Executive Summary

ASBO New York advances this aid proposal as a statement of New York school district needs from the unique perspective of school business officials. New York's school business officials, who act as Education CFOs, are strategically positioned to understand education goals and the resources needed to achieve them. This aid proposal recommends a $2.1 billion increase in state aid to school districts to achieve four goals:

- Improve equity and adequacy;
- Strengthen student safety and wellness;
- Provide stability by paying already approved expenses; and
- Redirect savings to teaching and learning.

2019-20 State Aid Proposal

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Introduction

Over the last several years, New York State has experienced significant changes in its student population. As evidenced in this proposal, there have been record-high increases in economic hardship as well as substantial increases in the incidence of students with disabilities and those who are English language learners. Such needs require additional services which come at a cost. Yet New York State school districts struggle to keep up with these rising costs as revenue sources do not keep pace. Over ten years ago the Foundation Aid Formula was established to provide adequate and equitable funding to school districts. To this day, Foundation Aid, the largest school funding source, has not been paid according to its formula, resulting in billions of dollars owed to school districts. At the same time, school districts are restricted in the amount of money they can raise locally due to a state Property Tax Cap. In order to provide students with the resources they need to have a meaningful education, ASBO makes the following recommendations to the Governor and the State Legislature for the 2019-20 school year.

These recommendations are grouped into four categories:

- **Improve equity and adequacy** for school districts with additional support for Foundation Aid and other strategic investments aimed at improving access to educational opportunity;

- **Strengthen student safety and wellness** with a new aid program to support the non-capital needs of all school districts to provide community school programs, support school resource officers, and other initiatives to strengthen student safety and meet the social and emotional needs of students. The Community Schools Setaside within Foundation Aid should be folded into this separate categorical aid program, leaving Foundation Aid as unrestricted general purpose operating aid;

- **Provide stability by paying for already approved expenses.** Maintain support for expense based aids, and pay off prior year adjustments; and

- **Redirect savings to teaching and learning** through incentives for shared transportation, staggered building condition surveys, streamlining internal audits, excluding local BOCES capital expenditures from the Tax Cap, a TRS reserve, and funds to support grants for strategic resource use. Additional flexibility will help school districts do their primary job—educating students.

Educating Today’s Students for Tomorrow’s World

Across New York schools, student need continues to grow. Figures 1, 2, and 3 show the steady increases in economic hardship, students with disabilities, and English language learners. As student need increases, costs increase for school districts to prepare students for success in college and careers. Education funds have been constrained in recent years by an economic recession and a Tax Cap. The state’s partnership with school districts, realized in Foundation Aid, is critical for school districts to successfully educate their students.
Figure 1. Free and Reduced-Price Lunch Rate, 2011-12 to 2018-19

Figure 2. Students with Disabilities, 2007-08 to 2016-17
Schools reflect and must respond to the increasing complexity of the world around them. The steady growth in student poverty is associated with an increase in students suffering from trauma in their families such as the death of a parent, incarceration of a family member, drug and alcohol abuse of family members, unmet health and mental health needs, family members facing deportation or other citizenship challenges, and increasingly violent neighborhoods. These environmental challenges have led schools to provide programs and services that promote social and emotional learning in students.

Many schools have learned that social and emotional needs of students must be met before students are ready for academic learning. In addition, school officials know that their first responsibility is to keep students safe—on the school bus and on school grounds. Schools are responding with a multi-tiered response that seeks to prevent mental health issues in students that could cause a violent outbreak, by installing high tech security building systems that control who can access the school, and by employing school resource officers to respond to violent incidents as they occur. School officials across the state are engaging their school communities in intense conversations about the best ways to protect students.

These conversations inevitably focus on available resources. The state and local partnership, which is a cornerstone of New York education, is crucial to school districts’ ability to meet student need.

This challenging environment is accompanied by a greater awareness of the need for higher standards. It is not enough for students to meet minimum standards of competency; they must meet twenty-first century standards for college and career readiness to be prepared for future jobs and educational demands. The education schools provide today must prepare students for the demands of tomorrow.
Recommendations

ASBO recommends an increase of $2.1 billion in state aid to school districts for the 2019-20 school year. This includes $1.3 billion to begin the first year of a three-year phase in of the Foundation Aid formula, $85 million to support English language learners by making it a categorical aid, $410 million to fully fund expense based aids, $250 million for student safety and well-being, $50 million to pay down prior year adjustments, $25 million to invest in career and technical education, $500,000 for strategic resource grants and $20 million to strengthen early learning. ASBO also makes several recommendations to provide greater flexibility to school districts at no additional cost to the state. These numbers are based on the November 15, 2018 database.

Improve Equity and Adequacy

Move Towards Fully Funding Foundation Aid

Foundation Aid is currently $4 billion away from being fully funded. ASBO New York recommends the state commit to full funding of Foundation Aid in three years. For 2019-20, all school districts should receive a state aid increase, with additional increases targeted to school districts furthest away from full Foundation Aid funding and high-need school districts. These recommendations will provide much needed support for high-need districts, provide a minimum increase to all school districts, and emphasize the importance of the state moving assertively toward fully funding Foundation Aid.

Improve the Foundation Aid Formula

A school funding formula is like a garden: it needs to be tended and weeded to ensure it delivers the produce we desire. For school funding, adjustments are needed to ensure it delivers the good education results society expects. This requires some adjustments to address inequities that may result or to take advantage of improved data that become available. ASBO New York recommends the following additional changes to improve the equity and adequacy of the formula. These recommendations resulted from a statewide study\(^1\) of the formula conducted by an ASBO New York Foundation Aid Task Force.

- Improve the ability of the formula to equalize educational opportunity by removing the 0.65 floor on the income wealth index used to calculate the local share, which limits aid to the neediest school districts. More than half of New York districts are affected by this floor. Without it, their median income wealth would be 0.49. They would receive more Foundation Aid if the state used their actual wealth which would help them meet the needs of their low-income students.

- Remove the 2.0 cap on income wealth for the calculation of the local share of foundation aid. This factor treats, for example, a school district with income ten times the state average the same as a school district with twice the state average wealth. This feature drives more aid to the wealthiest schools by not recognizing their actual wealth. Without it, these school districts would have a median income wealth index of 2.84. The state should not provide additional aid to districts with ample local resources.

- In a similar fashion, the measurement of student poverty should not be limited. For example, the maximum of 2.0 in the calculation of the Pupil Need Index (PNI) prevents the formula from recognizing the highest levels of poverty. Eight high-need school districts are currently affected by this cap. The PNI drives aid to school districts to meet the needs of students from impoverished backgrounds, with limited English proficiency, and living in geographically sparse areas of the state.

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• Improve the measurement of poverty for use in the Foundation formula. Replace 2000 Census poverty data with annual US Census Department Small Area Income and Poverty Estimates. This would ensure state aid formulas use the most up-to-date data that reflect current circumstances. For most districts, poverty levels have grown significantly since 2000. The state’s failure to fully recognize student need contributes to a lack of student opportunity.
  
  ° For 505 school districts, 2016 SAIPE levels are higher than 2000 Census poverty. The median difference is 3.5 percentage points.
  
  ° Figure 4 shows the difference between 2000 Census and 2016 SAIPE school age poverty rates for all districts except New York City.

• Use Direct Certification data instead of Free and Reduced-Price Lunch data and update this information annually. With the use of direct certification data, the measurement of poverty should include a three-year average of direct certification numbers to provide stability in the calculation of student economic hardship.

*Figure 4. Comparing the 2000 Census with Annual SAIPE Levels (omitting New York City)*

**Strengthen Early Learning**

ASBO New York recommends the state provide $20 million to implement Regents recommendations to provide a quality early learning education system. Taken together, these recommendations will substantially close the student achievement gap before formal schooling begins, which research has shown will improve students’ lifetime educational outcomes and earnings. A number of complementary initiatives are required. These include expanding pre-k to unserved high-need four year olds, strengthening support through technical assistance centers around the state, conducting a cost study on the cost of successfully providing universal pre-k, expanding New York’s quality rating system, funding to support collaboration between universal pre-k and special education preschool programs, developing an early learning data system, and supporting parent and community engagement.
Teacher Retirement System Reserve Fund

School districts are currently permitted to establish Employee Retirement System (ERS) reserve funds for employees enrolled in the state and local retirement system. These employees account for less than a quarter of school district staff, while teachers account for the vast majority of school employees.

The Teachers Retirement System (TRS) employer contribution rate for 2018-19 payroll increased to 10.6 percent from 9.8 percent. This increase represented an additional $170 million in costs to school districts, nearly 30 percent of the total increase they received in Foundation Aid for 2018-19. In the past, districts have been forced to lay-off staff when employer contribution rates have increased. By creating a TRS Reserve Fund, districts will have a fiscal safety net for the future that could help avoid staff cuts due to increases in employer contribution rates. This increased fiscal stability will allow school districts to maintain support for educational programs on which their communities depend even when stock market performance is weak and employer contribution rates rise.

Provide Equity in Debt Limits for Small City School Districts

Small city school districts must calculate their debt limits differently than non-city school districts. For small city school districts, the debt limit is five percent of the five-year average of real property value in the district. For non-city school districts, the debt limit is 10 percent of the real property value in the most recent year and expected state aid is deducted in the calculation.

Figure 5 shows the median debt limits for small city and non-city school districts. The median small city school district has a per-student debt limit of $18,736 per student, while the median non-city district has a per-student debt limit of $159,036. Because of their lower levels of local resources, small city school districts have higher building aid ratios but are often prevented from building because of onerous debt limit requirements. The restrictive debt limit requirements provide a significant barrier to constructing facilities vital to providing an adequate education for all students in small city school districts. SED found that these constraints on the debt ceiling are one of the primary reasons high-need urban and suburban districts are less likely to use building aid incentives, even though they tend to have more favorable ratios.²

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<th>Small City School Districts</th>
<th>Non-City School Districts</th>
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</table>

² Debt limits allowed by current law

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2 State Aid Work Group, New York State Education Department. “School District Responses to Building Aid Incentives.” Available: http://www.oms.nysed.gov/faru/Articles/FacilitiesRN_FINAL.htm
While the five percent and five-year average value for small cities are present in the state constitution, there are no constitutional restrictions on the consideration of state aid. Therefore, we propose the state amend the law allowing small city districts to factor anticipated building aid into their debt limit calculations, as is done for non-city districts. Small city school districts’ debt limit would be five percent of the five-year average value after deducting expected state aid.

Using this calculation, the median small city school district debt limit would be $74,201 per student. This would provide a benefit to these school districts to assist them in maintaining their school infrastructure to support a quality education.

It is important to emphasize that increasing the debt ceiling only changes the threshold at which a school district needs supermajority approval of capital expenditures; it does not change actual spending. Under our proposed change, which aligns with constitutional restrictions placed on small city school districts, the median small city school district debt limit per student would still be less than half of that of the median non-city school district.

Increase Student Opportunity in Rural Schools

Despite having the largest school district in the nation, New York State has a multitude of small, rural school districts. Geographic sparsity is a phenomenon that increases costs and reduces student opportunity. A number of initiatives can ensure that students in rural schools have the opportunity for a meaningful education that will lead to success in college and careers. These include strengthening career and technical education programs, authorizing regional high schools around the state, providing incentives for sharing pupil transportation that reduce costs for school districts and the state, and allowing school districts to reinvest savings in teaching and learning (see the section on Redirecting Savings to Teaching and Learning beginning on page 11).

Career and Technical Education

Career and Technical Education (CTE) based on high academic standards offers opportunities for students who relate well to hands-on learning experiences and a closer connection between education and job opportunities. Research has demonstrated a reduction in dropouts and an increase in earnings as a result of quality CTE programs. Aid is paid to school districts for student participation in BOCES CTE programs, but is limited to a share of the first $30,000 in teacher salaries, a limit which has been in place for more than two decades. Similar aid limitations have been placed on CTE programs in the Big 5 city school districts funded with Special Services Aid. ASBO New York recommends $19 million to increase state support for salaries for career and technical education teachers in BOCES and the Big 5 city school districts as a strategic investment in a program of demonstrated effectiveness.

Increasing the salary threshold to reflect inflationary increases over that period would help school districts with the cost of sending students to CTE programs. ASBO recommends $76 million, phased in over three years, in BOCES Aid and Special Services Aid to provide aid up to the state average salary for BOCES CTE teachers or approximately $67,000. The state should provide half of this increase for component school districts of BOCES, and a comparable level of aid increases for the Big 5 city school districts.
Regional High Schools

The state should give the authority for school districts around the state to participate in regional high schools operated by a school district or BOCES to increase course offerings for students at reduced cost. The state should provide $5 million to support this process. ASBO New York also supports the recommendation advanced by NYSED to the Regents to create a Regional Secondary Schools Advisory Council. This proposal would establish a temporary advisory council composed of legislative and advocacy stakeholders tasked with developing a legislative proposal to establish regional high schools.3

Strengthen Student Safety and Wellness

Devastating events that have taken place in schools across the country over the last several years demand attention for increased safety in school buildings. No longer is it a matter of if a situation could occur, but rather when. Repeated shootings in schools around the country suggest that school safety rises above being a local concern and has become a state if not a national issue. Given states have responsibility for education it is imperative for states to take a proactive role in partnering with school districts to prevent future incidents from happening and respond effectively to events once they occur. School districts need the appropriate resources to protect their buildings from any potential harm so that every student can walk into school each day knowing they are safe and welcome. ASBO recommends the following urgent measures to help protect New York schoolchildren.

Student Safety and Well Being Categorical Aid

ASBO recommends creating a new categorical aid to provide $250 million to all school districts across the state for non-capital expenses that increase and enhance academic, health and mental health services to students and their families.

We recommend including the Community Schools Setaside in Foundation Aid of $200 million into a new categorical aid program, increasing the amount to $250 million to provide all districts wealth-equalized aid for student safety and well-being. This proposal allows Foundation Aid to be general-purpose aid for the operation and maintenance of the school, as it was intended to be.

The new aid program would support community hubs that deliver co-located or school-linked academic, health, mental health services and personnel, after school programming, dual language programs, nutrition, counseling, legal, and/or other services to students and their families.

The new aid program would expand the reach of this program. Instead of targeting high-need schools this program would be provided to all school districts, thus meeting concerns in low-need school districts that the pattern of school violence often occurs in affluent communities perpetrated by affluent students. The new Student Safety and Well Being Categorical Aid would allow all districts to target critical areas of need to improve student safety and well being.

Make Permanent NY Safe Act Enhanced Funding for Security Upgrades

The NY Safe Act promotes school safety by making security devices like reinforced entry systems, cameras, and metal detectors eligible for building aid. Recent state budgets increased aid for security upgrades by 10 percent to encourage school districts to install these measures. The recent sunset placed on this enhanced funding should be removed and made permanent instead.

3 NYSED’s October 2018 report to the Regents P-12 Committee states that legislation passed the Assembly, but did not move in the Senate (S.6485 Marcellino/A.7934-A Nolan).
Remove Salary Cap for Retired Police Officers

Pass legislation that would allow school districts to hire retired police officers as school resource officers without needing an SED waiver to exceed the $30,000 salary cap. This would help every school have access to well-qualified school resource officers.

Expedite Capital Projects Approval Process

Expedite the approval process for Building Aid for capital projects and Smart Schools Bond Act funding by providing additional funding and civil service exemptions for SED to hire additional professional staff to meet the demand.

Exempt Security Expenditures from The Property Tax Cap

The vast majority of school districts across the state adopt tax cap compliant budgets, which limits their ability to raise local revenue. Because student safety is a pressing issue, exempting local spending for school safety and security from the tax cap would allow school districts to invest in school security while still complying with the tax cap.

These proposals identify ways that school districts can make meaningful, timely contributions to student safety and how the state can help school districts meet the fiscal challenges for these safety measures to ensure all students are able to learn in safe environments conducive to learning.

Provide Stability

Support for Expense-Based Aids

ASBO recommends continued support for expenses school districts have already incurred that the state has designated as reimbursable. Based on data submitted by school districts and available on November 15, 2018, the State will pay school districts an estimated $410 million in 2019-20 for approved expenses they have already incurred. These expenses are for school construction, pupil transportation, the excess costs of educating students with disabilities, instructional materials, and participating in BOCES programs. Expense-based aids reimburse certain costs such as school construction, pupil transportation, shared services provided by BOCES, special education, and instructional materials. School districts rely on this funding, which represents the state’s ongoing commitment to provide resources for education. The state should continue to honor these commitments and pay what is due for these expenses that school districts have already incurred.

Prior-Year Aid Adjustments

Money school districts owe to the state is paid in a timely manner. Money the state owes to school districts should likewise be paid over a reasonable time frame. ASBO recommends funding prior-year aid adjustments that have been approved by NYSED and paying for them over a maximum of seven years. This currently amounts to $334 million. Prior-year aid adjustments are made when aid claims are approved or adjusted after the close of the current claim year, often as a result of correcting or updating data. These approved aid payments are put on a list and paid as funds are available. The state typically appropriates about $18 million a year to pay prior year aid claims. At this rate, this means that a prior-year adjustment approved today would take over 18 years to be paid. Claims have grown substantially over the past few years and the number of school districts with approved claims is large. We recommend the state increase its appropriation for prior year adjustments from approximately $18 million to $50 million, reducing the time that school districts must wait for these funds.
Redirect Savings to Teaching and Learning

School districts need resources to meet student needs given the requirements that are in place in law and regulation. New laws and regulations are put in place every year and these are rarely accompanied by a reduction in preexisting mandates. ASBO recommends that the state conduct a regular review of mandates and requirements placed on schools to see if redundant, outdated, or unnecessary requirements can be eliminated, or additional flexibility can be granted to encourage cost reduction, thus allowing school districts to stretch the dollar further. ASBO makes specific recommendations to allow school districts to make savings and redirect savings to teaching and learning. These concern pupil transportation, building condition surveys, internal audits, tax cap flexibility, and strategic resource use. Taken collectively these recommendations will save money for school districts and the state. Some of them will also cost the state but it is estimated the costs will be small and the savings large. ASBO New York recommends pilot programs to better define costs, as needed.

Promote Sharing and Mandate Relief for Pupil Transportation

- **Allow Piggybacking on Pupil Transportation Contracts**
  New York State school districts are permitted by law to participate in shared pupil transportation contracts with other school districts. This occurs, for example, when two school districts transport pupils to the same nonpublic school. One school district may contract with the other school district to transport their pupil, as long as the district offering the transportation owns and operates the school vehicle.
  
  For school districts that contract with private transportation companies, sharing is limited. School districts are not allowed to “piggyback” or add a bus, child, or route to an existing contract that another school district has established with a pupil transportation services contractor. This is because each district must bid transportation contractual services and has no legal authority to accept services from another district’s contractor.
  
  In an effort to reduce costs and promote efficiencies, school districts should be permitted to piggyback on another school district’s existing contract with a pupil transportation services contractor. The same terms and conditions of the originally bid contract would apply to both school districts and cost savings must be achieved as a result of the piggybacking. A recent amendment to the law that allowed piggybacking on other contracts was not extended to pupil transportation. Piggybacking on pupil transportation contracts should be allowed, thus allowing school districts to engage in greater sharing, reduce costs, and produce savings for school districts, the state, and state taxpayers.

- **Consolidate Contract Bidding**
  Currently, school districts must place individual bids for separate types of transportations contracts (i.e., home-to-school trips, after school, summer, etc.) throughout the year. Instead, districts should have the ability to award bids for multiple types of transportation contracts at one time. For example, a school district could post a bid for 12-month transportation (regular school year program and summer program) on one contract. This would help reduce costs and labor.

- **Transportation Sharing Incentive**
  When school districts share pupil transportation using district-owned buses, such as to private schools or BOCES, they reduce their spending, saving districts and the state money. This proposal would provide an incentive for all school districts that share pupil transportation with other districts, calculated as 10 percent of the revenue received from the other district for the shared transportation. It is expected that savings will accrue to the state of more than ten times the amount of the incentive.
• **BOCES Shared Transportation Service**
  While not a legislative change, we recommend the Commissioner approve a CO-SER on a pilot basis to provide shared transportation routes for all school districts in a BOCES supervisory district. BOCES will coordinate routes, buses, substitute drivers and will bill school districts for their services and school districts will receive Transportation Aid for their expenses. Currently, Nassau BOCES performs this service but no other BOCES are authorized to do so. This is part of a combined effort to promote school district sharing of pupil transportation.

**Staggered Building Condition Survey Reporting**

Commissioner’s Regulations Part 155.4 requires school districts conduct Building Condition Surveys (BCS) every five years to identify needs, and plan and develop capital projects. Having all 674 school districts conduct these surveys at the same time, however, poses two significant challenges: 1.) The demand for qualified architects and engineers to conduct the survey at the same time drives up the cost of doing the survey both to the district and the state (as the expense for the BCS is state aidable) and 2.) as many districts utilize the BCS as the basis to implement capital projects, school districts submit their capital projects for review and approval to the Education Department shortly after the BCS is completed, leading to a bottleneck of projects being submitted to the Education Department around the same time. ASBO recommends amending 8NYCCR Part 155.4 to allow for the staggering of the Building Condition Survey over a three to five-year period beginning in the 2020 school year.

**Streamline Internal Audits**

School districts are currently required to have internal audits conducted annually, which includes a risk assessment and in-depth review of a specific area. These risk assessments can come at a high price while offering results that don’t change much from year to year. School districts could refocus time and resources to teaching and learning if such assessments were required every two years instead. In-depth reviews can continue to be conducted annually.

**Tax Cap Flexibility**

Fifty-five percent of school revenues come from local sources, primarily from real property tax. Yet school districts are subject to a property tax cap which limits how much they can levy in taxes each year. If a school district seeks to override the tax cap, they need supermajority voter approval. Previously, roughly 20 districts per year proposed overrides, but in recent years, this number has trended downward. In order to ensure school districts have the resources to do the job we demand of them, some limited flexibility in the tax cap is required. At a minimum, this should include changes enacted in 2015 but never implemented to count school district costs for BOCES instructional spaces in the capital exclusion and to count assessments that result in Payments in Lieu of Taxes in the formula before the allowable increase is applied. Tax Cap flexibility will be especially beneficial to high wealth communities allowing them to raise money to meet their needs, while allowing the state to focus its resources on providing equal educational opportunity through the funding of Foundation Aid.

**Strategic Resource Use**

Much of this aid proposal concerns the important topic of the distribution of resources. Also important is how resources are used and many tools and strategies are now available to make this process purposeful and cost-effective. The State can help districts to better use their money to achieve their learning goals by providing seed money to assist high-need school districts to engage in strategic resource planning and resource use. This will help districts create and implement long term plans to reallocate resources for improved student achievement. ASBO New York recommends the state provide $500,000 in grant funds for ASBO New York and Education Resource Strategies to offer a Strategic Resource Use Center for high-need school districts.
Conclusion

This proposal sets a path for providing the funding needed to offer a meaningful education to our students. Attention must be given to state Foundation Aid with a serious commitment to phase it in over three years. The state should adjust the property tax cap to provide greater flexibility to support programs the state has mandated. The proposal recommends the state provide more aid for career and technical education teacher salaries and early learning programs to incentivize school districts to implement these programs that are widely regarded for their impact on increased learning and job opportunities.

ASBO proposes a variety of incentives to encourage shared pupil transportation and changes to processing and entering into transportation contracts. ASBO recommends that the state fund prior-year adjustments approved and due to school districts over seven years.

Finally, ASBO recommends that state policymakers recommit themselves to supporting measures that provide flexibility to overburdened school districts and encourage resource allocation strategies that allow school districts to more efficiently and effectively deliver their educational programs.

Data Sources

Data are from the November 15, 2018 school aid database for 2019-20, CTE data compiled by Capital Region BOCES, or ASBO staff calculations of these data.

The following staff contributed to the writing and production of this report:

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