



TO: State Aid Subcommittee
FROM: Elizabeth R. Berlin *Elizabeth R Berlin*
SUBJECT: Conceptual Framework for the 2017-2018 Board of Regents State Aid Proposal
DATE: November 10, 2016
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Issue for Discussion

The 2017-2018 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:

- **Now that the Gap Elimination Adjustment has been retired, how should the State move forward to support the operating costs of districts?**
- **If the Board continues to support Foundation Aid as its preferred mechanism for supporting the operating costs of the State's districts, what time frame does the Board recommend that the remaining Foundation Aid amounts be phased in?**
- **Should the emphasis be on remaining phase in or on refining formula elements to address changes that have occurred in the State since the original enactment?**
- **What policy priorities has the Board identified which require additional State support in the 2017-18 school year?**

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 data provided by 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. It was ultimately enacted in 2007. Through Foundation Aid, the State supports local school districts in a manner that recognizes that students with disabilities, English language learners, and economically disadvantaged students require additional support to achieve high standards. The Foundation Aid formula also considers local district resources and variations in operational costs in different regions of the State. For many districts, the level of State funding at the time of enactment was well below the amount that the formula calculated as the foundation amount; therefore, the State articulated a commitment to close the gap where it existed. While this was not true for every district, the sum of the gaps between then-current funding and the foundation amount represented a substantial commitment of State resources. It was not possible to close the gap in one year, so the State planned to implement the increased funding over the course of a four year phase in period. However, the impact of the recession that began the following year limited the State's capacity to support the program in the timeframes that were originally planned.

As the economy has recovered, the Board of Regents has recommended that the State maintain its commitment to the principles that Foundation Aid was built upon. For 2016-2017, the Board of Regents advanced a State Aid proposal that included a \$2.1 billion increase to general support for public schools, including \$1.3 billion in increased Foundation Aid and a \$434 million restoration of the Gap Elimination Adjustment.

In addition to the increased support for basic school district operations, 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, \$635 million in new support (over two years) was advanced to provide support for additional educational needs, including funding for universal prekindergarten (\$250 million), English language learners (\$75 million), expanded support for struggling schools (\$75 million), strengthening teacher and

leader effectiveness (\$45 million), expansion of Career and Technical Education (CTE) programs (\$65 million), Family and Community Engagement (\$75 million) and support for digital education (\$50 million).

In its framing of the 2017-2018 proposal, the Subcommittee has focused on initiatives that are responsive to critical issues facing our students, particularly early education and services to English language learners. 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 2017-2018 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 need additional supports in school to enable them to meet the Regents' college- and career-readiness standards. The Foundation formula works by establishing a foundation amount per child in the local school district. This foundation amount is weighted to provide more funding for students who have additional educational needs (English language learners, the economically disadvantage and students with disabilities), and then further adjusted for regional costs in different parts of the State.

The local school district's fiscal capacity is considered in a calculation of an expected local contribution to support the district's costs, with the remainder funded by the State's share. At the time of enactment, as now, the cost of filling the difference between the current calculation of the State share and the current State Foundation aid contribution, summed across the State's 675 school districts, is substantial. To balance the needs of schools with other state responsibilities, a four year phase in period was originally planned. However, this phase in was delayed by the impact of the Great Recession on the State revenues that would have supported the costs. Instead of the phased-in increases, Foundation Aid was frozen and a deduction, known as the Gap Elimination Adjustment (GEA), was taken to overall school aid amounts. As the economy recovered over time, the amount of school aid deducted by the Gap Elimination Adjustment was gradually reduced over a several year period. With the enactment of the 2016-17 State Budget, the GEA was finally retired in full, consistent with the Board of Regents' recommendation in its State Aid Proposal.

As it looks toward the 2017-18 State Aid Proposal, the Subcommittee has recognized that this year's proposal, the first in eight years that does not bear the burden of the recession's impact, presents an opportunity to examine the principles that underpin the Foundation Aid formula. In their discussions, Subcommittee members have confirmed the commitment to those principles – additional State financial support for districts serving students who need additional educational support, recognition of district's fiscal capacity and adjustment for the geographical differences in operating costs across the state.

At present, using the existing statutory formula, the difference between the calculated State share and the State's total Foundation amount is approximately

\$3.8 billion. At this time, the Subcommittee recommends that the Board as a whole consider renewing its commitment to phasing-in Foundation Aid within three years, beginning with a significant investment toward the full phase-in in 2017-2018. This will allow districts to plan for the effective expenditure of the additional funds to improve instruction.

In addition to an increase in Foundation Aid and statutory increases in reimbursable expense-based aid formulas¹, the Subcommittee has identified several priority needs facing the State's teachers and students. The Subcommittee has determined that these programs warrant dedicated funding streams, and it recommends additional state investments over two years to support these programs.

Since some of these funds would operate through channels that reimburse in the second year, this proposal would provide new programmatic opportunities in the 2017-2018 school year, with the overall cost funded in both the 2017-2018 and 2018-2019 school years, consistent with current reimbursement practices in other aid programs.

The Regents Priority Programs are:

- Funded in 2017-2018:
 - Continued Expansion of Prekindergarten Services, including the alignment of existing programs into a single program
 - Education of English language learners
 - Current year Career and Technical Education support for school districts that do not belong to BOCES (including the Big Five City School Districts)
 - New professional development support for teachers and school building leaders in districts that do not belong to BOCES

- Funded in 2018-19:
 - Additional growth in Prekindergarten Services
 - Career and Technical Education support for school districts that belong to BOCES
 - New professional development support for teachers and school building leaders in districts that belong to BOCES
 - Continuation of ELL funding

¹ Data for increases in the 2017-2018 school year in expense-based aids, such as Building Aid and Transportation Aid will not be available until after November 15, 2016.

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 districts serving children with needs for additional educational supports. The recommended increase in formula aids will provide the necessary funding to districts for their continuing costs in the new school year.

Formula-based Aids

➤ **Foundation Aid**

Funds would be allocated through a Foundation Aid formula that would be adjusted to address technical issues. These technical issues constrain the funding available to high needs districts. The Subcommittee recommends that the State again commit to full implementation of Foundation Aid – over a three year period. 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.

It should be noted that in October 2016, the Teachers Retirement System (TRS) announced that the contribution rate for the 2017-2018 school year could drop as much as one full percentage point, which could translate to a roughly 20% savings in the costs required for district contributions. This could present a one-time windfall for some districts whose impact could be additive to their additional Foundation Aid.

➤ **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 2016- 2017. This amount will be determined based on the laws currently in place that determine state reimbursement for school district expenses last year.

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 (2017-2018 and 2018- 2019)***
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***
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 2016- 2017 proposal, and the need remains. This recommendation would provide an allocation to districts with large numbers of ELLs.

- ***College and Career Pathways (both current year aid for non-BOCES Members and reimbursement-based aid in 2018-2019)***
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 (both current year aid for non-BOCES members and reimbursement-based aid for others in 2018-2019)***
The Board has emphasized the need for improved professional development opportunities for teachers and principals to prepare our talented workforce for new standards and other opportunities to improve student outcomes. The focus will be on a system of services that is cohesive and consistent, and which is able to deliver the support teachers need to excel in their classrooms, whether their district is a member of a BOCES or a non-component district. The aid that would support this program flows along different reimbursement timelines, depending on the district’s membership in BOCES, so the recommendation is structured to recognize the difference.