



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

**TO:** State Aid Subcommittee  
**FROM:** Elizabeth R. Berlin *Elizabeth R. Berlin*  
**SUBJECT:** Conceptual Framework for the 2016-2017 Regents State Aid Proposal

**DATE:** November 13, 2015  
**AUTHORIZATION(S):** *MaryEllen Eina*

**SUMMARY**

**Issue for Discussion**

The 2016-2017 State Aid Proposal will be presented at the December State Aid Subcommittee meeting. In its October meeting, the Subcommittee considered several important issues in advance of the proposal. The Subcommittee will further refine the Conceptual Framework this month. The issues for discussion include:

- 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?
- How should additional operating aid be distributed among school districts?
- Should funding for academic intervention services by school districts be expanded? If yes, how?

**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 advocates and practitioners in the field, the needs of school districts and an examination of various State Aid models.

It was through this process that Foundation Aid was first proposed by the Board of Regents, and ultimately enacted in 2007. Through the work of this Subcommittee, the Board should continue its commitment to the principles of Foundation Aid, ensuring equitable funding for school districts to meet the needs of students with some of the toughest challenges—students with disabilities, English language learners, and economically disadvantaged students.

The Board of Regents advanced a 2015-2016 State Aid proposal that included a \$2 billion increase to general support for public schools, including \$1.1 billion in a transition operating aid formula that would restore a portion of the Gap Elimination Adjustment and continue the phase-in of the Foundation Aid formula.

In addition to the Transition Operating Aid formula, the proposal also included 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, nearly \$600 million was advanced to provide support for additional educational needs, including funding for universal prekindergarten (\$251 million), English language learners (\$86 million), strengthening teacher and leader effectiveness (\$80 million), expansion of Career and Technical Education (CTE) programs (\$65 million), additional instructional materials (\$51 million) and support for enrollment growth (\$40 million).

In its framing of the 2016-2017 proposal, the Subcommittee has focused on initiatives that are responsive to critical issues facing our students, particularly academic intervention services. The conceptual proposal found in Attachment 1 identifies the issues where the Subcommittee has recognized that additional financial support may be necessary to address emerging policy issues.

### **Timetable for Implementation**

This discussion is a conceptual framework of the 2016-2017 Regents State Aid Proposal. A final proposal will be presented to the Board of Regents for approval at its December meeting.

## Attachment 1

### Introduction

Over a decade ago, the Board of Regents proposed Foundation Aid as a means to equitably provide State funding to support instruction that meets Regents standards, with proportionally greater funding flowing to low wealth school districts and school districts with a concentration of students who need it the most—those with special education needs, English language learners and economically disadvantaged students who may not have the resources and support at home to enable them to meet the Regents' college- and career-readiness standards without additional supports in school. The Subcommittee has historically maintained its commitment to the Foundation Aid approach. At this time, the Subcommittee should consider renewing its commitment to phasing-in Foundation Aid within a reasonable time, with a substantial increase in Foundation Aid in 2016-2017, elimination of the Gap Elimination Adjustment as soon as practicable without negatively impacting high need school districts, and a continued phase-in of Foundation Aid over a short period of years to allow districts to plan for the effective expenditure of the additional funds to improve instruction.

The Subcommittee should consider a total increase of \$2.4 billion in state support for schools for the 2016-2017 school year. This would be divided between a \$2.1 billion increase in formula-based aids to support continuing school district operating costs and an expansion of academic intervention services. While this approach would increase State aid by ten percent, the actual increase in school district spending associated with it would only be approximately 3.3 percent. In addition to the formula aid increase, additional state investments totaling \$600 million over two years to address priority needs identified by the Board should be included. This proposal would provide programmatic opportunities in the 2016-2017 school year, with the overall cost funded in both the 2016-2017 and 2017-2018 school years, consistent with current reimbursement practices in other aid programs. In addition to \$300 million in programs funded in 2016-2017, the reimbursement-based initiatives would require \$300 million in reimbursements be provided to districts in 2017-2018, in addition to standard aid increases.

This approach aligns with the recommendations of the Education Conference Board (ECB), a coalition of organizations with expertise in the provision of public education to New York students. Last week the ECB called for an increase in aid and investments of \$2.2 billion, in light of the additional spending growth that is likely needed.

In addition to the commitment to formula aids, and the Foundation Aid in particular, the Regents Priority Programs are:

- Funded in 2016-2017:
  - Struggling Schools - \$75 million
  - Education of English language learners - \$75 million
  - Continued Expansion of Prekindergarten Services, including the alignment of existing programs into a single program - \$125 million
  - Family and Community Engagement - \$50 million

- Authorized in 2016-2017 but reimbursed in 2017-2018:
  - College and Career Pathways - \$65 million
  - Professional Development for Teachers and Principals - \$35 million
  - Support for the Transition to Digital Learning - \$50 million
  - Additional prekindergarten expansion - \$125 million

The recommendation for 2016-2017, including the costs of these programs would be \$2.4 billion, with an additional \$300 million in reimbursement for the initiatives in 2017-2018.

### **Conceptual Proposal Context**

This recommendation balances school districts need for continuing operating costs with the need to expand services to support students obtain college- and career- readiness, particularly in High-Need districts, especially those in the state’s urban and rural settings. The recommended increase of \$2.1 billion in formula aids will provide the necessary funding to districts for their continuing costs in the new school year. Pursuing a specific increase in Academic Intervention Services could be expanded through one of three options:

- Provide districts with the flexibility to address their needs as they see fit with the additional funding provided;
- Require the specific provision of services as a condition for receiving a portion of those additional funds; or
- Establish a new funding stream specific for Academic Intervention Services costs, reimbursed in a manner consistent with other expense-based aids.

### **Formula-based Aids**

The recommendation represents an increase of approximately 3.3 percent over projected school district expenses for the current year. Though school district costs have grown an average of less than three percent in recent years, they face many financial challenges, including increases in teacher contracts, health care costs, and the minimum wage.

School districts support their operations and any cost increases through three primary sources of revenue: state aid, local tax levy and federal revenues. For 2016-2017, federal revenues are not expected to increase. In addition, without overrides by local voters, the local property tax levy limit will likely permit no growth in local levies. District voters retain the capacity to override the tax levy limit, but based on historical patterns, the majority of school districts will likely remain within its constraints. Unless additional State aid is provided, because of increases in fixed costs such as contractual obligations and legacy costs, school districts, particularly high needs districts, may struggle to maintain a full range of quality educational services for their students. To address this concern and avoid program cuts, we recommend that the state provide the full amount of projected cost increases. More detail about the approach to allocating the \$2.1 billion is provided below.

- **Foundation Aid**  
\$1.3 billion would be allocated through a restarted Foundation Aid or Transition Operating Aid consistent with recent Regents State Aid Proposals. Foundation Aid is designed to address concerns the Board has raised regarding local capacity to support public schools, the needs of the student population and regional differences in the costs of providing services. Foundation Aid provides additional funds to school districts serving students economically disadvantaged, living in rural communities or students who are English language learners. The additional funds will enable local districts to provide the enhanced assistance many children in these circumstances need to succeed in school, as well as offer more focused instruction and other forms of support.
- **Gap Elimination Adjustment (GEA)**  
The GEA, a formula that deducts certain amounts from the calculations for the majority of the formula-based aids, remains in statute. For 2015-2016, it deducts approximately \$434 million from the aid that would otherwise be paid to school districts. In the Regents State Aid Proposal for the current year, the Board planned to recommend ending these deductions in its 2016-2017 proposal.
- **Expense-based Aids**  
This funding would address increases in expense-based aid reimbursements (Building Aid, Transportation Aid, BOCES Aid, and other smaller programs) relative to 2015-2016. This amount will be determined based on the laws currently in place that determine state reimbursement for school district expenses last year. Based on data released by the State Aid Office last week, the current projected increase in these formulas is slightly more than \$400 million.

### **Regents Priority Programs**

In recognition that investments are needed in order to support implementation of Board priorities consistently statewide in order to ensure a student graduates prepared for College and Career the Board recommends the following investments:

- **Expansion of Prekindergarten Services (\$125 million in both 2016-2017 and 2017-2018):** While progress has been made in recent years, more support is required to ensure that all of the state's eligible four year olds are served in quality prekindergarten programs. In prior years, the Board has recommended that the state continue its planned expansion in support for the provision of Universal Prekindergarten, targeted, but not limited, to high needs districts. This remains a priority.
- **Education of English language learners (\$75 million):** In order for English Language Learners (ELLs) to succeed in meeting rigorous academic standards, additional resources must be provided. The Board recommended a similar investment in its 2015-2016 proposal, and the need remains. This recommendation would provide an allocation to districts with large numbers of ELLs.

- ***Struggling Schools (\$75 million):*** The recently enacted receivership legislation has brought new attention to the challenges facing educators seeking to renew and reform schools that struggled for years. Educators recognize that some of the problems in these schools are related to the need for instructional and leadership reform; others are linked to the high rates of poverty and other challenges faced by the students enrolled. The Board recommends that the state make a substantial and ongoing investment in schools that have been identified as struggling—doubling the funding provided in last year’s budget. The investment could support the costs of necessary changes in the organization, but can also be used in a sustainable manner to extend the school day, implement community school programs and other efforts to help students in schools with high concentrations of student need and academic concerns. Without such an investment in State funds, similar to what was appropriated last year for persistently struggling schools, superintendent receivers and independent receivers will have difficulty in timely adopting measures to intervene in struggling schools that result in costs not budgeted in the current school district budget.
  
- ***College and Career Pathways (\$65 million, reimbursement-based in 2017-2018):*** The Board has made college and career readiness for all a priority. This work has included both the implementation of the Multiple Pathways Initiative, which includes rigorous Career and Technical Education programs as a pathway to graduation. In previous years, the Board has recommended increased funding for high quality Career and Technical Education programs, offered in both the BOCES and the Big Five City School Districts. This initiative would strengthen the alignment between the state’s P-12 system and higher education, easing the transition to college for first generation college-goers.
  
- ***Professional Development (\$35 million, reimbursement-based in 2017-2018):*** The Board has emphasized the need for improved professional development opportunities for teachers and principals to expand the abilities of a talented workforce, as higher standards are implemented. In the past, the Board has recommended the creation of an Instruction Development Fund that would support the capacity-building work of districts with a willingness, along with their bargaining units, to commit to systemic change—including significantly more professional development and collaborative planning time in the school day/year. With this recommendation, the implementation strategy for this program will be to fund skilled resources in the state’s thirty-seven BOCES that will deliver locally developed and state-approved professional development models in every region of the state to partner with local district master teachers and coaches who in turn will provide local supports. This also includes support for parent engagement.
  
- ***Support to the Transition to Digital Learning (\$50 million, reimbursement-based in 2017-2018):*** As the state moves toward increased use of digital technology in instruction, and the full implementation of Computer-Based Testing, additional funds are necessary to support professional development for instructional personnel, the provision of new, high quality digital content and fill in gaps in districts’ device capacity. These funds will increase access to devices, online content and instruction and provide

professional development to teachers – consistent with the recommendations of the Online Advisory Council.

- ***Family and Community Engagement (\$50 million)*** Recognizing the critical role families and communities play in supporting schools, the Department is seeking funding that can facilitate and support active, research based Family and Community Engagement strategies.

### **Funding Prior Year Aid Claims**

The 2015-2016 Regents State Aid Proposal also included a call for the state to utilize some of its one-time settlement revenues as a means to pay off the then-\$260 million “prior year adjustment” claim pool. These claims are adjustments to district aid levels based on updated estimates that are put in a first-come, first-serve pool. The total pot has now grown to nearly \$320 million, with a large majority of the funds owed to High-Need districts. Based on current appropriation levels, it could take up to seventeen years to pay off a claim filed today. At the same time, the Division of Budget in its Mid-Year Update last month announced the state still has \$2 billion in “unbudgeted” settlement funds. Fully paying the Prior Year Aid claims is an appropriate use of one-time revenue sources, and would be a significant benefit to school districts.