



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

**TO:** Regents Subcommittee on State Aid

**FROM:** John B. King, Jr.

**SUBJECT:** Regents Proposal on State Aid to School Districts for School Year 2011-12

**DATE:** October 7, 2010

**STRATEGIC GOAL:** 2 and 5

**AUTHORIZATION(S):**

### **SUMMARY**

#### **Issue for Discussion**

What are key directions for the Regents State Aid proposal for the coming year? What is the appropriate balance between aid for general support of school operation and maintenance (Foundation Aid) and expense-based aids (e.g., Building, Transportation, High Cost Public Excess Cost Aid, Private Excess Cost Aid and BOCES Aid) to allow the State to make progress in achieving educational adequacy and thereby supporting student achievement growth? What funding recommendations should the Regents recommend to raise student achievement despite the economic crisis?

#### **Reason(s) for Consideration**

Review of policy.

#### **Proposed Handling**

These questions will come before the Subcommittee on State Aid at its October 2010 meeting.

#### **Procedural History**

The Regents began the cycle of developing their annual proposal on State Aid to school districts at the September 2010 meeting of the Subcommittee on State Aid. At that meeting they reviewed legislative action on State Aid for school year 2010-11, information concerning the federal Education Jobs Fund and discussed the context for this year's proposal.

## Background Information

Each year the Regents Subcommittee on State Aid develops a State Aid proposal for adoption by the full Board. Attachment 1 provides a listing of recommendations contained in last year's proposal. Attachment 2 provides pros and cons of the current funding system and conveys the rising costs of expense based aids. Attachment 3 provides graphic representations of the overall growth in expense based aids from 2005 to present (Figure 1) and dollar increases in these aids from 2006 to present (Figure 2). Attachment 4 describes an approach to examining State Building Aid--seeking to curtail State spending on school construction and freeing up funds for school operation. Attachment 5 provides details on promoting efficiency and effectiveness in the use of BOCES services. Attachment 6 presents key policy questions for discussion by the Subcommittee. Appendix A provides the fiscal data underlying the expense based aid charts presented in Attachment 3.

## Recommendation

Not applicable.

## Timetable for Implementation

This discussion will inform the development of the Regents State Aid proposal to occur from now until the Regents approve their State proposal in late 2010. As part of this process, the Subcommittee will have a conversation with a group of educational associations known as the Department's Education Finance Advisory Group, which advise the Regents and Department on school aid issues. The purpose of this consultation is to get the broader reaction of the range of New York State educational associations to school aid and educational issues.

## Last Year's Conceptual Proposal

- **Recommendations**
  - Continue to move toward adequacy by maintaining commitment to the Foundation Aid formula and refining distribution of funds to support high need districts
  - Restructure State UPK Funding
  - Restructure High Tax Aid
  - Reform Expense Based Aids
    - Building Aid and building cost allowance
    - Update BOCES millage aid ratio formula to reflect tax effort
    - Provide flexibility for Instructional Materials Aid
  
- **Suggestions for more efficient use of State and local resources**
  - Encourage more Green Design buildings promoting energy efficiencies
  - Mandate Relief by streamlining school district planning and reporting
  - Regional task forces to explore district or functional consolidation
  - Promote regional transportation pilot programs
  - Promote shared business offices run by BOCES
  - Reduce school district borrowing costs in Suffolk County

## The Context for State Aid in the Coming Years

Federal stimulus funds for education stabilization, government services and education jobs have provided resources to provide some stability to education budgets in school years 2009-10 and 2010-11. The federal government will not provide additional resources after this. This produces a serious funding gap for the State and school districts to grapple with beginning in 2011-12. Considerable evidence suggest that the economy may not return to its previous state in which the education system can be supported unchanged. The Regents Subcommittee on State Aid will review data on the funding cliff, school district costs that are increasing at unsustainable rates and strategies that other states have employed to offer a less expensive education system.

## **Pros and Cons of New York State School Funding**

### ***Pros***

#### **Foundation Aid**

- Based on the cost of successfully educating children
- Consolidated 30 aids, making school aid more transparent and simpler
- Included a Pupil Need Index in the formula that provided greater weight for students that need extra time and help to meet State learning standards
- Included a Regional Cost Index in the formula that recognized the relative purchasing power for goods and services around the State. This helps in particular high poverty, low wealth school districts situated in high cost areas of the State.

#### **Expense-based Aids**

- Leverages local and federal resources
- Honored prior commitments made by the State

### ***Cons***

#### **Foundation Aid**

- Lack of funds has frozen the formula for two years with a cut enacted for 2010-11
- District expenses, although tempered, are projected to increase 1.4 percent next year.<sup>1</sup>

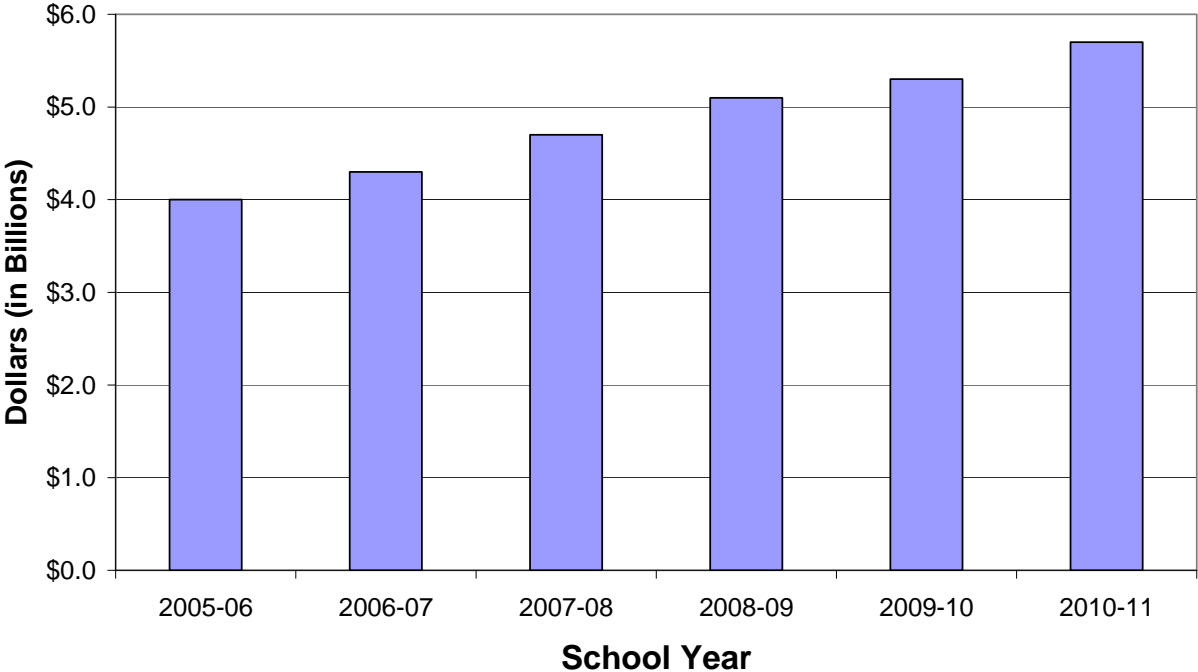
#### **Expense-Based Aids**

- Expense-based aids grow each year at high rates
  - Expense-based aids grew from approximately \$4.0 billion to \$5.7 billion from 2005-06 to 2010-11, an average of \$340 million per year (Figure 1).
  - Over this period, the dollar increase year to year was greatest for State Building Aid and second greatest for State Transportation Aid (Figure 2)

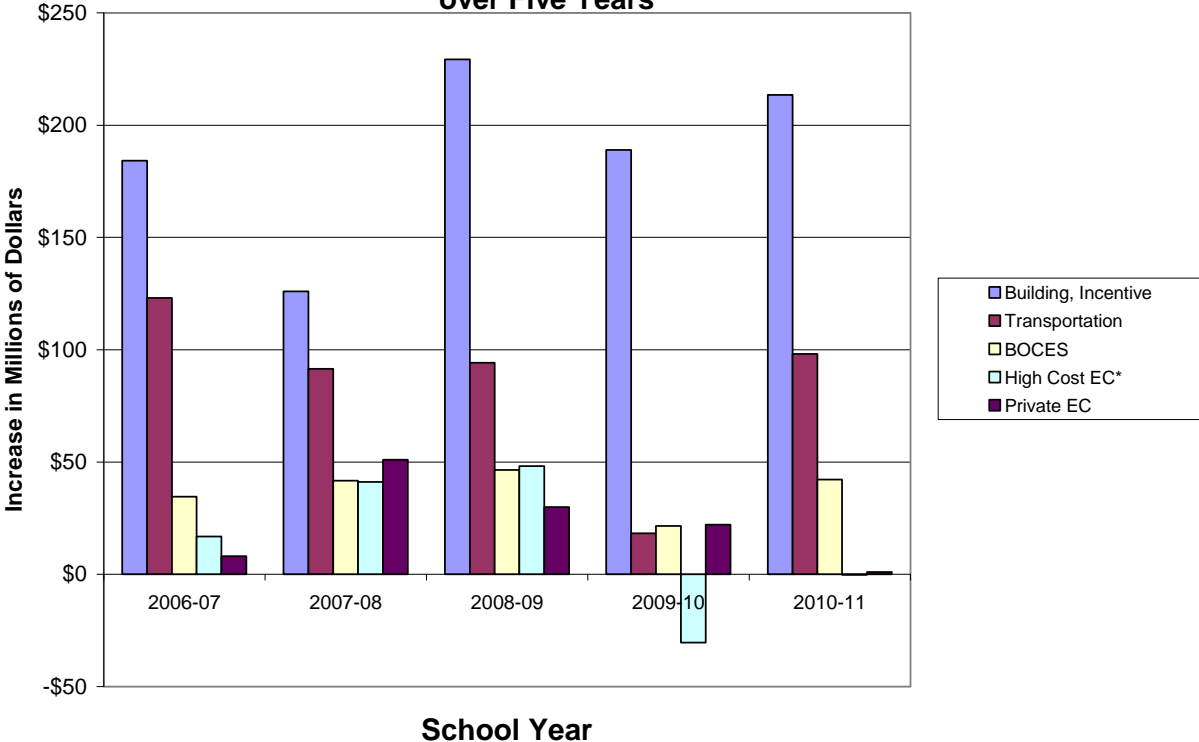
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<sup>1</sup> New York State Property Tax Report Card (<http://www.p12.nysed.gov/mgtserv/propertytax/>)

**Figure 1. Forty-four Percent Growth in Expense-Based Aids over Five Years**



**Figure 2. \$1.7 Billion Dollar Increase in Expense-Based Aids over Five Years**



## Restructure Building Aid

- The persistent growth in demand 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 NYS?” or “What are our long-range plans?” need to be asked.
- 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 in today’s environment. 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.
  - Simplifying the maximum cost allowance calculation, i.e., a cost allowance based on a certain allotment of space and cost per enrolled pupil would facilitate better long-range planning and ensure a more efficient use of State funds. The law sets a reasonable cost ceiling for all capital projects. However, the current system, in some cases, forces a district to compromise the desired educational goal in order to achieve maximum reimbursement.
- Establishing a blue ribbon panel to restructure Building Aid from the ground up could help to address a wide-range of issues. The composition of the panel to conduct this re-examination could take several forms, including:
  - An SED-led panel. This would be the cheapest and most efficient option. However, it also generates the least local support.
  - A consultant-led panel. The most expensive option, but provides expert neutrality.
  - A BOCES-led panel. A version of this was proposed by the Suozzi Commission. The BOCES Superintendents are viewed by some as combining educational expertise with knowledge of local conditions
- Quality standards and technology issues will be addressed. “Green School Designs” which save energy, have a longer life span, and provide classroom environments more conducive to learning, i.e., natural light, better air quality and temperature control, should continue to be promoted.

## **BOCES as Regional Leader**

Boards of Cooperative Educational Services help increase the effective and efficient delivery of educational services in New York State through sharing among school districts. Recommendations for increasing this capacity include:

- Require the establishment of BOCES School District Restructuring Committees to study and review the organization and operation of school districts within each BOCES region. The purpose of the Committees would be to identify and evaluate opportunities for cost savings and improvement of services through restructuring of school district functions and school district reorganization. Any recommendations to the commissioner for school district reorganization should support a more efficient and economical provision of educational services in the region and be in the best educational interest of the children in the area.
- Using BOCES-led panels to study the restructuring of Building Aid.
- Extend the existing BOCES capacity to provide all BOCES services available to school districts also to charter schools.
- Encourage BOCES participation in regional transportation pilots required by the laws of 2010 to identify legislative and other obstacles in implementing regional pupil transportation.
- 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 for services in critical service areas where BOCES' expertise is strong and the city's is weak or non-existent.

A program should be established authorizing the Big Four city school districts to participate in BOCES and purchase services from them. 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;
- Technology services provided through BOCES; and
- Regional teacher certification.



## **Policy Questions**

### **The policy dilemma—how to raise student achievement in an economic crisis**

- How can the State continue progress it has made in providing the opportunity for all students to meet State learning standards, and that school districts have made in educating more students to these standards, 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?

Appendix A

**New York State Expense-Based Aids**  
**Changes in School Year Amounts and Dollar and Percent Increases from the Prior Year**  
 May 2010 Database

Aid	school year \$ amounts in millions						\$ change from prior year					% change from prior year				
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
Building, Incentive	\$1,539.32	\$1,723.53	\$1,849.49	\$2,078.81	\$2,267.75	\$2,481.26	\$184.21	\$125.96	\$229.32	\$188.94	\$213.51	12%	7%	12%	9%	9%
Transportation	1,225.67	1,348.77	1,440.20	1,534.43	1,552.69	1,650.79	123.10	91.43	94.23	18.26	98.10	10%	7%	7%	1%	6%
BOCES	548.85	583.41	625.11	671.51	693.02	735.24	34.56	41.70	46.40	21.51	42.22	6%	7%	7%	3%	6%
High Cost EC*	415.28	432.09	473.22	521.45	491.04	490.85	16.81	41.13	48.23	-30.41	-0.19	4%	10%	10%	-6%	0%
Private EC	218.72	226.76	277.85	307.76	329.91	330.92	8.04	51.09	29.91	22.15	1.01	4%	23%	11%	7%	0%
	\$3,947.84	\$4,314.56	\$4,665.87	\$5,113.96	\$5,334.41	\$5,689.06	\$366.72	\$351.31	\$448.09	\$220.45	\$354.65	9%	8%	10%	4%	7%

\* not paid separate from total public excess cost aid in 2005-06 and 2006-07.

May data