



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

**TO:** State Aid Subcommittee

**FROM:** Phyllis D. Morris *Phyllis D. Morris*  
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**SUBJECT:** 2020-2021 Regents State Aid Proposal

**DATE:** December 4, 2019

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#### SUMMARY

#### Issue for Decision

Should the Board of Regents approve the 2020-2021 State Aid proposal reflecting the Regents' priorities for State Aid to school districts?

#### Reason(s) for Consideration

Policy Implementation.

#### Proposed Handling

This detailed State Aid Proposal will be discussed at the State Aid Subcommittee meeting and subsequently presented to the Full Board for approval at the December 2019 meeting of the Board of Regents.

#### Procedural History

Each year the Board of Regents, through its State Aid Subcommittee, develops a proposal on State Aid to support public education. As the 2020-2021 state budget development cycle commences, several issues are presenting themselves to state policymakers and school districts around the state. First, over a decade has passed since the creation of the Foundation Aid formula. A combination of difficulties in the state's fiscal condition during and after the Great Recession, combined with the need for updating components included within the formula, has

left many districts in the state short of their full phase-in level. Second, a series of challenges facing individual school districts has highlighted the need for additional state support, in the form of both additional financial resources and technical assistance.

The Board of Regents is committed to supporting school districts of all types, and can best achieve an effective use of state resources through three key proposal components:

- The continued phase-in of the Foundation Aid formula, with a significant investment in additional funding, including prekindergarten;
- A commitment to reviewing the Foundation Aid formula and investigating the most effective changes that will improve its efficacy and viability; and
- Expanding the financial technical assistance provided to school districts.

### **Background Information**

The Regents State Aid Proposal provides much-needed resources for school districts to continue expanding educational programming statewide. Overall, the proposal calls for \$2.0 billion in additional state aid for the 2020-2021 school year and a three-year phase-in of the Foundation Aid formula.

### **Foundation Aid (\$1.9 billion)**

Foundation Aid was enacted by the Legislature and Governor in 2007 at the recommendation of the Board of Regents. Foundation Aid provides general operating support for school districts. Under Foundation Aid, proportionally more funding flows to low-wealth school districts and districts with concentrations of students who need more academic support—those with special education needs, English language learners and economically disadvantaged students. As of the November 2019 School Aid Database, Foundation Aid provides \$18.4 billion in funding to districts statewide, with \$3.8 billion in remaining phase-in increases, not counting inflationary adjustments.

To provide stability and predictability to the Foundation Aid formula, the Regents State Aid Proposal calls for the restoration of an inflationary adjustment (called the “phase-in foundation percent”) over a three-year period, and the full phase-in of the formula by the 2022-2023 school year. The Foundation Aid amount is adjusted each year to account for the impact of inflation on education costs. That means that a substantial amount needs to be added each year to the phase-in amount, just to keep pace with inflation. This year’s proposal anticipates the next three years’ worth of inflation as an adjustment, aligning with the plan for a completed phase-in over the three-year period. This will eliminate the dramatic year-to-year fluctuations that have occurred each year since the inflationary adjustment expired.

In addition, further erosion of the present value of state aid would be mitigated with a more accelerated phase-in schedule, with 40 percent of the remaining phase-in provided in 2020-2021 and 30 percent in each of the following years. These changes, coupled with a guaranteed minimum increase of one percent for all school districts, would provide \$1.9 billion

in additional Foundation Aid statewide in 2020-2021 and \$1.4 billion over the subsequent two years.

### **Statutory Reimbursement-Based Aids (\$82 million)**

Consistent with existing law and expense claims submitted by school districts to the Department, the Regents State Aid Proposal also includes \$82 million in increases for reimbursement-based aid formulas for the 2020-2021 school year, such as Transportation Aid (\$102 million), BOCES Aid (\$11 million), Private Excess Cost Aid for special education services (\$28 million), offset by claims-based decreases in Building Aid, High Cost Public Excess Cost Aid, and other aids (totaling negative \$59 million).

### **Prekindergarten Expansion and Inclusion Pilot (\$26 million)**

The Board of Regents has long supported the expansion of Universal Prekindergarten programs across the state, and the Board's Early Childhood Blue Ribbon Committee has developed a robust series of recommendations to promote high-quality early childhood education programs. After years of advocacy by the Board, the state consolidated multiple prekindergarten programs into two programs, with total support now approaching \$900 million. To continue this expansion, the Regents State Aid Proposal would include a total of \$26 million for further expansion of programs for four-year-olds. First, \$20 million would allow for the program to serve an additional 2,000 children. This would bring the percentage of New York State four-year-olds receiving state funded Prekindergarten programming to nearly 70%. Second, \$6 million would be provided for pilot programs which will target half- and full-day 10-month and summer inclusion prekindergarten programs for three- and four-year-olds. Funds would be blended and layered with existing prekindergarten and preschool special education funding under a single reimbursement structure for preschool inclusion. The pilot funding would support classrooms comprised of both preschool students with and without disabilities under a comprehensive and consolidated funding structure so that these classrooms could be treated as one program serving all students.

### **Supporting the State's Review of the Foundation Aid Formula (\$1.2 million)**

Prior to 2007, the Board of Regents and the State Education Department played a vitally important role conducting research that led to the creation of the Foundation Aid formula. Twelve years after its enactment, the time is ripe for a review of the Foundation Aid formula to further the understanding of what does, and does not, work effectively. Currently, the Department can assist with some of this work, but additional resources would enable SED to provide a more thorough review – by engaging additional staff and consulting services to focus on the technical aspects of the work.

Research could be targeted to issues that are foundational/fundamental to the question of how education funding is generated and distributed. Among the issues that could be considered are:

- The Successful Schools methodology currently used in the Foundation Aid formula, and whether revisions are warranted in light of the ongoing discussions about diploma requirements.
- The Regional Cost Index, which has been frozen at the same levels in statute since 2006.
- Measurements of student need, district fiscal capacity, and the relationship between those elements and student achievement.

To accomplish this, the Board recommends additional state operations resources of \$1.2 million to create a team within the Department's Fiscal Analysis and Research Unit (FARU) to work with a consulting firm to conduct a rigorous examination of the history, factors and impact of the Foundation Aid formula from 2007 to the present.

### **Providing Financial Technical Assistance to School Districts (\$550,000)**

In addition to updating the Foundation Aid formula, it is necessary to provide technical assistance to those districts with the greatest fiscal challenges - some of which may not be effectively addressed with simply more state aid. To this end, SED seeks additional capacity to provide technical support on financial and management matters to school districts. School districts across the state experience a diverse array of financial and managerial challenges, and improving the Department's ability to provide technical support for effective fiscal management will help districts maximize their use of resources. This support will also guide districts through fiscal challenges when they do arise – thus minimizing the disruption to students and staff. The Board recommends \$550,000 in state operations funds to expand the Department's ability to assist districts in the effective management of their financial operations before challenges negatively impact the instructional program or require a legislative solution, such as financial bailouts or other state level intervention.

### **Recommendation**

It is recommended that the Board take the following action:

VOTED that the Regents adopt the attached as their proposal on State Aid to school districts for the school year 2020-2021.

### **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.

**Attachment: 2020-2021 Regents Proposal Summary**  
(\$ in millions)

Program	2019-2020 School Year	Regents 2020-2021 Request	Year-to- Year Change
<b>General Purpose Aid</b>	<b>\$19,563</b>	<b>\$21,477</b>	<b>\$1,913</b>
Foundation Aid	\$18,405	\$20,293	\$1,888
High Tax Aid	\$223	\$223	\$0
Academic Enhancement Aid	\$28	\$28	\$0
Charter School Transitional Aid	\$46	\$45	(\$1)
Reorganization Incentive Operating Aid	\$6	\$5	(\$1)
Supplemental Public Excess Cost Aid	\$4	\$4	\$0
Full Day Kindergarten Conversion	\$4	\$2	(\$2)
Universal Prekindergarten	\$846	\$849	\$3
Prekindergarten Expansion & Inclusion Pilot	\$0	\$26	\$26
<b>Support for Pupils with Disabilities</b>	<b>\$1,055</b>	<b>\$1,035</b>	<b>(\$20)</b>
Public High Cost Excess Cost Aid	\$660	\$613	(\$47)
Private Excess Cost Aid	\$395	\$422	\$27
<b>BOCES Career and Technical Ed.</b>	<b>\$1,276</b>	<b>\$1,284</b>	<b>\$8</b>
BOCES Aid	\$1,012	\$1,023	\$11
Special Services Aid	\$264	\$260	(\$3)
<b>Instructional Materials Aids</b>	<b>\$273</b>	<b>\$276</b>	<b>\$3</b>
Hardware & Technology Aid	\$37	\$37	\$0
Library Materials Aid	\$18	\$19	\$1
Software Aid	\$45	\$45	\$0
Textbook Aid	\$173	\$175	\$2
<b>Expense-Based Aids</b>	<b>\$5,049</b>	<b>\$5,143</b>	<b>\$94</b>
Building Aids	\$3,056	\$3,049	(\$7)
Transportation Aids	\$1,993	\$2,095	\$102
<b>Other GSPS</b>	<b>\$289</b>	<b>\$286</b>	<b>(\$3)</b>
<b>Total GSPS</b>	<b>\$27,505</b>	<b>\$29,501</b>	<b>\$1,996</b>

Note: Some amounts may not add due to rounding.

<b>State Operations Resource Recommendations</b>	
Program Area	Amount
Reviewing Foundation Aid	\$1.2 million
School District Technical Assistance	\$550,000