



TO: State Aid Subcommittee

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SUBJECT: Framing the 2015-2016 Regents State Aid Proposal

DATE: October 15, 2014

AUTHORIZATION(S): *J. B. P. G.*

SUMMARY

Issue for Discussion

The Regents 2015-2016 State Aid Proposal will be presented at the December State Aid Subcommittee meeting. Several important considerations should be discussed in advance of the proposal. Questions for the Subcommittee to consider:

- How can new State resources best be distributed to ensure that school districts can maintain or enhance programs and improve performance consistent with the New York State learning standards and the goal of college and career readiness for all students?
- Given the challenges faced by school districts, what level of support should be included in the State Aid proposal?
- How should additional operating aid be distributed among school districts?
- Are there additional investments beyond formula operating aid that should be made over an extended time period?

Reason(s) for Consideration

Development of policy.

Background Information

Each year the Board of Regents, through its State Aid Subcommittee, develops a proposal on State Aid to support public education. In its deliberations, the

Subcommittee considers information gathered from the Regents State Aid Symposium, the needs of school districts and an examination of various State Aid models.

The Board of Regents advanced a 2014-2015 State Aid proposal that included a \$1 billion increase to general support for public schools. This increase reflected an approach to general operating support called Transitional Operating Aid, as well as increases in reimbursement-based programs such as Transportation Aid, Building Aid and BOCES Aid. These increases in the reimbursement based programs were built on normal expenditure growth. No changes were recommended to the underlying formulas in the reimbursement based programs.

In addition, the Board recommended \$300 million for investments in several strategic areas including, but not limited to, ensuring that the state's youngest students get a good start by making investments in expanded prekindergarten programs and enhancing career and technical education.

Attachment 1 describes investment options for the 2015-16 Regents State Aid proposal.

Timetable for Implementation

This discussion will help identify areas of interest to the Board of Regents and give direction to staff for development of the 2015-2016 Regents State Aid proposal. Staff will present a conceptual proposal at the November Regents meeting and a final proposal will be presented to the Board of Regents at its December meeting.

Attachment 1

Options for structuring the 2015-16 State Aid proposal

2014-15 Recap

The 2014-2015 Enacted Budget included \$21.8 billion in funding for General Support for Public Schools (GSPS). This was a year-to-year increase of \$1.12 billion, or 5.4 percent, compared to 2013-2014. The major components of the increase were the Gap Elimination Adjustment Restoration (+\$602 million), Foundation Aid (+\$251 million) and Universal Prekindergarten (+\$340 million). For the second consecutive year, the Enacted Budget school aid increase exceeded the increase that would have been allowed under the School Aid growth cap, which is based upon a Personal Income Growth Index.

Property Tax Levy Cap

Under the Property Tax Levy Cap school districts may not increase their tax levy by more than the rate of inflation, as measured by the consumer price index (CPI) or 2 percent, whichever is less, plus an allowance for certain increases in pension costs, tort actions and capital costs. If a proposed budget increases taxes in excess of the statute's threshold, the proposed budget must be approved by 60 percent of the voters. If the budget is defeated in the first effort to pass such a budget, a school district can re-submit the same budget, or a revised budget, to district voters. If the new proposed or revised budget is also in excess of the district's annual tax cap, the budget must again be approved by 60 percent of the voters. In cases where the district does not have a budget approved by the voters, a contingency budget must be adopted and the tax levy is limited to the prior year's amount.

Property Tax Freeze

In the 2014-2015 Enacted Budget, a tax freeze credit program was established. The program encouraged school districts and other local governments outside of New York City to comply with the property tax levy cap by providing a rebate to certain residential homeowners in districts that maintained tax levies below the property tax levy cap. For the 2015-2016 school year, residents of school districts who remain under the cap for the second year and which have engaged in a shared services program that results in a savings of at least 1 percent of the levy for the next 3 years will also receive a property tax credit.

2015-2016 State Aid Formula Options

As the Board considers its recommendations for 2015-2016 State Aid, there are several competing interests. First, there is approximately a \$1 billion Gap Elimination Adjustment remaining. Second, the Foundation Aid Formula has not been fully phased in. Third, federal Race to the Top funds expire in June 2015.

There are several options for distribution of State Aid for the 2015-2016 school year that may be considered:

Distribution Options

Option 1:

For the first time, the 2014-2015 Regents State Aid proposal included a Transition Operating Aid formula that was first applied to the Gap Elimination Adjustment (GEA) and, to the extent funds remained, such funds were then applied to the Foundation Aid base. The formula recommended providing funding on a per pupil basis with key components including wealth equalization, funding student needs, and adjustments to reflect differences in costs in different parts of the state. This approach could be used again.

Advantage:

- Prioritization would first be applied to reduce a district's GEA and, then once the GEA gap is filled, would then be used to add funds to Foundation Aid, thus retaining the Regents' commitment to the Foundation Aid formula, when funds are available.

Disadvantage:

- This approach was not adopted in the 2014-2015 Enacted Budget. Instead, the 2014-2015 Enacted Budget partially restored the GEA and increased Foundation Aid separately.

Option 2:

Consistent with earlier Regents State Aid proposals, the Board of Regents could propose distributing operating funds through Foundation Aid by reducing each district's Foundation Aid base by their remaining GEA and adding funds through the Foundation Aid formula.

Advantage:

- Commitment to the Foundation Aid formula which also reflects an approach consistent with the Regents commitment to a mechanism designed to distribute funds through a formula that factors in district wealth and student need and is both understandable and predictable.

Disadvantage:

- Districts that received larger GEA reductions (particularly low and average need districts) may prefer to see the GEA restored before adding funding to Foundation Aid.

Option 3:

Distribute funds through a Gap Elimination Aid restoration.

Advantage:

- Returns State Aid allocation amounts to the levels generated by statutory formulas.

Disadvantage:

- Past GEA restorations have included factors based on district need, so that distribution of the remaining GEA would be weighted toward low and average need districts. It may be difficult to get to a progressive distribution of resources using a GEA restoration without another funding mechanism.

Targeted Funding Options

The Board of Regents 2015-2016 budget proposal may also recommend funding to support and enhance efforts to positively and substantially impact student achievement across the state. Potential strategic investments:

1) Increase Support to Career and Technical Education (CTE) Pathways to Graduation

CTE Pathways have the potential to improve educational outcomes for students who are not well served by other opportunities. Components of a comprehensive CTE aid package could include:

- Enhanced BOCES Aid for CTE Pathways programs;
- Enhanced Special Services Aid for District-Operated CTE Pathways programs; and
- Launch new opportunities for students to access CTE Pathways programs statewide (with a particular focus on 21st century jobs in high demand and closely linked to regional economic development).

2) Expand Access to Full-Day Prekindergarten Funds

The 2014-2015 Enacted Budget made a significant and important investment in the state's prekindergarten program by dedicating an additional \$340 million. The state is on the cusp of establishing a fully funded Universal Prekindergarten program. In order to establish a premium statewide Universal Prekindergarten program, the following elements are open for consideration:

- Align the existing four prekindergarten programs to ensure consistency, maximize efficiencies and effectiveness of resources both at the state and local level including bringing into line State Aid and local district budget processes.
- Increase funding to ensure geographical balance statewide.

- Strengthen and enhance mechanisms to ensure and support quality services to children and their families.
- Establish an evaluation mechanism to ensure (a) outcome-determined quality, (b) standards-based quality, and (c) environments that support positive socio-emotional development.

3) Support English Language Learners' (ELLs) Success

Over the last decade, the number of ELLs enrolled in NYS public schools has increased. Our schools currently educate over 200,000 ELL students. They speak more than 160 languages at home. In order for these students to succeed, the state needs to provide schools with the appropriate tools, such as home language assessments and instructional materials so that teachers can provide instruction that will enable students to meet rigorous academic standards. Currently, funding for ELL students is provided in the foundation aid amount by including the count of ELL students in the pupil need weighting and in state categorical funding of \$13.5 million. In addition, the federal Title III, Part A program provides more than \$59.8 million annually to New York State. Additional state funding could be used to support:

- Materials and instructional resources that are linguistically, age/grade appropriate, and aligned to the Common Core Learning Standards.
- High-quality supports and feedback to educators to improve their instructional practice.
- Substantial and sustained opportunities for all teachers and administrators to participate in meaningful professional development that addresses the needs of ELLs, including home and new language development.

4) Financial Support to School Districts Experiencing a Surge in Student Enrollments

Despite best efforts and analysis at the local level, there are unexpected factors and variables that significantly impact school district enrollment. A recent example being communicated to the Department is the increase in providing education services to unaccompanied children.

The last twelve months have seen a significant number of unaccompanied children arriving in New York schools. Many of these students have had their formal schooling interrupted and often need additional support. School administrators have recommended additional current year support for these students.

5) Support for Regional Secondary Schools

Regional secondary schools represent a flexible approach to the concept of reorganization. They permit communities to maintain the identity of their local school districts and to continue to serve their younger children locally. As students mature, regional secondary schools are able to access specialized course offerings that only

larger schools can offer. This approach has been used successfully, particularly in rural communities, in other states, including Massachusetts.

Regional secondary schools provide a viable model to help prevent the loss of further course offerings, especially enhanced course offerings such as Advanced Placement coursework, and improve options for academically challenging programs.

6) Encourage School District Reorganization and Expanded Regionalization of Services

School district reorganization provides the opportunity for two or more contiguous school districts that meet prescribed criteria to merge into a single district. The State has long provided incentives for reorganization through additional Operating and Building Aid. In recent years, multiple efforts to reorganize have failed, with differential tax impacts on the reorganizing districts often cited as a cause for the failure. The 2014-2015 Enacted Budget included a provision that will make it easier for some school districts to reorganize. The provision will allow the school board of newly reorganized school districts to phase-in the impact on tax rates over a one to ten year period. In order to encourage reorganizations where they would be beneficial to students, the Board of Regents recommends that the formulas that are used to incentivize reorganizations be enhanced to help ease changes in tax rates for reorganized school districts. This could include linking the Reorganization Incentive Aid formula to Foundation Aid, rather than the 2006-2007 Operating Aid. In addition, the state could provide additional incentives for regionalization of services.

7) Instructional Materials Aid

As schools continue to align their instruction to college and career ready standards (including the Common Core Standards and the new NYS Social Studies Framework), the transition could be supported by investments in new instructional materials such as new texts, software and computer hardware.