation of another tier of aid for CTE within BOCES aid to accompany expenses for other services, capital and lease, and administration. This new tier would increase support for CTE by designating actual CTE costs as aidable, up to the average regional per pupil expenditure. The same BOCES aid ratio would apply to these aidable expenditures.

At present, the districts which do not belong to BOCES - a group that includes the six largest cities in the state - receive support for Career and Technical Education through a program that provides aid at a far lower per pupil level than the also insufficient BOCES aid amount received for the same types of programs. The Regents

State Aid Proposal calls for more equitable support for CTE programming in non-BOCES districts by creating a new reimbursement-based special services formula that would generate higher aid amounts. This new special services formula would work similarly to the BOCES CTE tier described above. Actual CTE costs would be eligible for aid, utilizing the same aid ratio as BOCES. Aidable expenses would be limited to the regional average per pupil expenditure.

Regionalization Efforts for Educational Equity

New York is struggling with a shortage of certified teachers in many disciplines and across many areas of the state. In addition, most school districts have experienced enrollment declines, some very steep. In some areas, district enrollment has fallen to levels that imperil educational sufficiency. Regionalization is an essential component of a cost-effective plan to ensure that students can work with highly qualified staff and can choose from a wide variety of educational programming. Because no single approach will fit all situations, the Regents propose the creation of a menu of authorized regionalization options from which districts can choose the approach which is most likely to be successful in their community.

Reorganization Aid Changes

For some communities, the best model is for two or more local school districts to combine to make a single, larger school district. The larger school district may have the capacity to provide enriched program options for students. In recognition of the benefits of consolidation, New York has had a mechanism that supports the costs by providing a financial incentive for districts to combine. This incentive enhances support for both district operations and building and has been in place for decades. Prior to the creation of Foundation Aid, the operations portion of the program was adjusted annually and represented (for the first few years after a consolidation) forty percent of the combined districts' operating aid for the year prior. This aid adjusted upwards for inflation since the incentive amount increased as operating aid increased over time.

However, when Foundation Aid was created and the operating aid formula was combined with other aids into the new Foundation Aid formula, no provision was made to allow the reorganization aid program to continue to adjust for inflation. Thus, it has remained "locked" at 2006 levels – reducing the district level impact of the incentive as inflation has increased costs. Updating these figures for inflation and providing additional incentives when three or more districts reorganize would restore critical financial support for managing differences in tax levies, administrative costs of consolidating, and other key needs. At the same time, the statutory provisions that guide the reorganization processes should be updated as well.

Regional High Schools

In other areas, regional high schools might be a more appropriate approach. This would allow the district to retain the benefits to the local community of having local elementary and middle schools but allow for the combination of the high schools from among several districts. Some districts currently do this by paying tuition to a neighboring district and sending that district their high school students. Other areas might benefit from the creation of a fully regional high school. Where a regional high school is created, the reorganization building aid incentive should apply, alongside long-term agreements between participating districts.

Whether they are a general studies regional high school or a regional technical high school, under the Regents proposal, regional high schools would have degree granting authority. Regional technical high schools are proven models that have improved student engagement, performance, and graduation in states with these schools. These schools are ideal for areas with sufficient enrollment to support existing schools but with a need for additional Career and Technical Education. Regional technical high schools would create centers where staff can develop cross-disciplinary full-day programs that align the program with labor force needs.

Under the Regents proposal, regional schools would be supported by a combination of existing aid, enhanced building aid, and new CTE aid. To form a regional high school, participating districts would negotiate a tuition rate with other participating districts, identify a location and necessary improvements, and submit an application to the Commissioner of Education for approval.

Statewide Virtual or Hybrid High Schools

Our experience with virtual technology during the pandemic has allowed us to think differently about how to serve students who are not able to attend traditional school programs. To address these students' needs, the Regents propose the creation of statewide virtual or hybrid high schools that would have full status as Local Educational Agencies (LEAs). These programs would employ certified teachers that provide an array of advanced coursework to students across the state, or full programs to students who would benefit from a virtual program (including, but not limited to, students in long-term hospital settings, gifted students, students who must stay at home for medical reasons, students with school anxiety, and students in juvenile justice settings).

For these programs, operating costs would be covered in a manner that parallels current funding mechanisms. For fully virtual programs, the state would calculate a Foundation Aid amount without a local share, based on the actual characteristics of the enrolled students. These programs would be provided with start-up funding for design and implementation. A high need district's pupil distribution would be used to establish a start-up weighting for year one, then revert in subsequent years to the actual weightings for students served. For students with disabilities who need in-person

services, the district of residence would provide services and generate state aid for the services. Funding for hybrid programs, such as those for students in detention, would combine support for onsite staff and the costs of providing other coursework online.

Mandate Relief

School districts face many requirements and mandates. Some requirements include the implementation of the educational program in a safe, appropriately transparent, and effective manner. Others, time may have shown, may not add significantly to the success of schools' core mission: the provision of high-quality education that prepares students for college and career.

Streamlining Financial Reporting

The state may have reporting requirements that are redundant. The Regents State Aid Proposal recommends convening a multi-agency team to streamline financial reporting. This will allow districts to spend fewer resources on state reporting without compromising the state's ability to provide oversight and support district efforts to provide equitable education to all students.

Fully Funding the Prior Year Claims Queue and Penalty Forgiveness

The Board of Regents proposal allocates \$300 million in one-time funds to fully satisfy the current prior year aid claims queue. The queue is a list of valid aid claims submitted too late for immediate payment. Funding for this queue has not been provided for two years. In addition, the 2022-2023 enacted budget authorized forgiveness for various penalties in transportation and building aid. Forgiven penalties will be added to the prior year claims queue under current law. The Regents proposal includes a new, separate appropriation of \$75 million to reimburse districts for all known penalties that may be eligible for forgiveness.

2023-2024 Regents State Aid Proposal
(\$ in millions)

Program	2022-23 School Year	Regents 2023- 2024 Request	Year-to-year Change
General Purpose Aid	22,639,863,102	25,413,749,608	2,773,886,506
Foundation Aid	21,334,376,795	24,043,673,593	2,709,296,798
Academic Enhancement Aid	28,271,832	28,271,832	0
Charter School Transitional Aid	47,192,542	51,784,445	4,591,903
High Tax Aid	223,298,324	223,298,324	0
Reorg. Incentive Operating Aid	3,614,302	3,023,008	-591,294
Prekindergarten Grants	1,003,109,307	1,063,698,406	60,589,099
Support for Students with Disabilities	956,446,076	969,921,932	13,475,856
Private Excess Cost Aid	363,497,959	420,816,699	57,318,740
Public Excess Cost Aid	588,634,950	544,792,066	-43,842,884
Supplemental Excess Cost Aid	4,313,167	4,313,167	0
BOCES and Special Services	1,375,705,847	1,415,106,006	39,400,159
BOCES Aid	1,134,712,451	1,176,001,986	41,289,535
Special Services Aid	240,993,396	239,104,020	-1,889,376
Instructional Materials Aids	256,610,053	321,435,972	64,825,919
Hardware & Technology Aid	34,147,536	74,682,311	40,534,775
Library Materials Aid	17,103,847	19,403,297	2,299,450
Software Aid	42,192,163	46,508,640	4,316,477
Textbook Aid	163,166,507	180,841,724	17,675,217
Expense-Based Aids	5,642,643,879	5,752,205,668	109,561,789
Building Aid	3,344,211,323	3,277,059,812	-67,151,511
Transportation Aid	2,298,432,556	2,475,145,856	176,713,300
Other GSPS	305,754,438	307,225,425	1,470,987
Prek Inclusivity Grant	0	20,000,000	20,000,000
Prior Year Claims Funding	0	375,000,000	375,000,000
Total GSPS	31,177,023,395	34,574,466,611	3,397,621,216