



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

TO: Subcommittee on State Aid
FROM: Ken Slentz 
SUBJECT: Development of 2012-13 Regents State Aid Proposal
DATE: November 4, 2011
AUTHORIZATION(S):

SUMMARY

Issue for Discussion

Do the Regents agree with the goal and approach for the Regents proposal on State Aid to school districts, as outlined in the attached material? Given limitations on education revenues and fiscal challenges facing school districts, staff prepared a short report to continue the development of the Regents State Aid proposal for school year 2012-13. The goal is to focus the Regents Subcommittee on State Aid on the major decisions necessary to develop the Regents State Aid proposal.

Reason(s) for Consideration

Development of policy.

Proposed Handling

These questions will come before the Subcommittee on State Aid at its November 2011 meeting.

Procedural History

The Regents reviewed legislative action on State Aid to school districts at their May meeting. The Regents and Department sponsored a School Finance Symposium with educators, researchers and policymakers on September 13, 2011. The symposium summary was included in the October Regents materials. A proposal on restructuring Building Aid was also reviewed by the Subcommittee at the October meeting.

Background Information

Each year the Regents Subcommittee on State Aid develops the Regents State Aid proposal through a series of papers including a review of legislative action for the coming year, a review of the needs of school districts and examination of various program directions and State Aid solutions.

Attachment 1 describes the goal of the proposed Regents proposal, background on state revenue available to support education funding, and the elements of a proposed approach for distributing funds.

Recommendation

Not applicable.

Timetable for Implementation

This discussion will inform the final stages of the development of the Regents State Aid proposal which will be presented to the Regents for approval at their December meeting.

Regents Proposal for State Aid to School Districts for School Year 2012-13

- I. *Goal*—Advance a Regents proposal that uses limited new state support in a manner that provides balanced support for school operation, special education, construction, transportation and shared services in a manner that recognizes school district fiscal capacity and the need to provide all students an adequate education.

II. The Environment

- A. Education - A \$57.6 billion enterprise - 2010-11 estimated.
- B. A cap on state support was enacted as part of the 2011 State Budget.
- C. Additional state support for school year 2012-13 will be capped at 4%, approximately \$805 million.
- D. Foundation Aid is frozen at 2008-09 levels and an additional wealth-adjusted reduction in school aid of \$2.6 billion in Gap Elimination Adjustment will occur each year unless the Executive and Legislature adjust.
- E. Assuming current estimates for expense-based aids and Performance Improvement and Management Efficiency grants, this leaves a maximum estimated at approximately \$400 million of the \$805 million in additional state support.
- F. Unless the Legislature and Executive enact a provision stipulating otherwise, the State will continue Foundation Aid and the Gap Elimination Adjustment at the previous year's levels.
- G. After accounting for expense-based aids and Performance Improvement and Management Efficiency Grants, the use of any remaining funds under the cap for General Support to Public Schools requires action by the Governor and Legislature.

III. Approach

- A. Take a multi-year approach. Just as the revenue constraints of New York's economy may involve a period of several years, the solutions proposed should also look at an extended period, such as three to five years.
- B. Recommend that the State appropriate funds for education up to the limit of the cap on General Support to Public Schools and that the Governor and Legislature allocate any funds available to fund the Regents proposal after paying for expense-based aids and grants.
- C. Explore options to increase funds available to support Regents priorities from two sources: (1) refinements to the Foundation Formula and (2) refinements to other aid programs.

1. Explore options for Foundation Aid and the Gap Elimination Adjustment.
 - a. Target additional resources to increasing Foundation Aid and reducing the GEA, or
 - b. Equalize the GEA better so that, on a per pupil basis, high need districts are cut less than other districts, or
 - c. Replace the GEA with a better-targeted Foundation Aid formula that incorporates available additional funds, and
 - d. Tighten up the foundation formula through refinements such as by providing a less generous due-minimum and use of the current data-driven formula for allocation of aid.
2. Explore options for increasing funds available to support Regents priorities in other state aided programs.
 - a. Balance State support for school construction against other priorities with a new approach to funding or by adjusting the current formula.
 - b. Strategically target other expense-based aids in a progressive manner that recognizes current school district fiscal capacity: including aids for transportation, BOCES shared services, and special education.
 - c. Strategically refine BOCES Aid and the COSER process to provide incentives for supporting efficiency and regionalization.
 - d. Discontinue or reduce High Tax Aid in response to the Property Tax Cap which is designed to significantly reduce tax increases.

D. Other Considerations

1. Identify the fiscal challenges of and participate in long-term conversations for addressing major cost drivers such as pensions and health care costs.
2. Encourage both consolidation of services and consolidations of school districts. This should include exploration of new options such as regional high schools and consolidation of services with other municipalities.
3. Continue to advance and implement mandate relief where changes can reduce costs without adversely affecting services to students.