



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

TO: Subcommittee on State Aid and Full Board

FROM: John B. King, Jr.

SUBJECT: Regents 2011-12 Conceptual Proposal on State Aid to School Districts

DATE: November 8, 2010

STRATEGIC GOAL: 1, 2, 3 and 5

AUTHORIZATION(S):

SUMMARY

Issue for Discussion

Does the draft Regents 2011-12 Conceptual Proposal on State Aid to School Districts represent the Regents priorities?

Reason(s) for Consideration

Policy development.

Proposed Handling

The Regents Conceptual State Aid Proposal will be discussed by the State Aid Subcommittee and Full Board at the November meeting.

Procedural History

The Regents Subcommittee on State Aid began its discussion about the Regents 2011-12 State Aid proposal at its September 2010 meeting. At that meeting subcommittee members discussed legislative action for the current school year and the context for the 2011-12 Regents State Aid Proposal. In October, the Subcommittee discussed varying options for the continued viability of the Regents Examination Program given fiscal deficits, the balance between Foundation Aid and expense-based

aids, and reviewed and discussed a presentation on *Cost Drivers, State Aid and Education Reform: The Problem and Possible Strategies*.

Background Information

In light of diminishing revenues and escalating expenses, a tension exists between providing the resources needed to support educational reform and maintaining the current level of support for education including meeting the State's obligation for reimbursement of expense based aids. Containing future costs associated with expense based aids, e.g., Building Aid, Transportation Aid, BOCES Aid, and Public and Private High Cost Aid, is an important part of this conversation. In addition, the adverse economy calls for a reexamination of school district reorganization, mandate relief and use of BOCES capacity to support education reform and contain costs.

Recommendation

While no action is requested at this time, I am requesting that the Regents discussion give direction and support to the Regents Conceptual State Aid Proposal to inform the development of the Regents detailed State Aid proposal. The detailed proposal will be presented to the Regents for approval at the December meeting.

Timetable for Implementation

At the December 2010 meeting, the State Aid Subcommittee will review the 2011-12 State Aid Proposal with any revisions the Regents request and details concerning the dollar amount and distribution of State Aid and recommend it to the Full Board for adoption.

Regents Conceptual Proposal on State Aid to School Districts For School Year 2011-12

Introduction and Statement of Need

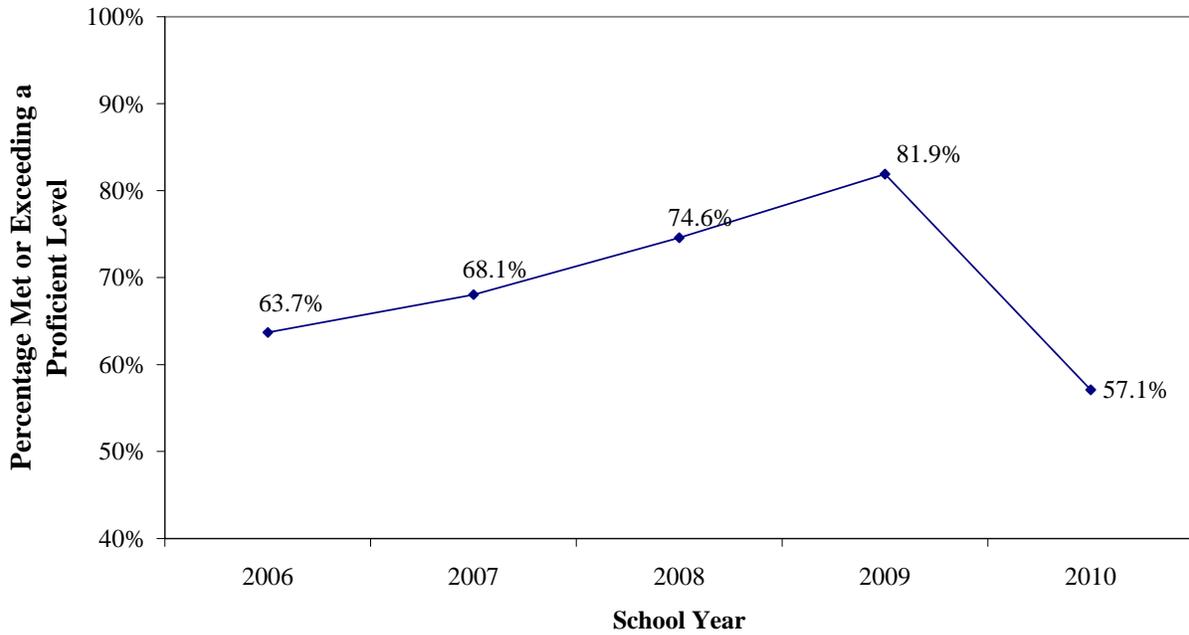
Supporting Students for College and Career Readiness

New York State students should complete their high school education with the highest preparation possible to ready them for college and careers. Are sufficient resources available, in conjunction with needed reforms, to ensure that all students are on the path to meet or exceed State learning standards? Can students plan on graduating with the knowledge and skills they need to be successful in college and work?

The Board of Regents has begun a strategic initiative to change the process of working with school districts in order to effectuate significant improvement in student achievement. This Regents reform agenda seeks to improve curriculum and assessment, establish a P-20 longitudinal data system, ensure great teachers and principals, and improve intervention in low performing schools. These reforms, funded with seed money by the federal Race to the Top grant, will need a State investment to sustain the progress that is made.

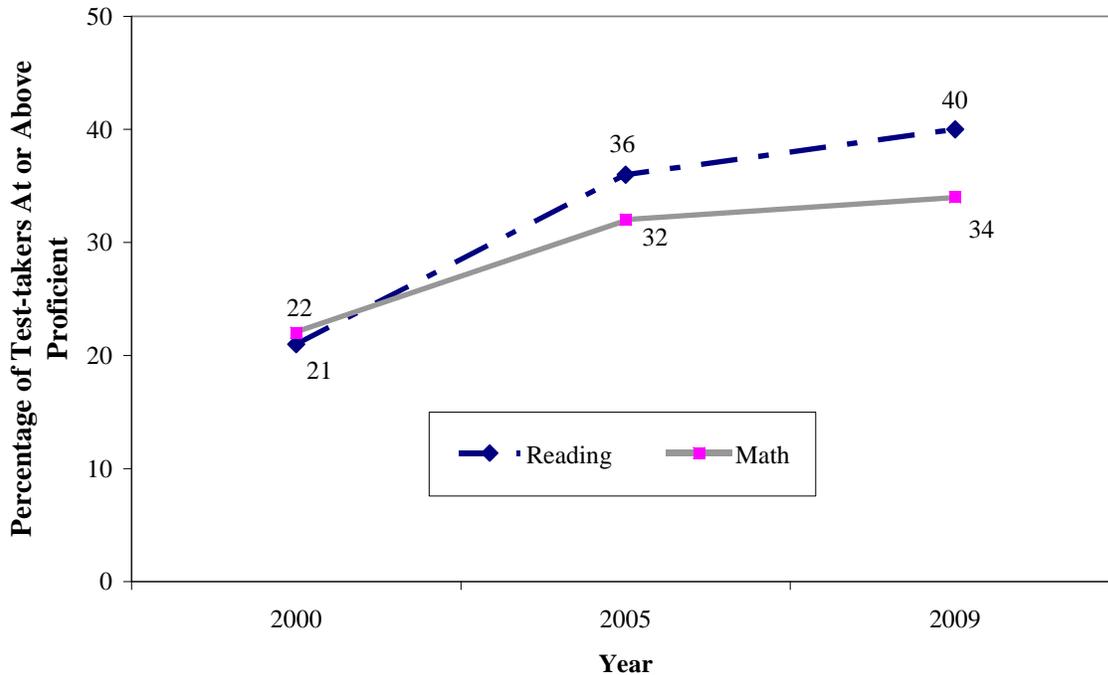
While students across the State have shown continued progress on the State's learning standards over the past several years, as measured by assessment results for Math and English Language Arts in grades 3 through 8, there was increasing concern that achievement at the proficient level on these assessments did not adequately prepare students for college and/or career readiness. In response to this concern, the Regents revised the minimum scores required for proficiency, effective July 2010. Figure 1 provides a five-year view of the average proficiency of students in grade 3 through 8 on the State's English Language Arts and Math assessments. The dip in 2010 reflects the Regents adoption of new higher cut scores as a measure of proficiency.

Figure 1. Average of Students in Grades 3-8 Achieving at Least at a Proficient Level on the Math and ELA Statewide Assessments, Last Five Years of Test Administration



The progress in student achievement over the past decade can also be examined using an objective measure of educational progress, such as statewide scores in math and reading on the National Assessment of Educational Progress (NAEP). NAEP scores serve as a predictor for future student outcomes. Figure 2 shows that in 2009 only about one-third of fourth grade students tested scored at proficiency levels in mathematics and less than one-half were proficient in reading. Students who are struggling in reading and math in the fourth grade will confront significant hurdles as they seek to master subject content in middle school and high school. The State's P-12 educational system has an obligation to provide all students with the skills they need to graduate from high school and pursue college or enter the work force as a productive member of society. Successful graduates will provide needed fuel to the State's economy and help promote its economic productivity and viability.

Figure 2: Percentages of New York Students Scoring at or Above a Proficient Level--4th Grade NAEP Reading and Math 2000, 2005 and 2009



A Poor Economy Presents Continued Problems

In an effort to improve student outcomes around the State and work toward closing the achievement gap, the Regents proposed a foundation formula which was the basis for the formula the State enacted in 2007. The foundation formula, when fully phased in, is intended to provide the funding to support a sound basic education for all students. However, despite substantial Foundation Aid increases in 2007 and 2008 the foundation formula was frozen in 2009 due to the poor economy and the phase-in was extended from four to seven years.

Each year that Foundation Aid is frozen, school districts that are highly dependent on State Aid get further behind than those that receive more of their funding from local revenues. These State-Aid-dependent districts have limited local fiscal capacity to offset the loss of State Aid which represents a greater proportion of their budget than less needy districts.

New York State anticipates a budget gap of \$9 billion in the next fiscal year and even greater projected budget deficits in subsequent years. The State's dire fiscal condition is mirrored locally and nationally. Decreased tax revenues and financial market losses have negatively affected all levels of government. Declining revenues and escalating school district costs are cause for great concern. Additionally, school aid costs are

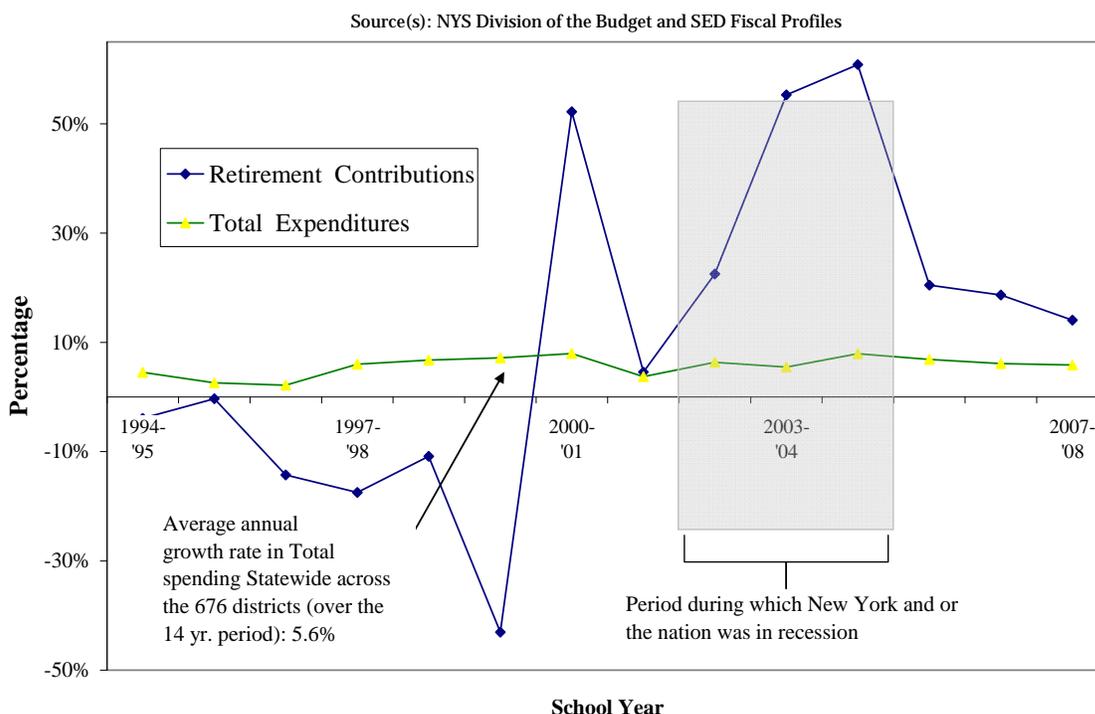
expected to increase more than previously anticipated in 2011-12 due to updated wealth and demographic information reported by school districts which reflect the challenging economic conditions faced by many families and communities.

Consistent increases in school district expenditures are exacerbated by demographic changes resulting in enrollment declines and growing numbers of retired personnel. These trends require a more in depth examination of the organizational structure and financial support of our schools. Costs are rising for several major spending categories within school district budgets. For example, instructional expenses and pupil transportation expenses have doubled since 1993-94. Expenses for teacher retirement, employee health and other instructional expenses, including charter school payments, have increased from two to more than three times over the same period.

Additionally, expense based aids, which include Building Aid, Transportation Aid, BOCES Aid, High Cost Excess Cost Aid and Private Excess Cost Aid, have grown dramatically, increasing by an average of \$340 million each year, or 44 percent, since 2005-06. This increase has resulted in reimbursement to districts from approximately \$4 billion in 2005-06 to approximately \$5.7 billion in 2010-11.

Figure 3 demonstrates that annual expenditures of school districts increased, on average, 5.6 percent between 1994-95 and 2007-08. It shows that retirement contributions required to be paid by districts are erratic, due in part to the increasing number of retirees in the system, as well as the performance of retirement fund investments. That is, districts pay less when the overall return on retirement investments is higher and more when market returns are diminished. The volatility of the market has resulted in districts paying more in retirement contributions in this weakened economy, compounded by a growing number of retirees for whom school districts must support health care and retirement costs.

Figure 3: Annual Percent Change in Statewide Contributions for Employee Retirement and Total Expenditures, School Years 1994-95 thru 2007-08



Note that while total expenditure data are not yet available for years subsequent to 2007-08, contribution rates continued to decline through 2009-10, but increased in 2010-11 and are expected to increase in 2011-12. Figure 4 shows the percent of payroll that the New York State Teachers' Retirement System (TRS) imposed on school districts for employee contributions from school year 2000-01 to school year 2010-11.

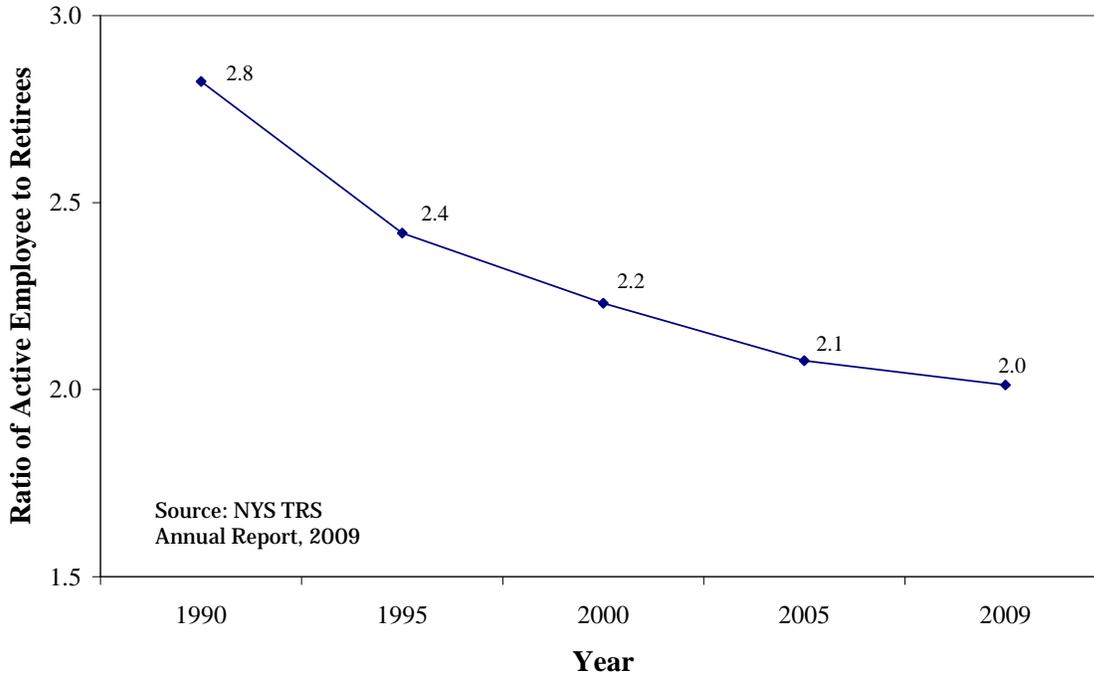
Figure 4. Percent of Payroll that the New York State Teachers' Retirement System Imposed on School Districts by Year

Salary Year	Contribution Rate
2000-01	0.43%
2001-02	0.36%
2002-03	0.36%
2003-04	2.52%
2004-05	5.63%
2005-06	7.97%
2006-07	8.60%
2007-08	8.73%
2008-09	7.63%
2009-10	6.19%
2010-11	8.62%

SOURCE: New York State Teachers' Retirement System Administrative Bulletin, Issue No. 2010-13, November 2010.

Figure 5 shows that the number of retired employees, for whom districts continue to pay health care and retirement, has increased relative to the number of active employees over the past 20 years. In 1990 there were 2.8 active teachers for every retired teacher. In 2009 there were only two active teachers for every retiree.

Figure 5: Ratio of Currently Employed Employees Covered by the Teachers Retirement System to Retirees, by Year



Federal Stimulus Funds Have Delayed the Funding Cliff

In 2009-10 and 2010-11 the federal American Recovery and Reinvestment Act (ARRA) of 2009 provided over \$3 billion in increased stabilization funding to mitigate school aid cuts and approximately \$2 billion in additional targeted funding. The Education Jobs Fund, enacted in 2010, has provided an additional \$607 million in federal stimulus funds for districts to be spent by the end of school year 2011-2012. It is anticipated that when the Federal stimulus funding is discontinued there will be a very sizable budget gap in the State's funding for education. The replacement of one-time injections of federal money and State cost savings is expected to require \$2.7 billion in increased resources in 2011-12.

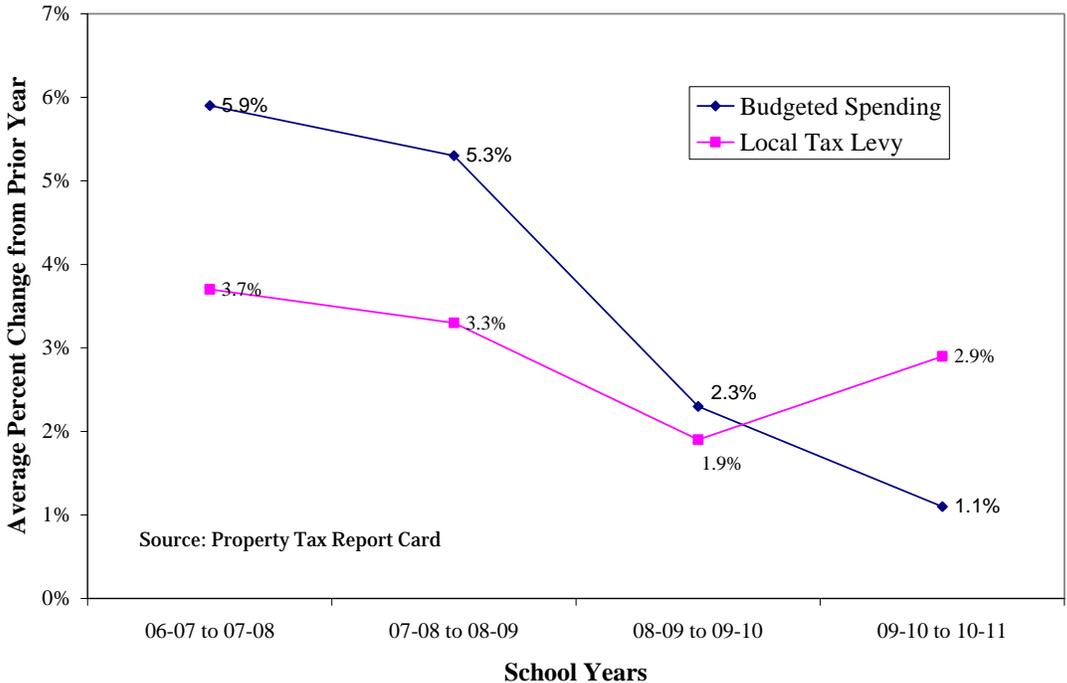
School Tax Relief (STAR)

In addition to school aid, New York State provides property tax exemptions to New York State homeowners. The School Tax Relief (STAR) Program provides Basic and Enhanced STAR Property Tax Exemptions to New York State homeowners for their primary residence. Basic STAR is available to anyone who owns and resides in their own home. Enhanced STAR is available to senior homeowners whose incomes do not exceed a statewide standard. A middle class STAR exemption enacted in 2007 was discontinued in 2009. The State makes approximately \$3 billion in payments each year to school districts to compensate them for reduced property tax receipts. Since STAR payments are linked to the value of the properties, more tax relief goes to school districts with higher property values.

Districts are Making Adjustments to Confront Economic Challenges

Districts are taking steps to address fiscal challenges. Despite federal stimulus funds providing a cushion from significant losses in State Aid in 2009-10 and 2010-11, districts are facing rapidly diminishing fiscal options. As a result they have taken measures to cut costs and limit tax rates. Figure 6 shows the decrease in budgeted General Fund spending that school districts have reported and their efforts to minimize tax levy increases. In order to achieve these results for school year 2010-11, districts used almost \$230 million in fund balance.

Figure 6: Statewide Average (outside of New York City) Percentage Change in Spending and Local Levy, SY 2006-07 to 2011-11



The Policy Dilemma—How to Raise Student Achievement in an Economic Crisis

The challenge before the Board of Regents is how can the State continue the progress in funding equity that has begun, and continue needed reforms, to help all students finish school and be college and career ready despite the economic crisis? Are there efficiencies in the educational system that will free up more funds to support student learning? Can the State improve the distribution of State Aid in a way that is fair to all school districts while better accomplishing the State's mission of providing an adequate education to all students? Are there key investments that if made will produce greater results for students and reduce costs in the future?

Recommendations

Identify the Fiscal Challenges that Lie Ahead

In order to help school districts face multiple challenges in the coming years, it is critical that school board members and school administrators have a means to examine the financial impact of various alternatives. The Board of Regents recommends that all school districts develop a three-year financial plan in a format designated by the Commissioner. Like the State's financial plan, these plans will serve as analytical tools to assist school administrators in their strategic decision making. The plans are not intended to predict the future but to identify future cost increases and savings that may affect the financial well being of the district.

Maintain the Commitment to Adequate Funding with the Foundation Formula

In order to provide all students with the opportunity to meet State learning standards, the Regents must ensure that all districts have the financial resources needed to provide a sound basic education. The funding structure must be fair to both students and taxpayers. It must allow for the provision of inputs, e.g., highly qualified teachers, appropriate facilities and other educational resources, which are required to adequately¹ educate students regardless of where they attend school. The formula should also continue to be linked to student success and provide the resources to support a certain level of outputs, namely the Regents learning standards.

State resources should be allocated on the basis of the cost of success and a district's fiscal capacity, compensating for regional costs and student needs. This is what the Foundation Aid formula was designed to accomplish and what was initiated with the statutory funding phase-in begun in 2007. However, as a result of the poor economy, funding was frozen in 2009-10 and in 2010-11 and the phase-in was extended from four to seven years. While very serious fiscal challenges exist, the State must maintain its responsibility and commitment to seek adequate funding for all school districts by resuming a portion of the Foundation Aid phase-in in 2011-12 to a modest degree, specifically targeting those districts which are still furthest from providing educational adequacy.

Experience has shown that when State Aid is frozen, there are inequitable consequences that have a disproportionate negative effect on high need school districts. These districts' resources are farthest from adequate and have a larger portion of their budget dependent on State Aid. The freeze affects a greater share of their budgets than districts that are less dependent on State Aid and which may be providing more than an adequate education at a reasonable tax rate.

¹ *Educational adequacy* is defined in the school finance literature as the resources needed to provide all students with the opportunity to meet a given level of achievement which, in New York State, is the Regents learning standards for elementary and secondary education.

Restoring the phase-in over an extended annual schedule will demonstrate the State's good faith effort toward the structural realignment of resources as intended when the foundation formula was adopted in 2007. Adjustments to the formula that recognize changes in student enrollment and district wealth will help to better target funds to the neediest students and to the districts that have the farthest to go to provide an adequate education. The current economic crisis has both reduced district revenues and increased the number of students in poverty, thereby increasing associated educational needs as well. We must continue to make progress toward educational adequacy even while coping with the budget crisis.

Sustaining Accountability through Student Achievement Results

In recent months, concerns have arisen regarding the fiscal sustainability of the Regents Examination Program. The Regents Exams provide the basis for New York State's educational accountability system by measuring student knowledge of required subject content and providing needed benchmarks for the State's accountability program. Recent reductions in State revenue, and a reliance on federal funds which are no longer available, have created a structural imbalance between the resources available to the State Education Department and the costs of administering the Regents Examinations Program.

Additionally, while costs have risen over time as a result of inflation, the addition of exams, increased costs of vendor contracts, and the need for more security, measures have already been undertaken to reduce costs. It should be noted, however, that as we move towards using State assessments as part of the evaluation process for teachers and students, it is imperative that adequate resources for test monitoring and security are included to improve oversight and security of State test administrations.

Chart A provides a recent history of the costs of Regents examinations. It should be noted that the cost for 2010-11 was a figure budgeted prior to the cost reduction strategies approved by the Regents in June 2010. The 2011-12 amount represents the current cost estimate after reductions, but also includes the estimated costs of additional exams in English Language Arts for grades 9 and 10.

Chart A
Costs -- New York State Regents Examinations

<u>School Year</u>	<u>Cost</u>
2007-08	\$12.8 million
2008-09	\$16.0 million
2009-10	\$17.6 million
2010-11	\$18.1 million
2011-12	\$15 million

Recommendation—Three Options

The Board of Regents has reviewed a range of options for addressing revenue shortages to fund the Regents Examinations. These include:

- 1) The Regents preferred recommendation is for the State to provide an allocation of \$15 million, including supplemental funds to ensure improved test monitoring and security in light of the role assessments will play in the teacher and principal evaluation process. This sum is needed to ensure the continuation of the current Regents exams and the restoration of State assessments for the Grades 5 and 8 Social Studies exams (which are to be eliminated as an emergency cost cutting measure); the continued translations of exams into Chinese, Haitian-Creole, Korean and Russian; and the continuation of the January administration of Regents exams. Because State assessments and accountability are a State responsibility this is the Regents preferred approach.
- 2) A second strategy is to charge the cost of the Regents exams to the schools, districts and nonpublic schools that use them. This would be achieved through an adjustment in school districts' State Aid payments. Education Law §209 provides general authority for the Regents to set a fee for Regents exams and there does not appear to be any statutory or regulatory prohibition on the State's ability to charge school districts, charter schools, and nonpublic schools for such examinations. The Regents recommend that authority be sought to allow the Department to recover these costs through an adjustment in the State Aid paid to school districts.
- 3) In the event that the 2011-12 enacted State Budget does not include the additional State funding requested, a third option is to eliminate all remaining Regents examinations, as shown in Chart B, that are not required for Federal accountability. This option will occur if funds are not identified but it is not recommended by the Regents because eliminating the exams will erode educational accountability. The list below includes all Regents exams not already eliminated in the 2010-11 school year. In addition, the Department would not proceed further with the planned future administration of Regents exams in English Language Arts for grades 9 and 10.

Depending on the scenario adopted, the Department may have to secure legislative and appropriation authority under the State Finance Law.

Chart B

Examination	Number of Students Tested in 2008-09
Regents Italian	8,244
Regents French	17,188
Regents Spanish	87,437
Regents US History & Government	225,410
Regents Global History and Geography	271,041
Examination	Number of Students Tested in 2008-09
Regents Physical Setting/Physics	48,057
Regents Physical Setting/Chemistry	111,218
Regents Physical Setting/Earth Science	174,614
Regents Geometry	113,405

Restructure State Funding for Universal Prekindergarten

Quality early childhood education makes good education and economic sense.² It is more cost effective to prevent the development of an achievement gap than it is to try to remediate the gap afterward. If the achievement gap is lessened from the start, the inevitable consequences of the gap are also impacted, such as a decline in the need for special education and academic intervention services.

State funding for Universal Prekindergarten (UPK), together with well planned and adequately funded early grade programs, gives all students a solid learning foundation. Research has documented the lasting impact of quality early childhood programs as an effective approach to supporting a more level playing field as children begin formal schooling. It has been consistently shown that participation in high quality early

² Belfield, Clive R. (2004) Early Education: How Important Are the Cost Savings to the School System?" Research Briefing. New York, NY: Teachers College, Columbia University.

childhood programs lead to both short-term and long-term positive outcomes for children, including increasing the rate of high school graduation and college readiness, higher work force earnings and a reduction in crime.

Universal Prekindergarten was launched in New York State in 1998 with a statutory funding phase-in designed to reach statewide implementation within four years. Implementation efforts have stretched to a decade but only 67 percent of school districts, or 450 out of 678, currently offer the program and only 45 percent of the State's four year olds participate. A primary goal for the program is to give all districts the option to participate and to improve access to UPK for all of the State's four year olds, including children with disabilities. Restricted access to UPK limits the positive gains that a universal P-12 system would ensure.

The UPK funding formula is complex and funding has been unpredictable in the past. Consistent with other State initiatives, funding for UPK was frozen in 2009-10 and 2010-11 at 2008-09 levels. In light of the research and tangible evidence regarding the many advantages of quality early childhood education for all students, the State should honor its commitment to a full phase-in of UPK. Better alignment of the UPK formula phase in with K-12 funding to provide more predictability to school districts is necessary to achieve statewide implementation. Additional flexibility in the use of funds would enable some districts to expand the provision of services from half-day to full-day. This flexibility would require legislative and regulatory changes and would need to be implemented in a manner that did not reduce the overall number of students participating.

Recommendation

It is recommended that the Regents support a restructuring of the UPK funding formula to provide more stability, greater predictability and greater flexibility and that the State commit to a phase-in of UPK to be aligned with the phase-in schedule for the Foundation Aid formula.

Suggestions for More Efficient Use Of State and Local Resources

The State Aid Subcommittee has explored State Aid implications of several proposals for the efficient use of resources and recommends that the full Board adopt.

Mandate Relief

The Regents will develop a legislative mandate relief package that helps school districts cope with the economic crisis. This will advance a comprehensive list of mandates that exceed federal requirements and that are not supported by research to yield essential education benefits. This package will address a variety of areas including but not limited to:

- Special education requirements;
- Middle school requirements;

- Seat time requirements; and
- Planning and reporting requirements.

Reorganize School Districts to Improve Student Performance and Close the Achievement Gap

Currently school district reorganization is a process involving two contiguous school districts that study and, if interest and educational benefits are shown, the citizens of each district vote on reorganizing as a single school district. The State has provided incentives for this process through additional Operating and Building Aid for reorganized districts. Although many school district reorganizations have occurred over the years, only four reorganizations have occurred in the past decade despite there being over 200 districts with enrollments of fewer than 1,000 pupils. The Regents educational reform agenda calls for all students to be college and career ready by the time they graduate. This demand for education reform, coupled with enrollment declines occurring across the State, and challenges to revenue generation at the State and local levels, provides an opportunity to re-examine school district reorganization. The Regents recommend changes to the school district reorganization process to better support the New York State education reform agenda. The goals of the Regents reform agenda are to:

- a) Adopt internationally-benchmarked standards and assessments that prepare students for success in college and the workplace;
- b) Build instructional data systems that measure student success and inform teachers and principals how they can improve their practice;
- c) Recruit, develop, retain, and reward effective teachers and principals; and
- d) Turn around the lowest-achieving schools.

In order to better focus school district reorganization on student achievement, the Regents recommend a two-tiered approach:

- Consolidate school districts on a broader level, including consideration of county- or BOCES-wide districts, through use of a Commission charged with creating a new structure of school district reorganization that supports greater educational opportunities, improved efficiency and reduced costs; and
- Provide adjustments to aids to support the school district reorganization process.

Commission on School District Reorganization to Improve Student Achievement

The proposed Commission will examine New York State's 1958 Master Plan for School District Reorganization and make recommendations for the reorganization of school districts consistent with today's need for education reform and cost reduction and the capacity of technology to support shared operations. The result of this work will be a

legislative proposal that recommends a new Master Plan for School District Reorganization to Improve Student Achievement. The Commission will review existing incentives and disincentives that affect school district reorganization to improve student achievement and make recommendations as needed.

Provide Adjustments to State Aids to Support the Reorganization Process

The State should enact adjustments to aid formulas to better support school district reorganization that encourages education reform. These adjustments might include:

- a. Link to Foundation Aid (rather than 2006-07 Operating Aid);
- b. Restructure Reorganization Incentive Operating Aid to support reorganization approved by SED toward the goal of improving student achievement and reducing costs over the long term.
- c. Provide an efficiency penalty deduction for aid to school districts which are recommended for reorganization on the State's Master Plan but elect not to reorganize; and
- d. Eliminate aid provisions that discourage reorganization by small districts (e.g., Sparsity, 98 percent Building Aid, etc.) with viable partners.

BOCES as Regional Leader

Boards of Cooperative Educational Services (BOCES) help increase the effective and efficient delivery of educational services in New York State through sharing among school districts. The District Superintendent is both chief executive of the BOCES and the Commissioner's representative in the field to promote education reforms and solve local problems. Increasingly the District Superintendent is being asked to serve as Regional Leader as well as Regional Service Provider. Recommendations include increasing the role of the District Superintendent and BOCES as Regional Leader and Regional Service Provider. These include:

- Encourage BOCES participation in regional transportation pilots required by the laws of 2010 to identify legislative and other obstacles in implementing regional pupil transportation.
- Extend the existing BOCES capacity to provide all BOCES services available to school districts to charter schools as well.
- Provide authority for BOCES to contract with agencies that educate children under the care of the Office of Children and Family Services to provide special education related services to children that need them.
- Advocate for the enactment of the legislative proposal to allow BOCES to do claims auditing for component school districts as part of the Central Business Office shared service.

- Provide authority for BOCES to provide services to the Big Four city school districts (Yonkers, Rochester, Syracuse and Buffalo). These city districts should be given the authority to contract with a neighboring BOCES in critical service areas where BOCES' capacity is greater than that of the respective city and to receive aid for those services. A corresponding increase in aid should be provided to the New York City school district to allow it to fund similar programs within the city district without BOCES. Such regional services can include:
 - Arts and cultural programs for students;
 - Career and technical programs for students;
 - Staff development as part of a district-required professional development plan and annual professional performance review; and
 - Technology services provided through BOCES.

Promote Shared Business Offices Run by BOCES

The Boards of Cooperative Educational Services (BOCES) Central Business Office shared service can have a direct financial impact on participating districts by decreasing school district costs for financial management. Central Business Office shared services may also create greater efficiencies in other district costs, such as the impact of long range budget planning on district commitments for employee salaries and benefits over time. Other benefits associated with participation in a BOCES Central Business Office include a greater focus by administrators on educational issues; greater expertise at the Central Business Office in areas such as budgeting and multi-year forecasting; and improved efficiencies and internal controls in the management of the district's finances. The limited number of districts participating in the Central Business Office model should be expanded, within limits established by law, regulation and professional auditing standards.

Achieve More Economies with Pupil Transportation

Transportation Aid is an expense-based aid which has been increasing rapidly. School districts currently spend approximately \$2.8 billion for pupil transportation, for which they receive \$1.5 billion in State Aid or approximately 54 percent of the expense. This represents an average annual increase of approximately six percent.

Chapter 378 of the Laws of 2010 authorized the Commissioner of Education to conduct one or more pilot programs to assist school districts in the formation of regional transportation systems. The Department has invited school districts, BOCES and other entities to participate in local regional pilot programs which will estimate and analyze the extent to which savings can be achieved through the formation of regional pupil transportation systems. Services may include such areas as home to school transportation, transportation to and from special education programs, shared transportation programs with another school district, shared transportation to charter schools and non-public schools, transportation for field trips and extracurricular

activities, and cooperative bus maintenance and management. Staff should work with pilot participants to identify obstacles to cost effective sharing and recommend solutions.

In addition the State should reconsider the structure of the Transportation Aid formula to provide incentives for cost effective service delivery. All districts should explore cost efficiencies in pupil transportation.

Promote High Performance School Buildings

There is ample support in the building industry for high performance “green” school facilities which can be developed at comparable, or minimally higher costs, than traditional building expenditures but which more than pay for themselves with building longevity and reduced annual energy costs. While school districts may need to secure more funding initially, the significant financial and operating benefits over the lifetime of high performance buildings merit State-level consideration. It is anticipated that green design buildings will reduce energy consumption by about 25 percent. Buildings using green design and long lasting materials also offer an environment that is more conducive to learning. Studies on air quality, temperature control and natural lighting have substantiated the benefits of green buildings in the educational arena. Use of green building design should be considered in any evaluation of State support for school construction.

Restructure Building Aid

The persistent growth for Building Aid in a time of steadily decreasing enrollments in most of New York State suggests a fundamental re-examination of the purpose of Building Aid is in order. Basic questions, such as “Have we met the existing need for school construction in New York State?” or “What are New York’s long-range plans for school facilities?” need to be asked. Building Aid is approximately \$2.4 billion in 2010-11 and has increased an average of 10 percent each year since 2005-06.

The current cost allowance formula determines the maximum cost to be aided when a district undertakes a building project. The formula is considered complex and has multiple moving parts making it difficult to determine the appropriate maximum cost allowance for an adequate facility. It can impede long range planning and force districts to design spaces at odds with their educational program goals in order to secure the greatest amount of State funding. In addition, modifying some existing facilities’ funding provisions would facilitate more targeted disbursement of State funding for capital construction.

Recommendations

Simplify the maximum cost allowance calculation, by providing a cost allowance based on a certain allotment of space and cost per enrolled pupil, to facilitate better long-range planning and ensure a more efficient use of State funds.

Establishing a blue ribbon panel to restructure Building Aid from the ground up could help to address a wide range of issues. The panel should be charged with addressing the following issues:

- How can the State best protect the \$50 billion investment in school facilities the State and local districts have made since the Building Aid incentives went into effect in 1998?
- How can the State promote quality standards and use of technology including green design schools to improve building quality and reduce costs over the long run?
- What is the proper balance between support for building maintenance and capital construction?

The panel should also consider recommendations to improve the effective support of school construction including but not limited to:

- Elimination of the 10 percent Building Aid incentive or limiting the incentive to critical projects;
- Elimination of the Selected Aid Ratio which gives school districts the choice of the most favorable Building Aid Ratio (State Share) going back to 1981-82;
- Limit Building Aid to no more than one project on the same building in a five-year period;
- Eliminate Building Aid for projects with a useful life of less than 15 years;
- Eliminate Building Aid for school districts with viable reorganization partners who do not reorganize; and
- Limit Building Aid for new projects for one year while the blue ribbon panel studies restructuring Building Aid.

Explore Statewide Health Insurance Plan Options for School District Employees

Health insurance for active and retired school employees is a cost area that has tripled over the past 15 years. The State should explore the potential of a statewide health insurance plan to save costs while maintaining services. Cost savings should be explored as possible measures to contain school district employee health care costs, including:

- 1) Expand the coverage pool; and
- 2) Explore the potential of other options for cost containment such as allowing the State to set a higher employee/retiree contribution than would be allowed district by district.

Staff will explore key issues relevant to establishing a statewide health insurance plan within New York State by considering evidence from other states and examining how costs compare to individual district plans.

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