



**TO:** Subcommittee on State Aid  
**FROM:** John B. King, Jr. *John B. King, Jr.*  
**SUBJECT:** Executive Proposal on State Aid to School Districts  
**DATE:** February 4, 2011  
**STRATEGIC GOAL:** 1-5, 8, and 9  
**AUTHORIZATION(S):** *[Signature]*  
**SUMMARY**

Issue for Discussion

Budget highlights of the 2011-12 Executive Proposal pertaining to education, including school aid.

Reason(s) for Consideration

Information.

Proposed Handling

Review and discuss.

Procedural History

The Regents approved their 2011-12 proposal on State Aid to school districts last December. They recommended a \$91 million increase in general support to public schools, a commitment to phasing in the foundation aid formula including use of updated data from school districts for 2011-12, a small increase for Universal Pre-Kindergarten, moderating aid for school construction, pupil transportation and BOCES services, and providing mandate relief.

### Background Information

The 2011-12 Executive Budget proposes \$19.4 billion in funding for General Support for Public Schools. This is a year to year reduction of \$1.5 billion or 7.3 percent compared to the previous year as supplemented with federal funding restorations. The Executive proposes two new grant programs for school districts that would provide \$500 million to provide incentives for school district efficiency and improved student performance.

### Recommendation

Not applicable.

### Timetable for Implementation

The Executive proposal calls for a report by a Mandate Relief Redesign Team by March 1, 2011 and a legislative budget by April 1, 2011 for implementation by school districts for the 2011-12 school year beginning July 1, 2011. Commissioner Steiner and Chief Operating Officer Val Grey are members on the Redesign Team.

**HIGHLIGHTS OF THE 2011-2012 EXECUTIVE BUDGET  
RECOMMENDATIONS  
(2011-12 School Year Compared to the 2010-2011 School Year)**

**SCHOOL AID PROPOSAL**

**Overview**

The 2011-2012 Executive Budget proposes \$19.4 billion in funding for General Support for Public Schools (GSPS). This is a year-to-year reduction of \$1.5 billion, or 7.3% as compared to the previous year's GSPS as supplemented with Federal funding restorations. It is a \$2.3 billion or 10.6% reduction from the \$21.7 billion that was provided in 2009-2010. The Executive Budget freezes Foundation Aid for an additional two years, to 2012-2013, then resumes an extended phase-in formula, with full implementation in 2016-2017. In addition to Foundation Aid, funding is also frozen for four other aid formulas including Universal Prekindergarten grants (see Table on following page). Other formula aids are continued under the current statutory authorization for the 2011-12 school year, although the Executive proposal includes formula changes that would impact future years.

For 2011-12, the Executive Budget also proposes a \$2.8 billion Gap Elimination Adjustment that is computed through a formula that is similar to the one used in 2010-11. For 2012-13 and thereafter, the Gap Elimination Adjustment would be continued and scaled to limit annual growth in School Aid based on growth in New York personal income.

The Executive proposal also reinstates the Contracts for Excellence, requiring each district that was designated in 2007-2008 and does not have all school buildings in good standing to set aside funds to support Contract for Excellence programs, but the funding requirement will be reduced in proportion to the impact that the Gap Elimination Adjustment has on that district.

The Executive also proposes the elimination of aid increases resulting from district data submissions following the Executive budget. Aid apportioned pursuant to the State Aid formulas would be limited to the amount generated by the data used for the district estimates that accompany the Executive budget. Subsequent data submissions would not produce additional aid.

In addition, the Executive proposes two new grant programs for school districts. The Executive Budget provides for \$250 million for a **Competitive School District Performance Improvement Awards** program, whereby competitive grants are awarded to school districts that are participating in the Race to the Top program which demonstrate progress toward implementation of components of the program. It also provides an additional \$250 million for **Competitive School District Management Efficiency Awards**; competitive grants to be awarded to school districts which can demonstrate that they have implemented long-term savings in school district operating costs.

## Key Formula Provisions for the 2011-2012 School Year

### General

For the 2011-2012 school year, the Executive Budget proposes that all existing formulas (including those that are frozen for 2011-2012) be continued. All the existing grant programs are funded at the same levels as are provided for under current law. The Executive Budget does, however, propose that the total funding generated by the formulas be reduced by a \$2.8 billion Gap Elimination Adjustment.

For future years, the Executive extends the existing freeze on five formula aid categories so that they would be frozen at 2008-2009 levels through the 2012-2013 school year. Foundation Aid would be phased in thereafter, and would be fully implemented in 2016-17.

(all figures in millions)

Aid Category	2010-11 Funding
Foundation Aid	\$14,894
High Tax Aid	205
Supplemental Public Excess Cost Aid	4
Academic Enhancement Aid	27
Universal Prekindergarten Grants	393
<b>Total</b>	<b>\$15,523</b>

### Foundation Aid

The Executive Budget proposes that full implementation of the Foundation Aid formula be deferred to the 2016-2017 school year. Currently the phase-in is frozen at 37.5% of the fully-implemented increase. Once the Foundation Aid freeze expires in 2013-2014, the phase-in will proceed as follows:

School Year	Phase-in Foundation Increase Factor	Annual progress toward Full Implementation
2013-14	45.5%	8.0%
2014-15	61.5%	16.0%
2015-16	80.0%	18.5%
2016-17	100.0%	20.0%

### Support for Early Childhood Education

The Executive Budget caps Universal Prekindergarten funding at current levels for existing programs. The Executive also expresses the intent that the Universal Prekindergarten be fully phased in by the 2016-2017 school year.

## **Support for Pupils with Disabilities**

The provisions for apportioning both Public High Cost Excess Cost Aid and Private Excess Cost Aid remain unchanged. Public Excess High Cost Aid increases by \$28.5 million from \$454.1 million to \$482.6 million, a growth rate of 6.3%. Private Excess Cost Aid will increase from \$330.4 million in 2010-2011 to \$342.7 million in 2011-2012, an increase of \$12.3 million or 3.7%.

## **Career and Technical Education Aid**

The Executive Budget continues existing provisions for these aid categories. BOCES Aid is estimated to increase by \$18.4 million or 2.6%, to an overall level of \$720.1 million. In addition, the Executive proposes statutory change that would eliminate aid for a specific series of shared services that are administrative in nature. These are:

- collective negotiations and labor relations,
- personnel services - recruiting,
- employee assistance programs,
- business office services,
- planning services and management,
- public information coordinator or services,
- school food services and food management,
- extracurricular activities and inter-scholastic sports coordination,
- instructional graphics, equipment repair, printing, photocopying, non-print duplication, educational television,,
- energy management,
- substitute teacher coordination,
- GASB 45 planning and valuation, and
- engineering services

In addition, for future years, the existing BOCES Aid Ratios will be replaced by the State Sharing Ratio. This will better reflect districts' fiscal capacity.

Special Services Aid (which provides aid to the Big Five and other districts that are not components of BOCES for career education activities, administrative computer services and academic programs) is estimated to be \$213.9 million, an increase of 1.3% or \$2.8 million over 2010-2011 levels.

## **Aid for Instructional Materials**

The Executive Budget continues the preexisting allocation formulas for Textbook Aid, Library Materials Aid, Computer Software Aid and Computer Hardware Aid and funding increases by less than 1% at \$285.8 million.

## Building Aid

Building Aid and Building Reorganization Incentive Aid are estimated to total \$2,488.6 million for 2010-2011 and \$2,659.9 million for 2011-2012. This increase of \$171.3 million represents 6.9% growth over the previous year.

For new projects, that would be first aidable after the 2011-12 school year, the Executive proposes the elimination of the selected aid ratio, so that reimbursement in any given year would be based on the most current building aid ratio, better reflecting actual district fiscal capacity. The Executive Budget also proposes reform of the incidental cost allowance that is used to determine the amount of State reimbursement for additional costs related to capital projects, so that overall incidental spending is related to the size of the construction project. In addition, the Executive proposes the establishment of a cap on aidable projects, and a process whereby the Department will rate and approve projects within that cap, based on the need for the project, the age of the building to be renovated or replaced, and the district's fiscal capacity. This competitive construction fund is capped at \$2 billion per year, with an additional \$30 million set aside for emergency projects.

In addition, the Executive provides \$181.8 million in State funding to pay debt service on bonds issued to provide EXCEL Grants for capital construction. Of that amount, \$127.0 million is attributable to projects funded in New York City, and an additional \$54.8 million is attributable to other eligible projects. This represents an increase of \$12.8 million or 7.0% over the previous year's funding of \$169.0 million.

## Transportation Aid

Transportation Aid for operating expenses will be calculated under the existing formula. Transportation Aid and Summer Transportation Aid are estimated to grow from \$1,583.3 million in the 2010-2011 school year to \$1,654.7 million under the Executive proposal, an increase of \$71.4 million or 4.5%.

For future years, the Executive proposes disincentives for districts that elect not to demonstrate cost-effective management of school transportation operations. Districts that do not either participate in shared services programs with other municipalities or use efficient practices identified by the Department will be reimbursed at a lower rate for their transportation expenses. Transportation operating expenses eligible for aid would be reduced as follows:

2013-14	2.5%
2014-15	5.0%
2015-16	7.5%
2016-17	10.0%

Acquisition of school buses would also be limited, in that purchases of new buses would not be aidable unless the bus was at least ten years old, with mileage in excess of one hundred twenty thousand miles, and districts will have to document the cost effectiveness of equipment added to the school bus.

## **Gap Elimination Adjustment**

The Executive again proposes a separately calculated reduction in the apportioned to school districts. While none of the existing formulas is affected, overall payments to districts would be reduced by \$2.8 billion in the 2011-12 school year. Unlike the past two years, this reduction is not mitigated through the allocation of Federal resources. For 2011-12, the Executive's Gap Elimination Adjustment is computed in a manner similar to that used in 2010-11. It recognizes districts' pupil need, fiscal capacity, tax effort and administrative efficiency. District reductions are limited both in relation to their adjusted total (excluding Building Aid and Universal Prekindergarten Grants), and in relation to their overall expenditures, as measured by Total General Fund Expenditures (TGFE). Reductions can range from a minimum of 11% of districts' adjusted total aid, to a maximum of 23%. In addition, reductions for high-need districts are limited to no more than 6.9% of their TGFE and, for those high-need districts that qualify based on their level of administrative expenditures and concentration of high-need pupils, that limit is further reduced to 4.7%. All other districts will have their reductions limited to no more than 11% of their TGFE.

For 2012-13 and thereafter, the Gap Elimination Adjustment would be adjusted annually to limit the overall growth in General Support for Public Schools to a rate of increase consistent with growth in personal income in New York State.

## **Other Aid Categories**

The Executive proposes continuation of Charter School Transitional Aid, providing \$25.1 million in aid to districts that are significantly impacted by a concentration of charter schools, an increase of \$1.9 million or 8.1% above 2010-2011 lev

## 2011-2012 State Aid as Proposed by the Executive NEW YORK STATE

(all figures in millions)

Program	2010-11 School Year	2011-2012 Executive State Aid Proposal	Change from Base
<b>General Purpose Aid</b>	<b><u>\$15,546</u></b>	<b><u>\$15,551</u></b>	<b><u>\$5</u></b>
Foundation Aid	\$14,894	\$14,894	\$0
Academic Enhancement Aid	\$27	\$27	\$0
Charter School Transition Aid	\$23	\$25	\$2
High Tax Aid	\$205	\$205	\$0
Reorganization Incentive Operating Aid	\$3	\$3	\$0
<b>General Purpose Aid Subtotal</b>	<b><u>\$15,152</u></b>	<b><u>\$15,154</u></b>	<b><u>\$2</u></b>
Aid for Early Childhood Education	\$394	\$397	\$3
<b>Support for Pupils with Disabilities</b>	<b><u>\$788</u></b>	<b><u>\$830</u></b>	<b><u>\$42</u></b>
Private Excess Cost Aid	\$330	\$343	\$13
Public Excess High Cost Aid	\$454	\$483	\$29
Supplemental Public Excess Cost Aid	\$4	\$4	\$0
<b>BOCES\Career and Technical Ed.</b>	<b><u>\$913</u></b>	<b><u>\$934</u></b>	<b><u>\$21</u></b>
BOCES Aid	\$702	\$720	\$18
Special Services - Academic Improvement	\$51	\$51	\$0
Special Services - Career Education Aid	\$124	\$126	\$2
Special Services - Computer Admin. Aid	\$36	\$37	\$1
<b>Instructional Materials Aids</b>	<b><u>\$283</u></b>	<b><u>\$286</u></b>	<b><u>\$3</u></b>
Computer Hardware & Technology Aid	\$38	\$38	\$0
Library Materials Aid	\$19	\$20	\$1
Software Aid	\$45	\$46	\$1
Textbook Aid	\$181	\$182	\$1
<b>Expense-Based Aids</b>	<b><u>\$4,072</u></b>	<b><u>\$4,315</u></b>	<b><u>\$243</u></b>
Building Aids	\$2,489	\$2,660	\$171
Transportation Aids	\$1,583	\$1,655	\$72
<b>Computerized Aids Subtotal</b>	<b><u>\$21,602</u></b>	<b><u>\$21,916</u></b>	<b><u>\$314</u></b>
<b>All Other Aids</b>	<b><u>\$257</u></b>	<b><u>\$260</u></b>	<b><u>\$3</u></b>
<b>Total GSPS</b>	<b><u>\$21,859</u></b>	<b><u>\$22,176</u></b>	<b><u>\$317</u></b>
<b>Net Adjustments</b>	<b><u>(\$2,270)</u></b>	<b><u>(\$2,786)</u></b>	<b><u>(\$516)</u></b>
Gap Elimination Adjustment	(\$2,138)	(\$2,786)	(\$648)
FMAP Reduction	(\$132)	\$0	\$132
<b>Federal ARRA Apportionments</b>	<b><u>\$1,336</u></b>	<b><u>\$0</u></b>	<b><u>(\$1,336)</u></b>
Gap Elimination Adjustment Restoration	\$726	\$0	(\$726)
Education Jobs Fund	\$608	\$0	(\$608)
Teacher-Mentor Intern	\$2	\$0	(\$2)
<b>Grand Total</b>	<b><u>\$20,925</u></b>	<b><u>\$19,390</u></b>	<b><u>(\$1,535)</u></b>