
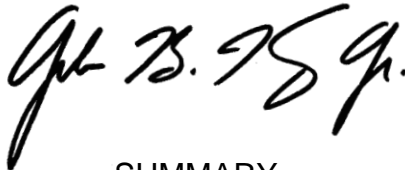




TO: Subcommittee on State Aid
FROM: Ken Slentz 
SUBJECT: Regents 2014-15 Proposal on State Aid to School Districts

DATE: December 16, 2013

AUTHORIZATION(S):



SUMMARY

Issue for Decision

Does the attached Regents 2014-15 State Aid proposal reflect the Regents' priorities for State Aid to school districts?

Reason(s) for Consideration

Policy implementation.

Proposed Handling

The detailed State Aid Proposal will come before the Subcommittee at the December meeting, and the Subcommittee will make a recommendation to the full Board to approve.

Procedural History

The State Aid Subcommittee of the Board of Regents has reviewed program information and proposed future directions on prekindergarten and career and technical education. The Subcommittee has sought to align its fiscal recommendations with the needs identified by experts in these programs. In October, Regent Tallon outlined some of the key issues of concern in the education finance arena. Also in October, the Board of Regents and the Department sponsored a school finance symposium titled: *Improving Student Learning in Fiscally Challenging Times*.

The Symposium focused on innovations in school management and shared services and was attended by a wide range of education policymakers and stakeholders. The Education Finance Advisory Group, a group of statewide membership organizations and other school aid stakeholders, met in November to discuss options for the 2014-15 State Aid Proposal. The attached proposal presents the Regents priorities on State Aid to school districts.

Background Information

Each year the Regents Subcommittee on State Aid develops the Regents State Aid proposal through a review of a series of papers, the Regents State Aid Symposium, consideration of the needs of school districts and an examination of various State Aid solutions.

Recommendation

I recommend the following action:

VOTED that the Regents adopt the attached report as their proposal on State Aid to school districts for the school year 2014-15.

Timetable for Implementation

Following the Board of Regents' approval of the final State Aid proposal for 2014-15, the Governor will issue his budget recommendations in January and ask the Legislature to approve a State budget by April 1.

Regents 2014-15 Proposal on State Aid to School Districts

Introduction

The Regents Proposal on State Aid to School Districts recommends a total increase in school aid of \$1.3 billion for the 2014-15 school year. This year's proposal is composed of several key components. These include a \$719 million Transitional Operating Aid that adheres to the original principles of the Foundation Aid formula and addresses the impact of several years of Gap Elimination Adjustments. In addition, the proposal includes \$281 million in aid increases for reimbursement-based programs, including Transportation Aid, Building Aid and BOCES Aid based on existing law.

The Board of Regents also recommends that the State commit \$300 million for investments in several strategic areas: strengthening teaching, ensuring our youngest students get off to a good start, enhancing career and technical education, enhancing instructional materials, and finally support for sharing resources. The Board recommends a multi-year effort to support these investments, because they will significantly improve our students' success in school and their preparation for the workforce.

Exhibit A shows the aid the Regents recommend by major category of State support with an overall increase of \$1 billion for General Support for Public Schools and \$300 million in new Strategic Investments. Exhibit B shows the distribution of computerized State Aid changes. Exhibit C shows the distribution of computerized aid per enrolled student. Under the Regents proposal, funding would increase for all categories of school districts with the greatest increases directed to high need school districts.

Exhibit A
2014-2015 Regents State Aid Proposal
NEW YORK STATE

(all figures in millions)

Program	2013-14 School Year	Regents 2014-15 Request	Regents Change from Base
General Purpose Aid	<u>\$14,242</u>	<u>\$14,940</u>	<u>\$698</u>
Foundation Aid	\$15,182	\$15,225	\$43
High Tax Aid	\$223	\$223	\$0
Academic Enhancement Aid	\$27	\$27	\$0
Supplemental Public Excess Cost Aid	\$4	\$4	\$0
Gap Elimination Adjustment	(\$1,639)	(\$963)	\$676
Charter School Transitional Aid	\$33	\$29	(\$4)
Reorganization Incentive Operating Aid	\$8	\$8	\$0
Aid for Early Childhood Education	\$404	\$387	(\$17)
Support for Pupils with Disabilities	<u>\$861</u>	<u>\$919</u>	<u>\$58</u>
Private Excess Cost Aid	\$331	\$372	\$41
Public High Cost Excess Cost Aid	\$530	\$547	\$17
BOCES\Career and Technical Ed.	<u>\$935</u>	<u>\$965</u>	<u>\$30</u>
BOCES Aid	\$735	\$761	\$26
Special Services Aid	\$200	\$204	\$4
Instructional Materials Aids	<u>\$280</u>	<u>\$285</u>	<u>\$5</u>
Hardware & Technology Aid	\$38	\$39	\$1
Library Materials Aid	\$19	\$19	\$0
Software Aid	\$46	\$47	\$1
Textbook Aid	\$177	\$180	\$3
Expense-Based Aids	<u>\$4,360</u>	<u>\$4,564</u>	<u>\$204</u>
Building Aids	\$2,724	\$2,839	\$115
Transportation Aids	\$1,636	\$1,725	\$89
Other GSPS	<u>\$297</u>	<u>\$302</u>	<u>\$5</u>
Total GSPS	<u>\$20,975</u>	<u>\$21,975</u>	<u>\$1,000</u>

Multi-Year Investments	<u>\$0</u>	<u>\$300</u>	<u>\$300</u>
Universal Prekindergarten Funding	\$0	\$125	\$125
Core Instructional Development Fund	\$0	\$125	\$125
Enhanced Technology and Textbook aid	\$0	\$50	\$50

Totals may not add due to rounding

Exhibit B
Computerized State Aid Changes
How They Are Distributed

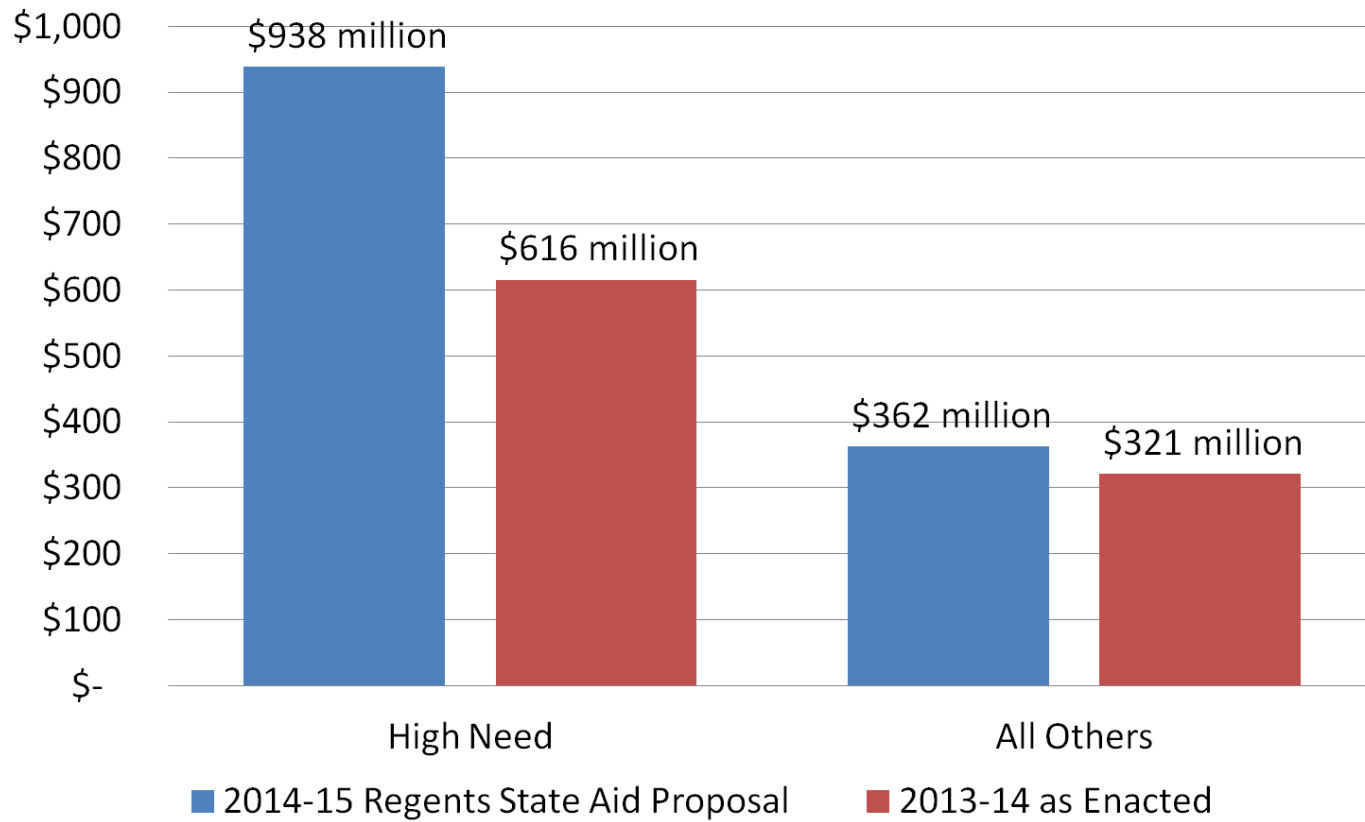
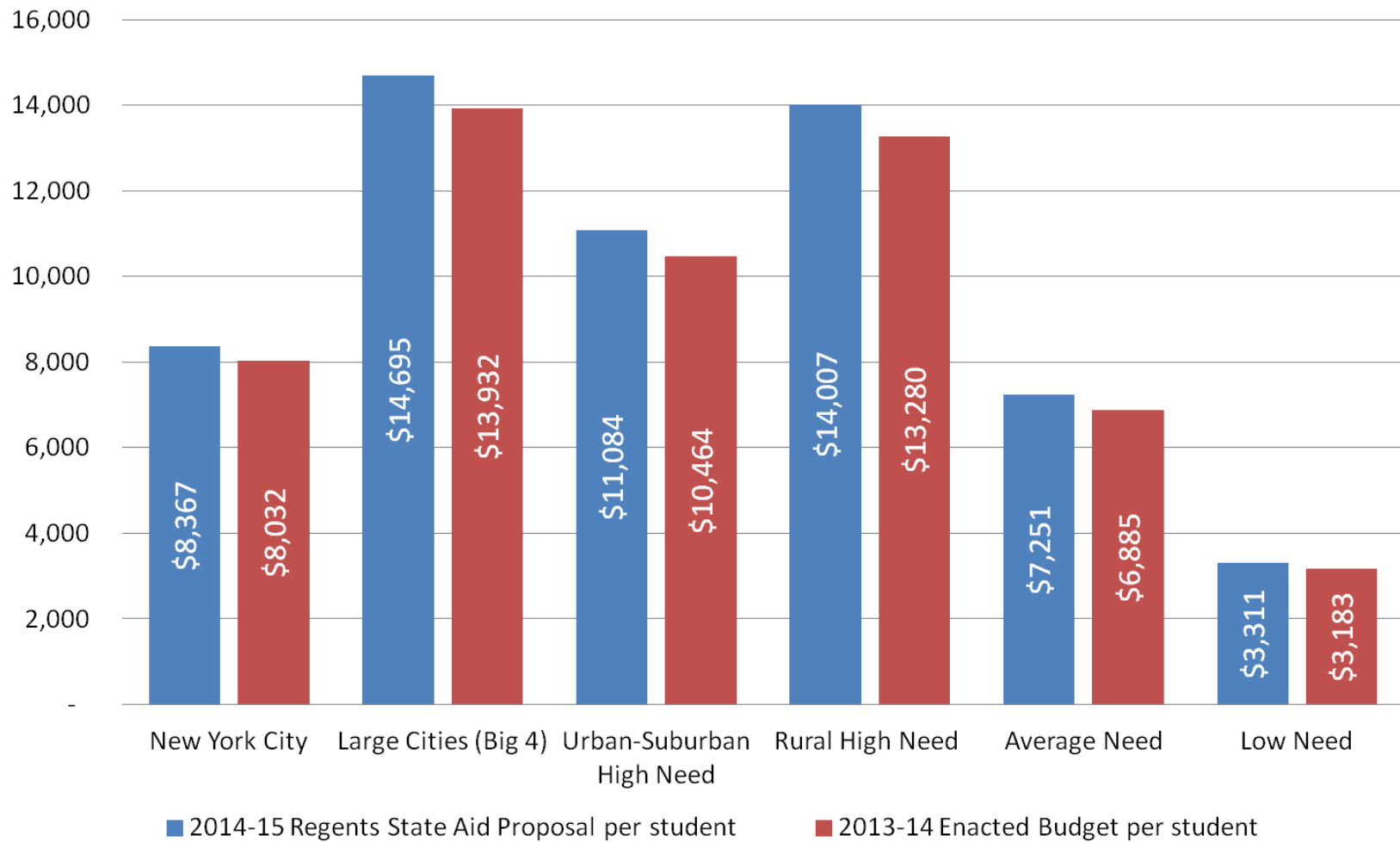


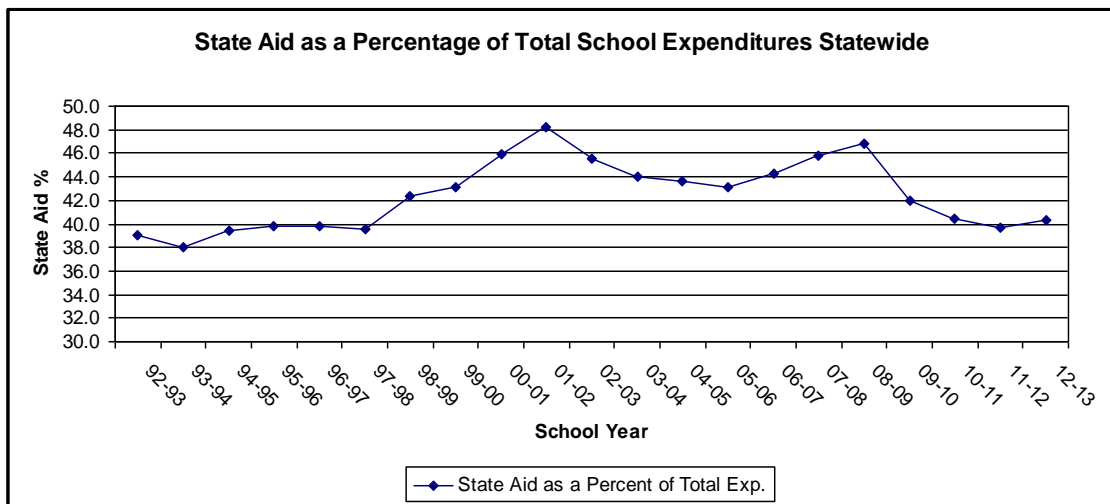
Exhibit C Distribution of Computerized Aid per Enrolled Pupil



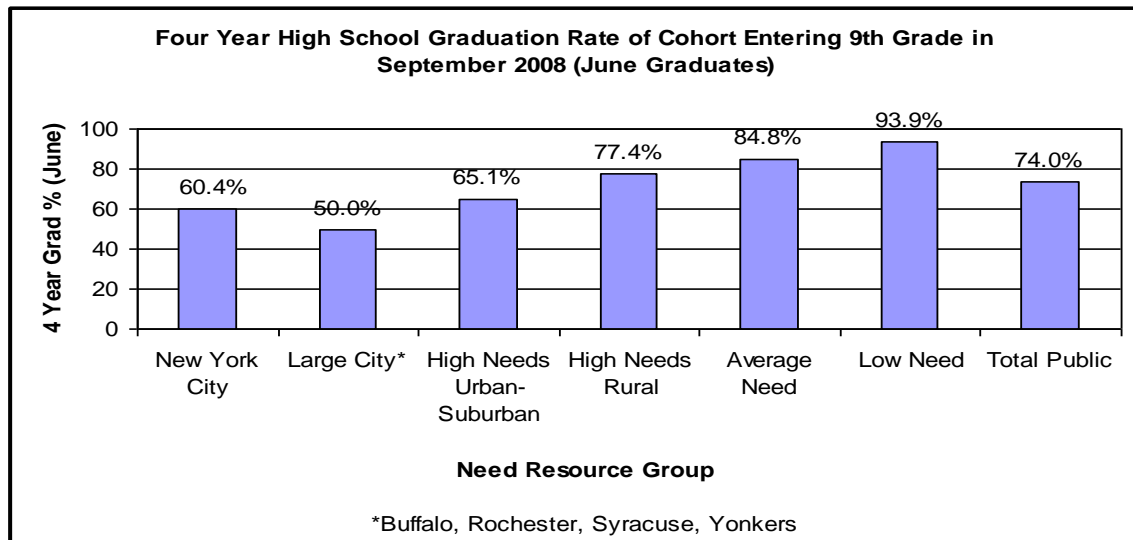
Challenges and successes: New York’s P-12 education system is in the midst of a significant transition. Although there are challenges, there are significant resources that inspire optimism.

Primary among these resources are the thousands of educators, teachers, teacher-leaders and administrators, who are committed to educational success and college and career readiness for all of their students. These educators are focused on preparing students for the challenges they will face in the economy of the future. The Board has seen these educators engage in unprecedented efforts to improve instruction, align their classroom practice with more rigorous standards and improve student learning.

Nevertheless, many challenges remain as we move toward the future. After the significant reductions in State Aid that resulted from the economic disruptions of 2009, many school districts have been forced to make programmatic reductions that limit options for students. A second, but not unrelated, issue is the academic achievement gap that remains among students and districts. As the state’s financial contribution to the overall costs of education declined as a result of the recession in 2009 and has not been fully restored by subsequent increases, school districts with fewer local resources, which also tend to serve more students living in poverty, have faced challenges in preparing their students for college and career.



Link between Student Outcomes and District Resources



Fiscal Challenges

Both the dramatic increases in state aid that accompanied the first two years of Foundation Aid and the subsequent cuts during the recession years have ended. Statutory limits on state and local revenue sources for education have been enacted. This period of volatility, dominated by a freeze in Foundation Aid and a series of Gap Elimination Adjustment (GEA) reductions and restorations, has altered the starting point for state aid and school district finances in general.

In addition to a significant loss in revenue, freezing Foundation Aid locked districts into aid levels based upon fiscal capacity, enrollment, and demographic information that is more than five years old. For districts with declines in enrollment or increases in local fiscal capacity this may have been beneficial and provided the opportunity to alter operations and address legacy costs. For districts with enrollment growth or reduced fiscal capacity, not updating the formula has resulted in lost revenue compared to the amount that the Foundation aid formula would have provided.

Since 2009-10, the primary policy driver in State Aid has been the Gap Elimination Adjustment and subsequent restorations. The GEA formulas in most instances were designed progressively to limit reductions and prioritize restorations toward high need school districts. Over the five years of GEA reductions and restorations there have been more than 20 different tiers or formula options that have considered a range of items. While many of these

approaches had laudable goals, taken together they fail to provide a predictable operating aid formula.

The Board recommends that prospective increases occur according to the principles that guided the Foundation Aid formula, while recognizing the impacts of both the Gap Elimination Adjustments and the subsequent restorations.

Recommendations

The Board of Regents is committed to the success of all students, whatever their families' means and wherever they live. The 2014-15 State Aid Proposal supports success for all students by addressing two distinct problems. The Proposal increases the State's contribution to basic operating support for school districts using a Transition Operating Aid Approach. The Transition Operating Aid increase is based upon the same considerations that inform the Foundation Aid formula and recognize the impact that the GEA and subsequent GEA restorations have had on the way New York funds education. In addition, the Regents propose the creation of a Strategic Investment Pool to support the Regents Reform Agenda.

Formula-Based School Aid

Transition Operating Approach: The Regents are recommending the creation of a Transition Operating Aid formula to address the challenges facing school districts and the changes to the State's system of financing education. This Transition Operating Aid formula provides \$719 million in new funding for the 2014-15 school year based on several elements of the Foundation Aid formula and addressing the specific problem of limited local fiscal capacity.

As the State's economy and education finance system stabilize, the Transition Operating Aid formula will provide predictable aid growth.

The formula would provide funding on a per pupil basis. Key components include:

- Wealth equalization-- reflecting the current fiscal capacity of school districts.
- Funding Student needs -- providing additional funding for students with extraordinary needs.
- Regional Cost Adjusted--recognizing the differences in the cost of providing an education in different parts of the state.

The Transition Operating Aid formula would first be applied to reduce a district's Gap Elimination Adjustment. To the extent the Transition Operating Aid formula

exceeds a district's Gap Elimination adjustment; remaining amounts would be added to Foundation Aid.

The formula has two tiers, a Foundation tier which captures the traditional cost drivers of Foundation aid and a Fiscal Capacity tier to specifically address the concentration of the remaining GEA in low and average wealth districts.

Expense-Based Aids: For 2014-15, the Regents recommend that an increase of \$281 million be allocated in order to reimburse expenditures made in 2013-14 under the State's reimbursement, or expense, based school aid programs. The Regents recommend that reimbursement be consistent with the existing statutory formulas, which yield an estimated \$2.85 billion in support for Building Aid, \$1.72 billion for Transportation and \$761 million for BOCES Aid.

Instructional Materials Aids: As schools align their instruction to the Common Core learning standards, the transition will be supported by investments in new instructional materials: new texts, new software and new computer hardware. Recognizing the additional costs of purchasing new materials, the Board of Regents recommends increasing funding for these items by \$50 million, or almost 20 percent.

Strategic investments in the Regents Reform Agenda

In addition to the transition operating aid described above, the Board recommends that the State make a \$300 million first-year commitment to multi-year initiatives impacting student achievement across the state, focused on key transition points. These strategic investments would occur in: professional development for instructional personnel, full-day prekindergarten, career and technical education and regionalization efforts.

Teaching is the Core: Core Instruction Development Fund

The Core Instruction Development Fund will represent a \$125 million investment in 2014-15, and it will grow to \$200 million for 2015-16 and 2016-17. This categorical program is intended to facilitate the state's seven-year (2010-2017) transition to the Common Core standards. The professional development fund will fund 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. This includes activities to encourage and facilitate parent learning about the Common Core, recognizing that support at home can be a critical resource for student success. Available funds will be allocated to districts via a formula that recognizes district fiscal capacity.

Districts will apply for the available funds by submitting plans for the work that will be undertaken with the funds. Focus School Districts (those with priority and/or focus schools) will receive additional technical assistance in their application process in order to ensure that their plans contain the elements for success.

Allowable professional development costs would include:

- Costs incurred as teachers engage in professional development activities;
- Summer academies;
- Extra periods/after school programming to provide cooperative practice, planning and embedded coaching time;
- Substitute time; or
- Other approved uses of time.
- Local share of costs for professional development services provided by qualified BOCES;
- Costs of payments to approved professional development vendors for large group sessions or smaller group coaching;
- Teacher materials and curricular guides not reimbursed through other programs or provided free; or
- Other reasonable uses to be approved upon application.

Investing in Quality Early Learning Opportunities Provides Access and Excellence

The Board of Regents recognizes the need to build a continuum of educational services from prekindergarten through 3rd grade. This continuum will ensure that children are ready for kindergarten and also keep students on track for school success. Research has shown that investments in quality early childhood programs yield significant long-term benefits, both in school and adult life, especially for students from lower income families. Quality prekindergarten programs improve early language and reading skills, and thus put children on track for college and career readiness later in their school careers.

With that framework, the Board recommends a comprehensive, multi-year approach to expanding access to quality prekindergarten services. This includes an initial investment of \$125 million in funding for high quality, full day prekindergarten for the 2014-15 school year with additional funding in future years to continue the expansion. In addition, we recommend that the State continue to invest in improving the quality of the state's early childhood programs through QUALITYstarsNY.

Status of Current Program: School districts are required to make difficult choices in the current fiscal environment. Despite clear evidence of the long term benefits and cost effectiveness of quality early childhood programs, required school age programs may take precedence in funding decisions. To encourage longer-term investments in student outcomes, we recommend a long term, dedicated funding stream for early childhood programming.

The Universal Prekindergarten (UPK) program is a key component of New York State's educational system. Expanding the number of full-day seats in the program is vital both to preparing children to succeed and to increasing access to the program for parents who are unable to participate in a half-day program. Many school districts, including 20 of the State's highest need districts, do not currently offer UPK.

The Board of Regents Prekindergarten plan contains two elements that both focus on the essential work of expanding access to prekindergarten programs with total funding of \$125 million for the 2014-14 school year.

Expand Access to Full-Day Prekindergarten Funds: The Board recommends that additional funding (beyond the original \$25 million in grant funding) be committed during the 2014-15 school year and beyond. These funds will ensure that every district that submitted an application that met the minimum score for the recent full-day prekindergarten grant RFP would receive all of the funds it requested. This grant program was open to high need districts in order to expand access to high-quality, full-day prekindergarten programs. The districts that submitted applications that met the minimum thresholds demonstrated the willingness and preparation to offer high quality programs focused on high needs students. These districts are ready, willing and able to undertake important work with their youngest students.

Although the grant program was slated to run for only three years, the Board recommends that all of the funds used to support these full-day prekindergarten programs become a permanent component of state support to these districts.

Use the UPK Expansion Formula and Grant Amounts to Increase UPK Places: The Board also recommends that additional funding be committed to the existing UPK program, allocated under a formula which considers district fiscal capacity and student need.

Districts would be required to maintain existing UPK slots and could access supplemental funds to create new half or full-day places at district locations or through the use of community-based organizations. In order to receive these funds, districts would also be required to offer full-day kindergarten.

Enhanced Support for Career and Technical Education

While most high school students in New York pursue academic, pre-collegiate courses, Career and Technical Education (CTE) programs provide an alternative pathway to the workforce for a significant group of students. CTE programs are associated with success. More than 90 percent of CTE program completers graduate with a Regents diploma, some with Advanced Designation.

Despite this record, the expansion of Career and Technical Education opportunities has often been overshadowed by the effort to improve the traditional college readiness pathway. Combined with the fact that CTE programs require a significant financial commitment from school districts, many school districts have reduced their support for CTE programs in recent years.

CTE has the potential to improve educational outcomes for students who are not well served by other opportunities. It provides “contextual” learning that is grounded in real-world jobs and careers that students value. CTE also prepares students more effectively for the occupational and technical courses of study they may follow in college. CTE programs, based in work-world skill sets, show the relevance of knowledge in the context of the workplace. This focus on the world of work engages and motivates many students to focus more carefully on their academic work, since they see a clear connection between their school programs and their future work. CTE can provide a critical connection to the workforce and the demand for highly skilled employees. Many students, especially the disadvantaged and less-prepared students, need this strong connection to continue in and succeed in school.

The Board of Regents recognizes that high quality career and technical education (CTE) represents a critical part of our mission to prepare students. In addition, high quality programs that provide students with the skills employers require not only serve students, they also provide employers with the well-prepared workers they need – creating an attractive environment for keeping and attracting high-wage employers in the State. This combination of economic development for the State and economic opportunity for our students creates an imperative to support and extend the State’s high quality career and technical education programs.

The Board recommends a substantial expansion in financial support for high quality CTE programs that would be combined with longer-term curricular changes designed to enable more students to access these programs, develop the skills they need to find good jobs and engage in rigorous academic coursework. The multi-year State Aid recommendations include:

- Enhanced BOCES Aid for CTE programs;
- Enhance Special Services Aid for District-Operated CTE Programs

Enhanced BOCES Aid for CTE programs: BOCES Aid for CTE programs would be enhanced to reflect the reality that CTE programs are expensive to operate, because of the infrastructure and instructor training requirements of high quality programs. The existing aid formula for BOCES Aid only aids the first \$30,000 of BOCES instructor salaries. This \$30,000 was set in 1990 and has not been adjusted for inflation. As a result, the state's relative contribution to funding CTE programs is reduced, shifting the costs to the local school district – which can result in underinvestment. In recent years, for financial reasons, many school districts have not have been able to expand, or even maintain, access to CTE programs, despite the contribution CTE makes to students' future employment prospects, particularly in a challenging economy. The Regents recommend that the aidable salary for all CTE programs be increased over a period of five years, until the gap between the current salaries and actual salaries has closed. The initial increase of 20 percent, to salary levels of \$36,000, would be effective for programs offered in 2014-15. In addition, for CTE programs that are certified to be of sufficient rigor to meet national standards, including P-Tech high schools, we recommend that 100 percent of salaries be immediately eligible for BOCES Aid, under the ratios in the existing formula.

Enhanced Special Services Aid for District-Operated CTE Programs in Noncomponent Districts: In addition to this increment to the BOCES Aid formula, which would invest state funds to support the actual costs of providing high quality CTE programming, we recommend a similar expansion in Special Services Aid. Special Services Aid supports CTE programming for school districts that are not components of the BOCES, including the school districts in the state's largest five cities (New York, Buffalo, Rochester, Yonkers, and Syracuse). The existing Special Services Aid formula assumes a base cost of \$3,900 per student, which has not been adjusted for inflation and is far below the cost of providing many high quality CTE programs. The Regents recommend a multi-year approach to increasing the reimbursement for these programs until the per pupil base cost reflects the actual cost of providing these programs. For programs offered in 2014-15, we recommend increasing the threshold by 20 percent, to \$4,680 per student. This enhanced formula will help districts fill this gap and increase their capacity to provide students with an opportunity to acquire the skills they need to succeed.

Incentives for Regionalization

In order to address the reality of the transition to a more constrained environment for many districts, the Regents propose several changes that will enhance the ability of communities to prepare their young people for the highly specialized modern workforce.

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.

The Regents and the Department recommend the authorization of regional secondary schools 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. This approach offers a lifeline to school districts struggling to provide quality educational programs due to significantly reduced revenues and enrollments. Under our proposal, these programs would be eligible for incentive aid that would help ease the transition to the new model for participating school districts.

Encourage School District Reorganization and Expanded Regionalization of services: The Board recommends improving the incentives offered to school districts that choose to reorganize. 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. Although historically many school district reorganizations have occurred, very few have transpired in the past decade. Multiple efforts to reorganize have failed, with differential tax impacts on the reorganizing districts often cited as a cause for the failure. In order to encourage more reorganizations, 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 formula to Foundation Aid, rather than 2006-07 Operating Aid.

In addition, recognizing that reorganization is not the solution for every district, the Board of Regents recommends providing additional technical assistance and funding for school districts that pursue innovative partnerships to share services.

Conclusion

With this State Aid Proposal, the Regents have outlined a plan that acknowledges the need to provide operating support to school districts in a manner that reflects the influence of recent history on their financial well-being. In addition, the Board recognizes this as an important moment of transition for our State's system. The Regents seek to support this transition by recommending investments in the professional development and new instructional materials that will support the curricular changes we are undertaking.

In addition, the Regents are mindful of the power of well-designed programs at other key transition points for students – entry to school at prekindergarten and exiting school through excellent career and technical education programs – to influence student outcomes. The Board has thus recommended increased support for these critical efforts.

Finally, in recognition of the significant demographic and economic shifts that are taking place in many parts of the state, the Board has proposed a multi-layered approach to regionalizing services. This multi-year proposal reflects the impact of recent events and ongoing changes, but looks toward the future, making the key strategic investments that will most effectively advance student outcomes.