

Proposal on State Aid to School Districts For School Year 2020-21



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ASBO
NEW YORK

ASSOCIATION
OF SCHOOL
BUSINESS OFFICIALS

Executive Summary

ASBO New York recommends the state increase school aid by \$2.1 billion for school year 2020-21 to address the following critical education needs:

1. Funding the foundation formula to provide the opportunity for a meaningful high school education to all children (\$1.5 billion)
2. Helping school districts to address the mental health and well-being of students by providing community schools funding as a separate categorical aid program (\$300 million)
3. Increasing the appropriation to pay school districts for prior year aid adjustments over a three-year period (\$107 million)
4. Fully funding expense-based aids (\$85 million)
5. Raising the salary cap for BOCES Career and Technical Education teachers (\$25 million)
6. Providing increased support for early learning to implement the Regents policy agenda and close the student achievement gap before formal schooling begins (\$26 million)
7. Increase the threshold for capital outlay projects to give school districts increased flexibility to pay for small construction projects without borrowing (\$30 million)
8. Provide funds for a review of the Foundation Aid formula, led by the State Education Department (\$1.2 million)
9. Provide funds to support financial technical assistance to school districts with the greatest fiscal challenges (\$550,000)

Foundation Aid	\$1,500,000,000
Community Schools Categorical	\$300,000,000
Prior Year Adjustments	\$107,000,000
Expense-Based Aids	\$85,000,000
Career and Technical Education	\$25,000,000
Early Learning	\$26,000,000
State Support for Small Construction Projects	\$30,000,000
State Review of the Foundation Aid Formula	\$1,200,000
Financial Technical Assistance for School Districts	\$550,000
Total	\$2,074,750,000

Foundation Aid

\$1.5 billion

Begin a three-year commitment to a full phase-in, prioritizing districts furthest away from being fully funded. Foundation Aid Still Due is currently \$3.8 billion.

In recent years, the Executive budget has proposed moving the state away from its commitment to the Foundation Aid formula by abandoning the idea of a full phase-in. Rejecting or fundamentally restructuring the Foundation Aid formula makes little sense, because the state has yet to meet its obligations. Furthermore, with the permanent adoption of the two percent tax cap, local school districts are less able to raise needed resources locally.

While ASBO offers several proposals for strengthening the Foundation Aid formula in order to more accurately assess need and fiscal capacity in school districts, we begin by underscoring the importance of Foundation Aid as an approach to public education. Foundation Aid is an empirically derived model of the state's role in providing resources to school districts based on their local fiscal capacities and levels of student need.

School districts with the highest levels of student need and fewest local resources are the most reliant on Foundation Aid and the most impacted by the state's failure to fully fund Foundation Aid. Approximately two-thirds of Foundation Aid still due is owed to high-need districts. Figure A shows total and per-pupil Foundation Aid still due by Need/Resource Capacity Category. For the Big Four city schools, this amounts to \$2,382 per student; in high-need urban and suburban school districts, Foundation Aid still due is \$4,137 per student.

Figure A. Foundation Aid Still Due by Need/Resource Capacity Category

	Foundation Aid Still Due	Foundation Aid Still Due per Pupil
Statewide	\$3,823,070,352	\$1,459
New York City	\$1,102,208,140	\$1,059
Big Four	\$287,591,880	\$2,382
High-Need Urban/Suburban	\$916,598,394	\$4,137
High-Need Rural	\$212,240,956	\$1,496
Average-Need	\$960,807,426	\$1,311
Low-Need	\$343,623,556	\$949

Student need continues to rise in New York schools. Figures B through D show the growth in economic hardship, students with disabilities, and English language learners.

Figure B. Free- and Reduced-Price Lunch Rate¹

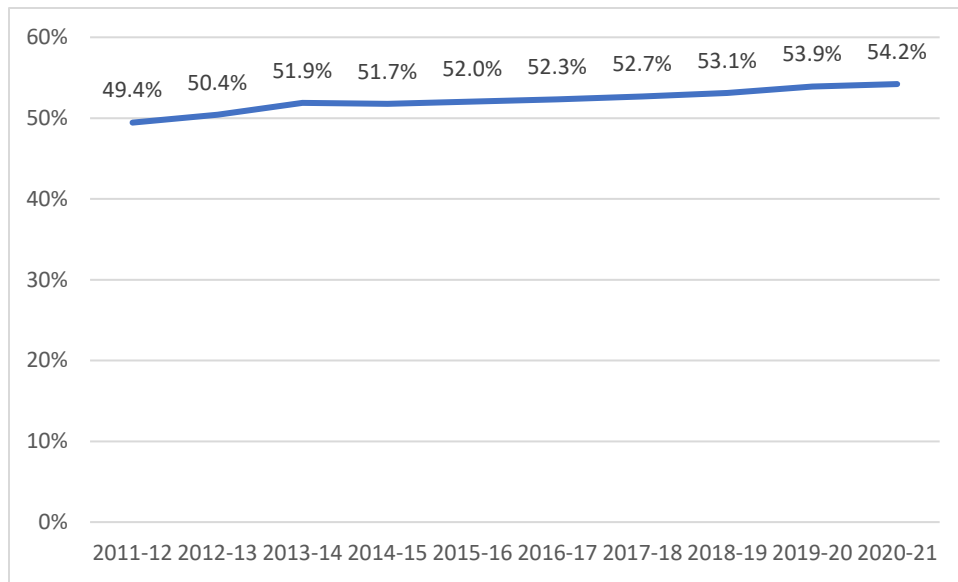
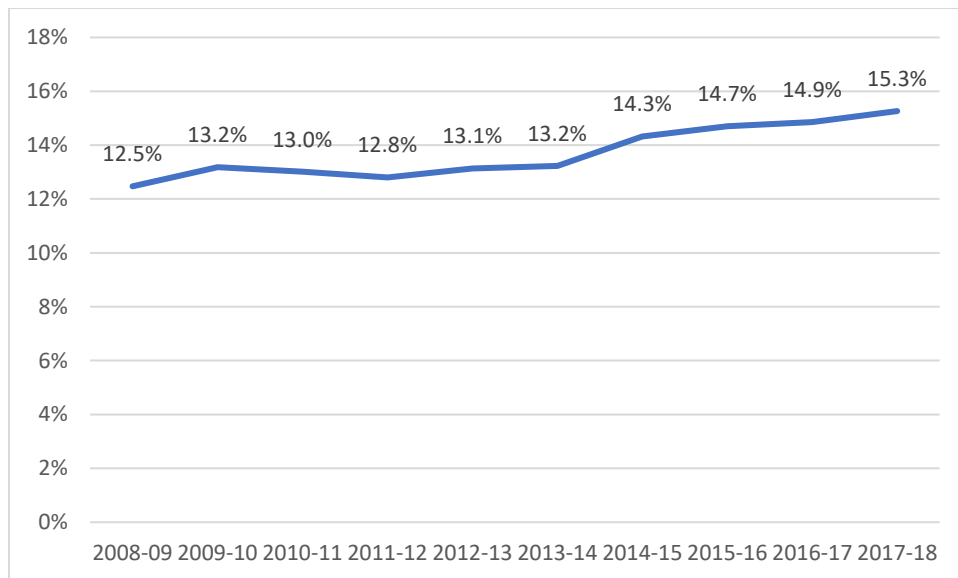
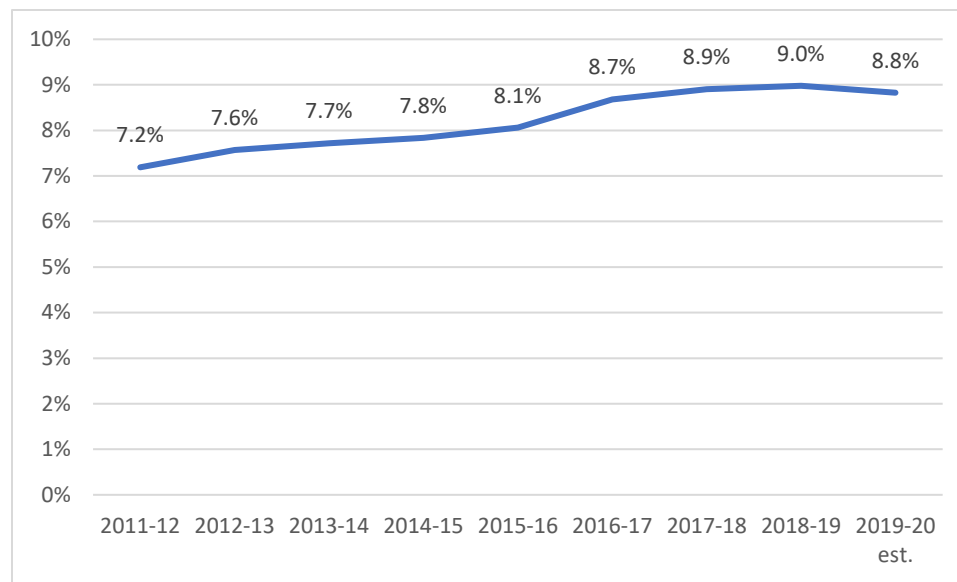


Figure C. Students with Disabilities 2008-09 to 2017-18



¹ State aid uses three-year K-6 eligibility rates. Data presented are the FRPL rates used for that fiscal year's education budget.

Figure D. English Language Learners, 2011-12 to 2019-20



Foundation Aid is an empirical calculation of what it costs to successfully educate students in New York state. To fulfill its obligation to provide the opportunity for a sound, basic education to all students, the state needs to make a real commitment to a timely phase-in.

Community Schools Categorical

\$300 Million

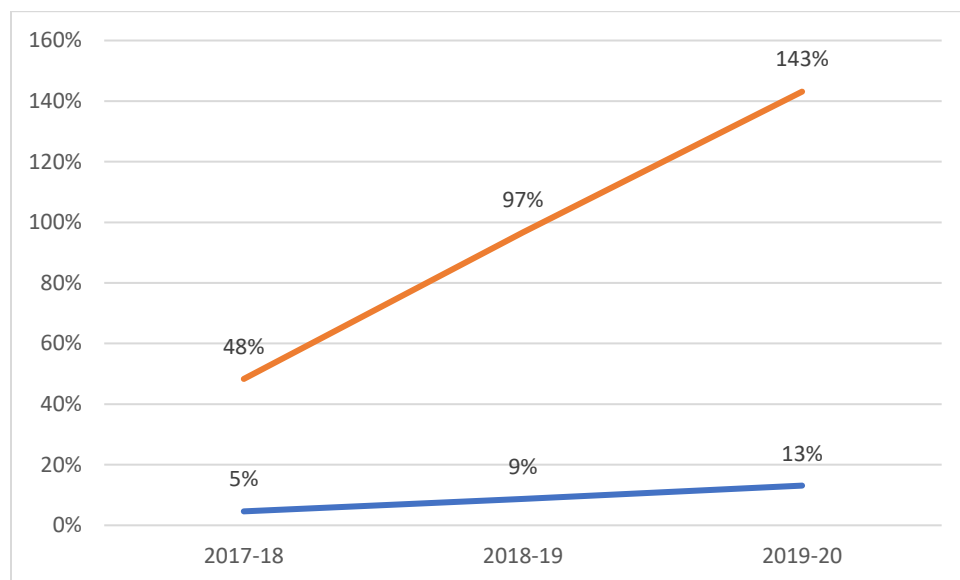
The current form of Community Schools funding, as a setaside within Foundation Aid, places significant restrictions on high-need school districts without providing additional funding that would be needed to meet the program's goals. ASBO calls for the creation of a new \$300 million categorical aid program available to all school districts focused on the current Community Schools criteria as well as additional programs that address the safety and wellness needs of students.

Community Schools funds were first introduced in the 2016-17 state budget. The Community Schools funding is unique in that it is a carve out from a school district's Foundation Aid allocation. The idea of restricting the available uses of Foundation Aid goes against the premise of local control and the general practice of states to provide general purpose funds for school operation. Furthermore, because the setaside fails to provide any new funds, every adopted "increase" in Community Schools funding is really a deduction from the non-allocated funding for impacted school districts. In each subsequent budget, the Community Schools setaside has been increased by \$50 million dollars.

The impact of the Community Schools setaside only affects high-need school districts, as they represent 96 percent of the overall carveout. As Figure E shows, the growth in this restriction on Foundation Aid far outpaces the Foundation Aid increase received by these districts. Since it was established in 2016-17, high-need school districts have experienced a 13 percent increase in

Foundation Aid; at the same time, high-need school districts saw a 143 percent increase in funds restricted by the Community Schools setaside.

Figure E. Cumulative Growth in Foundation Aid and Community Schools for High-Need School Districts since 2016-17



The annual expansion of Community Schools as a setaside within Foundation Aid has the perverse effect of restricting flexibility in the very school districts that are most reliant on Foundation Aid and most in need of the flexibility to apply unrestricted resources to their unique needs.

While Community Schools setasides have been limited to high-need school districts, average and low-need school districts report concerns about the safety and mental health of their students. We acknowledge that many violent events have happened around the country in more affluent school districts. Given that New York State school districts have limits placed on them by the Tax Cap to raise local funding, average and low-need school districts also need Community Schools funding.

ASBO proposes creating a \$300 million categorical available to all school districts.

Prior Year Adjustments

\$107 million

State aid payments to districts can be adjusted later for many reasons, including updated data or new filings. When updated calculations show the state has overpaid school districts, the state recoups the money through deductions from the districts next aid payment. However, when updated calculations reveal an underpayment, school districts do not receive these funds in a similarly timely manner. In total, the state owes school districts \$321 million. Claims are paid in chronological order from when they were approved; currently the earliest unpaid claims were approved in 2011. In recent years, the state budget has included about \$18 million a year to cover prior year adjustments. We recommend the state commit to a three-year process of covering Prior Year Adjustments by increasing the

appropriation for prior year adjustments to \$107 million. Based on the current queue, these funds would be distributed across the state as follows:

Table A. Prior-Year Adjustments by Region with \$100 Million Appropriation and Total Claims

Region	Claims Covered by \$100 Million Appropriation	Total Claims
Capital District	\$10,082,937	\$21,484,463
Central New York	\$2,495,810	\$11,946,344
Finger Lakes	\$2,931,971	\$11,190,645
Hudson Valley	\$18,110,288	\$41,358,838
Long Island	\$20,500,422	\$56,266,185
Mohawk Valley	\$1,923,945	\$7,475,346
New York City	\$35,791,845	\$133,391,809
North Country	\$2,169,526	\$5,782,453
Southern Tier	\$4,580,722	\$10,854,186
Western Region	\$8,109,833	\$19,451,763
BOCES	\$435,438	\$1,998,041
Total	\$107,132,737	\$321,200,073

Table B: Prior-Year Adjustments for Select Counties with \$107 Million Appropriation and Total Claims

County	Claims	Total Claims
Nassau	\$11,010,790	\$22,438,616
Suffolk	\$9,489,632	\$33,827,569
Westchester	\$6,084,277	\$18,461,046

School Level Transparency Budget Reporting

The 2018-19 state budget introduced a requirement for school districts to report school level budget allocations. The three-year phase-in began with larger districts that were the most reliant on state funding and is set to require all school districts to submit their 2020-21 budget allocations in 2020. Because of ESSA requirements that take effect in March 2020 school districts will also begin reporting their actual spending in 2020.

The double reporting of budgeting and spending dollars would be a burdensome mandate on school districts if it were simply duplicative. However, because the two reporting requirements use different methods to determine per pupil spending, the process will, at best, result in significant confusion.

Under the state transparency reporting methods, building level budgets are identified and then divided by a school's **weighted enrollment** to determine per pupil spending. The ESSA approach uses similar methods to identify actual building level spending, but then divides this number by a school's **raw enrollment**.

The following two tables show how striking the differences in these two methods can be. In the first example, when the enrollment is weighted to account for incidence of economic hardship, students with disabilities, and English language learners, it looks like the high-need school spends \$6,604 per pupil, while the non-high-need-school appears to spend \$25 more per student. When using raw enrollment, we see that the high-need school actually spends \$2,830 more per student. The second table shows a similar divergence between the two methods.

Table C: Big Five

	State Method (Per Weighted Pupil Funding)	ESSA Method (Per Pupil Funding)
High-Need School	\$6,604	\$14,270
Non-High-Need School	\$6,629	\$11,440

Table D: Small City School District

	State Method (Per Weighted Pupil Funding)	ESSA Method (Per Pupil Funding)
High-Need School	\$10,904	\$20,837
Non-High-Need School	\$11,379	\$15,294

While the school level transparency budget reporting might have made sense as a stop gap prior to the full implementation of ESSA, it now will have the effect of making school districts with high levels of student need appear as if they don't know how to properly budget.

Furthermore, the expansion of the requirement to all school districts means that even districts with one school will be required to invest the time to complete the state's reporting requirements, even though their data will be of limited use.

ASBO urges the Governor and Legislature to repeal the school level transparency requirement.

Expense-Based Aids

\$85 Million

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, 2019, the State will pay school districts an estimated \$85 million in 2020-21 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.

Career and Technical Education

\$25 Million

Career and technical education programs 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.

Increasing the salary threshold for instruction in career and technical education to reflect current costs would help school districts with the cost of sending students to CTE programs. ASBO recommends \$76 million, phased in over three years at \$25 million a year, in BOCES Aid and Special Services Aid to provide aid up to the state average salary for BOCES CTE teachers or approximately \$67,000. Currently the state provides BOCES Aid on the first \$30,000 in salary, leaving school districts to fully fund the balance. The state should provide half of this proposed increase for component school districts of BOCES, and a comparable level of aid increases for the Big 5 city school districts.

Strengthen Early Learning

\$26 million

ASBO New York recommends the state provide \$26 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 consistently 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.

State Support for Small Construction Projects

Capped at \$30 million

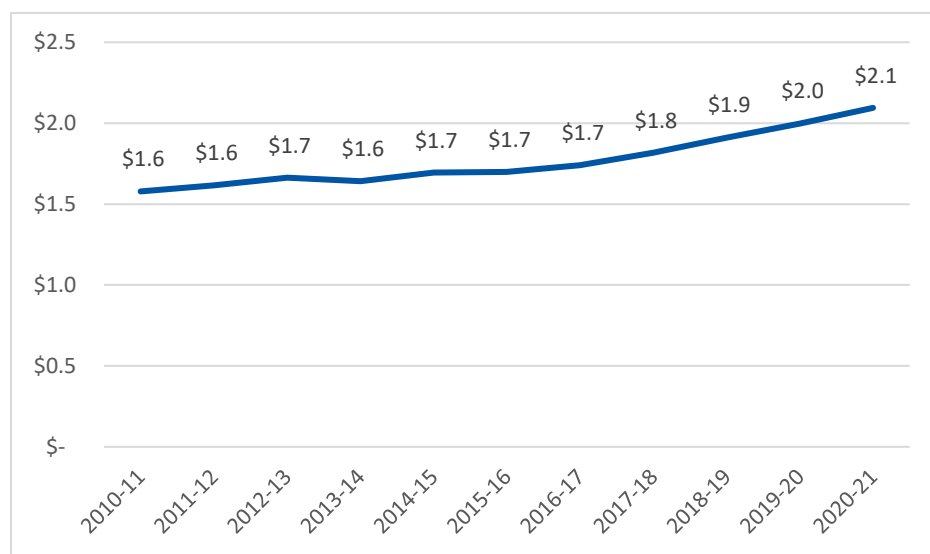
Through the current capital outlay project exception, school districts can pay for and complete a single capital project for up to \$100,000 annually and receive full building aid the following year. School districts often use this exception to complete small projects in a timely manner rather than waiting until their next large-scale building project. Last year, fewer than 30 percent of school districts completed such projects. We propose the cap on these small projects be raised to \$250,000. To protect against unexpected cost overruns, the additional cost of the capital outlay projects would be capped at \$30 million.

Pupil Transportation

This year, ASBO New York's [school finance symposium](#) focused on Transportation Aid, an expense-based aid, in an effort to maintain safe and comprehensive pupil transportation programs while reducing costs and addressing key policy issues. Given executive proposals to contain pupil transportation and other expense-based aid in the past two years, and the Legislature's response to approve school district piggybacking on other districts' transportation contracts, aid for pupil transportation was considered a timely policy issue for discussion.

In the November database, Transportation Aid experienced the most significant year-over-year growth, continuing a recent trend of accelerated growth in the cost of pupil transportation. Figure F shows this accelerating growth. Capping state aid without addressing the underlying causes of this growth would simply shift the burden to local taxpayers. Instead, promoting cooperation and sharing would directly address the cost of transportation.

Figure F. Transportation Aid 2010-11 to 2020-21 (in billions)



Recommendations for the 2002-21 State Budget include:

- Maintain support for pupil transportation and pay school districts for expenses already incurred. Support changes to promote sharing among school districts, that will reduce school district, and thus State, costs.
- Promote incentives to cooperation
 - The state should provide an incentive of 10 percent of revenue a school district receives for shared transportation. We estimate the State will achieve savings ten times greater than that spent on the incentive.

In addition to changes proposed for the state budget, ASBO New York is addressing improvements in pupil transportation at several levels. These efforts will include working with:

- the Department of Civil Service on a pilot program that allows employees to hold two civil service titles. This will help school districts address the school bus driver shortage by allowing drivers to work full-time in the district.
- SED administration in
 - identifying key performance indicators that measure the cost-effectiveness of pupil transportation, thus allowing school districts to engage their communities in efforts to maintain services while reducing costs;
 - updating Commissioner's Regulations 8NYCRR 156.12 to review and update bids based on a request for proposals process;
 - promoting student safety. Ed Law Section 3635-b authorizes a board of education, in its discretion, to provide transportation for children who reside within a child safety zone. Students living in these zones may be eligible for pupil transportation based on Commissioner's Regulations that established a point system for various hazards. We are hearing from school business officials that an objective system is important but that the current rating system does not give enough weight to true hazards and brings attention to factors that are not hazards. We think a review of these criteria, with input from the field, is warranted.

Improving the School Aid Formula and Strengthening Financial Technical Assistance to School Districts

ASBO New York supports Regents proposals for \$1.2 million to review and make recommendations for changes to update the Foundation formula and \$550,000 to provide financial technical assistance to school districts with the greatest fiscal challenges. We strongly agree with the Regents that committing to fully funding Foundation Aid in a timely manner is the most pressing issue in this budget. As the state strengthens the formula with improved funding, it also makes sense to update it as well. ASBO has been a consistent proponent of technical improvements to the formula. Specific suggestions are available in the report from our [Foundation Aid Task Force](#). These modest state investments will improve the ability of the Foundation Aid formula to provide state support after more than a dozen years since it was first enacted and will help struggling school districts use education funds effectively. Both recommendations will serve to strengthen the return on the public's investment in education. This is a necessary part of ensuring that students are the ultimate beneficiaries of public education funding.

Data Sources

SEDCAR Data Summaries of Special Education: School Years 2008-2017

Enacted Budget Files for school years 2011-12 to 2019-20

November 2019 Database for 2020-21 budget