

**REPORT ON
DEVELOPMENT, ENACTMENT AND IMPLEMENTATION OF THE
2007 FOUNDATION FORMULA**

**On Behalf of the Plaintiffs in the
Maisto et al. v State of New York Case**

by

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Deborah H. Cunningham is Director of Education and Research for the New York State Association of School Business Officials. Before that Cunningham was Deputy Superintendent for Business and Support Services for the Nevada Department of Education. Cunningham is the immediate past president of the Association of Education Finance and Policy. She has 33 years experience working for the New York State Education Department including serving as Coordinator for the Office of Educational Management Services, coordinating development of the Regents State Aid proposal and developing an Education Finance Research Consortium. When she worked for the New York SED, she coordinated the State Aid Work Group, which developed a foundation aid proposal for the Board of Regents, that served as a blueprint for the Governor's 2007 proposal to the Legislature, large parts of which were enacted into law. Her primary interest lies in increasing understanding about the relationship between resources and learning.

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PURPOSE OF THIS REPORT

I have been asked to provide an analysis and conclusions of whether the recommendations made by the New York State Board of Regents from 2004 through 2006 for funding the cost of a sound basic education, as defined by the Court of Appeals in the Campaign for Fiscal Equity (CFE) rulings, were used by the Governor and Legislature in the development and adoption of the 2007 Foundation Aid Formula. I will also analyze the extent to which the Formula has been implemented from 2007 through 2014 and the impact on the funding levels in school districts, including the Small Cities districts whose students are plaintiffs in *Maisto et al. v State of New York*.

ANALYSIS

My analysis as set forth in this report consists of three elements. First, I examine the work undertaken by the Regents and NYSED in 2004 to 2006 to develop and propose recommendations to fund a sound basic education as established in the Campaign for Fiscal Equity (CFE) rulings that became the basis for the Foundation Aid Formula adopted by the Legislature in 2007. Second, I describe the main features of the Foundation Aid Formula as enacted in 2007 to show that the Legislature and Governor utilized in large part the recommendations made by the Regents and NYSED to fund a sound basic education. Finally, I analyze the implementation of the Foundation Aid Formula in 2014-15 to demonstrate the extent to which funding for a sound basic education to be provided through the Formula has not been delivered to school districts, including the Small Cities districts in this case. Based on this analysis, I provide my conclusions and opinions on whether the Foundation Formula was designed and adopted to fund a sound basic education and the extent to which that funding has not been made available to districts.

1. Regents and NYSED Recommendations for Funding a Sound Basic Education – 2004-2006

The Board of Regents, as the governing body of the New York State Education Department, has directed staff as far back as the 1950's to prepare a Regents State Aid proposal to advise the Governor and Legislature on the needs of and priorities for New York's public school districts. I was involved with the development of the Regents State Aid proposal from 1991 through 2012, as a principal author and as a member of the State Aid Work Group, an internal SED work group charged with doing research and development for the Regents State Aid proposal. In the later years I contributed to formula development on behalf of the Department and Board of Regents for annual aid proposals. This included development of the 2007 Foundation Formula and other formulas. Sometime in the 1990's my role expanded to be the coordinator of the State Aid Work Group and continued through 2012 when I retired from State service.

Staff develop the Regents State Aid proposal each year over a period of months. Department staff reviews the needs of school districts and students, along with the details of possible specific proposals. The Regents State Aid proposal is typically approved in the fall and made public at the start of the Legislature's process of considering the State Budget. In addition to the Regent's State Aid proposal, the Legislature receives the Governor's budget recommendations in January and adopts a State Budget in April, which includes state aid for public schools. In preparing the State Aid proposals from year to year, the Regents would consider not only district and student needs, but also new developments in the law, such as Court of Appeals rulings, as part of the overall context that defines education priorities and needs.

One of the consistent themes throughout Regents State Aid proposals during the two decades of my service is to recommend more funding to students from poverty backgrounds and in high poverty schools to allow them to receive programs and services that give them the extra time and help needed for academic success. This focus is known as vertical equity. Vertical equity is a basic principle common in the school finance literature and best practice defining equitable education funding as that which captures the higher costs of educating students who are at risk due to poverty and in high poverty schools, students with language barriers, students with disabilities and other special needs by providing more funding to school districts than their counterparts to compensate for these differing educational costs. This is referred to as the unequal treatment of unequals.¹

Beginning in 1999 the Regents introduced the concept of adequacy into its State Aid proposals: that funding should also be provided to enable students to achieve a certain level of performance. Research had developed the capacity to link funding to performance, a notion that reinforced state goals that if adequate funding is provided, and districts effectively use those funds, all students can achieve minimally adequate levels of performance established by the State. This concept was especially central in the Regents State Aid proposals for a new statewide funding formula that resulted in the enactment of the Foundation Formula in 2007.

Adequacy and the basic definitions of a sound basic education established in Court of Appeals rulings are parallel or overlapping concepts. The notion behind adequacy is that funding can be provided to achieve a given level of performance, at whatever level a state chooses it to be. The Court of Appeals has defined a sound basic education as the level of education required by the New York State

¹ An Alternative Approach to Measuring Horizontal and Vertical Equity in School Funding By Robert K. Toutkoushian and Robert S. Michael. *Journal of Education Finance*, 32:4 Spring 2007, pages 395–421.

² Campaign for Fiscal Equity Inc. v. State, 86 N.Y.2d 306 (1995)

³ http://www.leagle.com/decision/19828457NY2d27_182

⁴ <http://www.oms.nysed.gov/faru/Articles/adequacyprinciples.html>

⁵ 2007 Chapter 57 Memorandum in Support and provided as Attachment G.

⁶ Attainment of success was measured as an average of 80 percent proficiency on seven state examinations (Grade 4 reading and mathematics and five Regents examinations) over a three-year period (21 assessments). This standard was used in the costing out phase of

Constitution, initially defined as an education which provides all students with the basic literacy, calculating and verbal skills to function effectively as civic participants capable of voting and serving on a jury. In the CFE rulings, the Court of Appeals further defined a sound basic education as a “meaningful high school education” that prepares students for competitive employment and civic participation.² Thus, sound basic education ties funding that is minimally adequate to achieve a specific, defined level of student performance.

The link between adequacy and a sound basic education has its roots in the 1982 Court of Appeals ruling in the Levittown case.³ In this case, the Court of Appeals ruled that the constitution guarantees a sound basic education to all students, as defined above. The Court also ruled that mere differences or inequities in the level of funding provided by the State to school districts do not per se violate the State constitution. Rather, the Court made clear the State’s obligation to provide districts with adequate funding, resources, instrumentalities of learning, facilities and services and supports to afford all students the opportunity for a sound basic education. The court reasoned that evidence of gross and glaring inadequacies in one or more school districts would constitute a violation of this fundamental State obligation.

The State Education Department relied upon the principles established in the Levittown ruling in a paper⁴ shared with the Regents in 1999 to support a shift in State school finance from equity to adequacy. The paper states: “The Levittown case helped distinguish between equity as equality and yet another interpretation: equity as adequacy.” This notion of adequacy to achieve a sound basic education, as defined by the Court of Appeals, has been central to the Regents State Aid proposals in the 1990's to the current day. Thus, the crucial connection made by the Regents between adequacy and a sound basic education as defined by the Court of Appeals dates back to the Levittown case.

Prior to the Court of Appeals rulings in CFE, the Regents State Aid proposals focused on recommending funding at levels necessary for all students to meet the Regents learning standards. When the CFE lawsuit began, the Board of Regents and Commissioner of Education were defendants, in addition to the Governor and State of New York. Subsequently the Regents and Commissioner were removed from the case. Even with this change in status, though, the Regents and Commissioner were respectful of the legal process while in progress. In its 2003 decision in CFE, the Court of Appeals further defined a sound basic education as a meaningful high school education for all students; identified essential staff, services, facilities and other resources; and used State minimum proficiency targets to determine whether students were afforded a sound basic education.

² Campaign for Fiscal Equity Inc. v. State, 86 N.Y.2d 306 (1995)

³ http://www.leagle.com/decision/19828457NY2d27_182

⁴ <http://www.oms.nysed.gov/faru/Articles/adequacyprinciples.html>

Applying these factors, the Court of Appeals in the 2003 CFE ruling found a violation of the right to a sound basic education for New York City students, and ordered the State to determine the actual cost of a sound basic education and to ensure New York City schools had the necessary funding to meet the constitutional standard. The Court gave the State a deadline of July 30, 2004 to fulfill this obligation and remanded the case to the trial court. When the State failed to meet this deadline, the trial court appointed a panel of referees to hear testimony on the cost of rectifying the violation. At this point, the Department was asked to testify to the panel of CFE referees to explain why and how the Regents State Aid proposal would be responsive to the CFE ruling. The Referees considered the Department's cost study and State Aid proposal along with those of the plaintiffs and the Governor.

Staff of the State Education Department, including the State Aid Work Group, studied the CFE case and rulings and its specific definition and requirements for a sound basic education in developing the Regents proposals to the CFE referees. As part of the process, work groups were established to build consensus among the many education stakeholders for specific funding solutions to respond to the CFE rulings, not just for students in New York City, but also students and school districts statewide. The Regents had a statewide focus and chose to develop a funding formula that would address funding inadequacy in other high need school districts that might advance claims similar to those in the CFE case.

In 2003, Department staff developed and the Regents approved a state aid proposal to implement a new foundation aid formula to provide the resources for all children to have the opportunity for an adequate education. This proposal was refined, advanced and approved for four school years: 2004-05, 2005-06, 2006-07 and 2007-08. In addition the 2004-05 proposal was advanced to the CFE panel of referees as a solution to the court's order. These proposals led to the enactment of the 2007 formula by the Governor and Legislature. The 2007 proposal remains in the law to this day but has only been partially phased in. The following paragraphs describe each of these proposals.

- a) 2004-05 State Aid Proposal (January 2004):** In 2003, Department staff conducted a cost study and developed a state aid proposal to implement a new foundation aid formula to provide the resources for all children to have the opportunity for an adequate education. The Regents approved the Department's proposal. The Regents proposal recommended the State enact a new foundation formula to provide unrestricted aid to school districts to meet state learning standards. This included calculating a foundation amount based on a study of the cost of providing an adequate education in successful school districts. It included consolidating 29 aids into one and adjusting the foundation amount by each school district's pupil needs and regional cost differences. A local share was then calculated and subtracted from this adjusted Foundation Amount, the difference being the state share or state aid under the Foundation Formula. The Regents proposed that funding for the excess

costs of students with disabilities be provided separately from the foundation formula. They further recommended accountability for the use of funds by requiring schools that fail to meet adequate yearly progress targets to submit a plan to the Department for improving student achievement. The Regents 2004-05 State Aid Proposal is attached as Attachment A.

- b) **Report to CFE Referees** (September 14, 2004): In 2004, the Department was asked to testify to the CFE Panel of Referees to explain why and how the recommendations for a new foundation aid formula made in the Regents 2004-05 State Aid proposal would be responsive to the definition and requirements for a sound basic education established in the CFE rulings. The report showed how the Regents plan provided in their 2004-05 proposal: “(1) ascertains the cost of providing a sound basic education for all school districts, taking into account differences in student need; (2) reforms the current system of school funding to ensure that all New York students have the opportunity for a sound basic education; and (3) proposes a system of accountability to measure whether proposed reforms actually provide an opportunity for a sound basic education (page 2).” The report described the development of a Foundation Amount as the amount needed to provide the opportunity for a sound basic education, based on a cost study of successful school districts and described the formula elements of the proposed foundation formula, as recommended in the Regents 2004-05 proposal. The report to the Referees is provided with this report as Attachment B.
- c) **2005-06 State Aid Proposal** (January 2005): The Regents continued to recommend their foundation aid formula to the Governor and Legislature. In this proposal, the Regents make clear that the foundation aid formula responds to the directives of the CFE rulings, building on the 2004-05 Regents proposal and as modified to respond to the CFE Referee Panel. These modifications involved a more detailed explanation of the ‘adequacy filter’ the Department used to determine the basic foundation cost amount. The foundation amount was calculated as the average (mean) of the lower fifty percent of successful school districts ranked according to spending. The technical supplement explained that this was done to identify and eliminate from consideration those successful school districts that were providing more than a sound basic education. See Attachment C.
- d) **Regents 2006-07 State Aid Proposal** (January 2006). The proposal continued to recommend the Foundation Aid formula approach presented to the Legislature and Governor in the prior year. The Regents 2006-07 State Aid Proposal is attached as Attachment D.

- e) **Regents 2007-08 State Aid Proposal** (November 2006). The Regents continue to recommend the basic elements of the foundation aid proposal and their proposal for school accountability. The proposal refers to “the dual responsibility of local districts and the State to ensure that public dollars are spent effectively to provide all students the opportunity for a sound basic education. The Regents 2007-08 State Aid Proposal is attached as Attachment E.

Attachment F presents a table of key events related to Regents actions with regard to sound basic education.

2. **2007 Foundation Aid Formula**

In 2007, the State enacted the Foundation Aid Formula to, as described above, provide school districts the minimally adequate funding needed for a sound basic education. The new formula is detailed in sections 3602 (2 and 4) and 211-d of the Education Law. The new law reflected many Regents proposals in concept and detail. These included:

- A new foundation formula, which consolidated approximately 30 aids into one;
- A foundation amount based on a cost study of school districts which were successful in meeting sound basic education standards;
- An adjustment to foundation aid for relative purchasing power around the state, reflected in a regional cost index;
- Greater adjustment of aid for student needs (poverty, limited English proficiency and geographic sparsity) to reflect the additional costs of educating such pupils;
- Annual adjustments for inflationary increases; and
- A phase in of the formula over several years to full implementation.

In enacting the formula, Governor Elliott Spitzer made clear the formula addressed the minimum requirements for sound basic education established by the CFE rulings. In proposing the bill approved by the Legislature to enact the formula, the Governor stated: “This bill enacts numerous changes to the State Education Law to ensure sound, basic pre-K through secondary educational preparation for college or employment. It implements the Court of Appeals’ *Campaign for Fiscal Equity* decision, and furthers compliance with the mandates of federal education law, including the “No Child Left Behind Act”.⁵

As recommended by the Regents, the 2007 formula, Foundation Aid replaced an Operating Aid formula and approximately 30 other funding streams that

⁵ 2007 Chapter 57 Memorandum in Support and provided as Attachment G.

provided support for public schools, for the most part as recommended by the Board of Regents. The previous Operating Aid formula adjusted aid for school district fiscal capacity, but fell short in a number of ways that were corrected with the 2007 Foundation Formula.

Foundation Aid Beginning in 2007-08

In 2007, the State enacted a Foundation Formula to fund its schools. The new formula, detailed in sections 3602 (2 and 4) and 211-d of the Education Law, implemented many changes proposed by the Regents. In 2013-14 it provided an estimated \$15.2 billion, representing 73 percent of all aid received by New York State school districts.

The Foundation Formula enacted in 2007 was important in that it linked State Aid to a level of achievement, which the Department's cost study defined as an average of 80 percent passing seven state examinations three years in a row⁶. It provided, through a combination of state aid and local revenue, the funding needed to provide the resources to give all students a meaningful opportunity to achieve State learning standards, including a sound basic education.

The 2007 Formula has four basic moving parts:

A District's State Aid per Pupil =
[Foundation Cost X
Pupil Need Index X
Regional Cost Index] –
Expected Local Contribution.

The components of the Formula are the following.

The Foundation Cost is the cost of providing general education services, measured by determining instructional costs of districts that are performing well⁷.

The Pupil Needs Index recognizes the added costs of providing extra time and extra help for students to succeed.

⁶ Attainment of success was measured as an average of 80 percent proficiency on seven state examinations (Grade 4 reading and mathematics and five Regents examinations) over a three-year period (21 assessments). This standard was used in the costing out phase of CFE in 2006.

⁷ The estimate for the Foundation Cost was taken from the spending of the lower 50 percent of school districts that achieved successful results. **This 'adequacy filter' was used to distinguish between districts that were providing a sound basic education versus those that were providing a more than a minimally adequate education.**

The Regional Cost Index recognizes regional variations in purchasing power around the State, based on wages of non-school professionals.

The Expected Local Contribution is an amount districts are expected to spend as their fair share of the total cost of general education.

3. Implementation of Formula 2007-2015

As enacted, the Formula provided for full phase-in of foundation aid by 2010-11. When fully implemented, the Formula would provide an additional \$7 billion to New York school districts, with significant aid targeted to high poverty school districts such as the Maisto districts.

The State funded the required Foundation Aid increase for two years, but then froze foundation aid beginning in 2009-10. Beginning in 2010-11, the State made cuts in Foundation Aid through a mechanism called the Gap Elimination Adjustment⁸ (GEA). That is, the State failed to fund the formula increases in Foundation Aid in two ways: by freezing aid and by recapture of aid previously provided through GEA. This shortfall in Foundation Aid has resulted in a fiscal hole for many school districts, especially those high poverty, low wealth districts with greater reliance on state aid. Since 2010 until the present, approximately \$9 billion has been withheld cumulatively from school districts. Current accounts show approximately \$1 billion remaining in GEA reductions and \$4.7 billion in additional funds required to fully fund the Foundation Formula enacted in 2007.

2014-15 State Budget

The 2014-15 State budget provided \$21.8 billion in general support to public schools. Most formulas were continued unchanged. In addition:

- Foundation Aid increased \$250 million to \$15.4 billion;
- The state restored \$602 million to the Gap Elimination Adjustment, resulting in an outstanding GEA of \$1 billion in aid reductions;

⁸ Beginning in 2008, New York State enacted school funding mechanisms to help close the State's budget gap. In 2009-10 it enacted a Deficit Reduction Assessment, which was offset by federal stimulus funds provided by the American Recovery and Reinvestment Act of 2009. Beginning in 2010-11 and continuing to the present time, the State has in place a Gap Elimination Adjustment (GEA), which reduces total aid (except for universal pre-kindergarten and building aids) based on a variety of factors. Beginning in 2012-13 and continuing in 2013-14 and 2014-15, the State has restored a portion of the GEA aid reductions imposed on school districts, but there remains \$1.04 billion in GEA reductions..

- It provided \$340 million for full-day Universal Pre-Kindergarten programs, mostly to New York City;
- It continued Contracts for Excellence, a program for low performing school districts that in 2007 and 2008 received larger increases in Foundation Aid;
- Expense-based aids (for school construction, pupil transportation, BOCES services and special education) were fully-funded, increasing by \$280 million;
- The budget also provided funds for grant programs for school districts. This included \$10 million in Teacher Excellence Awards for bonuses of up to \$20,000 for teachers rated highly effective. The budget included \$2.5 million to increase funding for the Pathways in Technology Early College High School, a grade 9-14 program leading to an associate degree in applied science (AAS) in computer systems technology or electromechanical engineering technology at no cost to participating students.
- The enacted budget included a new formula that provides increases for charter school tuition rates for three years. Charter schools are funded by the school districts where charter school students reside paying to the charter school a tuition rate established in the law.
- The enacted budget continued the School Tax Relief (STAR) program, estimated at \$3.3 billion. In addition the budget included laws to provide a two-year real property tax freeze and incentives for school districts to increase efficiencies that reduce real property tax levies.

Financial Impacts on Maisto School Districts

Using data from the 2014-15 enacted state budget, I present data for each of the Maisto school districts. The table below shows that the eight Maisto districts were collectively paid nearly \$636 million in Foundation Aid for 2014-15 and \$17.4 million of their GEA cuts were restored. This leaves a total of approximately \$172 million still due to fully fund the foundation formula and almost \$21 million to fully restore GEA cuts. The sum of foundation aid and GEA still owed to these districts is \$193 million, a full 30 percent of total foundation aid paid to them in 2014-15.

Figure 1. State Aid Paid and Still Due to Maisto School Districts

BEDS	District	2014-15		2014-15			GEA+FA Still Due
		Foundation Aid	Still Due	GEA Restoration	GEA Still Due		
061700	JAMESTOWN	\$ 61,407,372	\$ 18,876,192	\$ 1,335,372	\$ (572,303)		\$19.4 million
131500	POUGHKEEPSIE	\$ 58,452,062	\$ 10,044,946	\$ 1,409,893	\$ (1,344,958)		11.4 million
412300	UTICA	\$ 127,497,036	\$ 51,228,149	\$ 1,990,680	\$ (853,149)		\$52.1 million
441600	NEWBURGH	\$ 132,249,135	\$ 35,758,586	\$ 4,583,320	\$ (4,337,448)		\$40.1 million
620600	KINGSTON	\$ 47,279,474	\$ 7,425,691	\$ 1,373,866	\$ (4,577,356)		\$12.0 million
660900	MOUNT VERNON	\$ 81,415,299	\$ 17,489,566	\$ 3,048,487	\$ (7,195,465)		\$24.7 million
400800	NIAGARA FALLS	\$ 90,402,360	\$ 19,068,766	\$ 2,100,736	\$ (1,378,088)		\$20.5 million
441800	PORT JERVIS	\$ 37,053,597	\$ 11,721,036	\$ 1,522,646	\$ (652,563)		\$12.4 million
		\$ 635,756,335	\$ 171,612,932	\$ 17,365,000	\$ (20,911,330)		\$192.5 million

SOURCE: 2014-15 Enacted Budget

What does this mean for providing all children with a meaningful high school education that prepares them for college and the workforce? Making modest assumptions about the growth in state aid at the rate established by the 2011 State Aid cap (tied to the growth in personal income) and increases in the foundation amount as a result of growth due to inflation and regular updates to cost studies, Frank Mauro, former Executive Director of the Fiscal Policy Institute, estimated that Foundation Aid will not fully funded until 2045-46. That is, if the State continues to appropriate State aid at the 2014-15 level, children will have to wait 31 more years before the State provides the resources necessary for a constitutional sound basic education . See Attachment H for a full description.

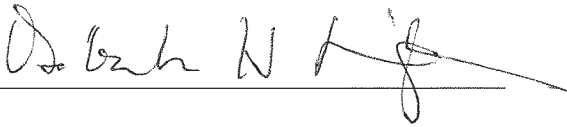
Conclusions

1. For decades, the Regents and Department every year provided an analysis and recommendations to the Legislature and Governor for state school funding in the annual state budget. These recommendations are in a memorandum called the Regents State Aid Proposal.
2. The Court of Appeals rulings defining a sound basic education under the State Constitution have consistently informed the Regents' analysis and recommendations in the annual State Aid Proposals beginning with the Levittown ruling and up through and including the CFE rulings.
3. Beginning in 2004-05, the Regents made specific recommendations to the Governor and Legislature for a new foundation funding formula to address the Court of Appeals 2003 ruling in CFE further defining the requirements for a sound basic education and the Court's directive to the State to determine the cost of providing a sound basic education. The Regents also made recommendations to the Court-appointed referees charged with proposing solutions to address the need for adequate funding to provide students with

the essential resources necessary to achieve minimum State performance standards for a meaningful high school education.

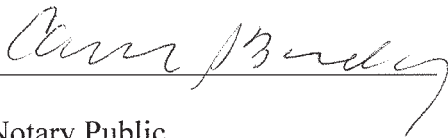
4. The Regents continued to recommend enactment of a new foundation aid formula to ensure all students have the opportunity to receive a sound basic education, as defined by the Court of Appeals, in the Regents 2005-06 and 2007-08 State Aid Proposals to the Governor and Legislature.
5. The Foundation Aid Formula enacted in 2007 is based upon many of the key recommendations made by the Regents from 2004 through 2007. These include:
 - A new foundation formula, which consolidated approximately 30 aids into one;
 - A foundation amount based on a cost study of school districts which were successful in meeting Regents learning standards;
 - An adjustment to foundation aid for relative purchasing power around the state, reflected in a regional cost index;
 - Greater adjustment of aid for student needs (poverty, limited English proficiency and geographic sparsity) to reflect the additional costs of educating such pupils;
 - Annual adjustments for inflationary increases; and
 - A commitment to phase in the formula over several years to full implementation.
6. In signing the 2007 Foundation Aid Formula into law, Governor Elliott Spitzer stated that the Formula “implements the Court of Appeals’ Campaign for Fiscal Equity decision,”.
7. The 2007 Foundation Aid Formula, if implemented, is designed to provide all students, including those in the Maisto districts, with the essential resources to achieve minimum State performance standards and be afforded the opportunity for a meaningful high school education and a sound basic education.
8. The 2007 Formula has not been implemented since 2008-09 and, as a result, districts, including the Maisto districts, have substantial shortfalls in Foundation Aid in current budgets.
9. The State’s failure to implement the 2007 Foundation Aid Formula means that high need school districts, including the Maisto districts, currently have glaringly and gross inadequacies in the minimum funding required to provide students with a sound basic education.

I hereby affirm that the foregoing report is true and accurate to the best of my knowledge.



Deborah H. Cunningham

Sworn to and subscribed before me on this
12th day of November 2014



Notary Public

CASSANDRA A. BRADY
Notary Public, State of New York
No. 01BR6259502
Qualified in Schenectady County
Commission Expires April 30, 2016

ATTACHMENT A



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

James A. Kadamus Deputy Commissioner
Office for Elementary, Middle, Secondary and Continuing Education
Room 875 EBA 518.474.5915

January 2004

TO: District Superintendents
Superintendents of Schools
New York City Department of Education
School Board Members
New York State Educational Associations
Nonpublic School Administrators
Administrators of Charter Schools
Other Interested Persons

FROM: James A. Kadamus

SUBJECT: Regents Proposal on State Aid to School Districts for 2004-05

SUMMARY: The Regents State Aid proposal for 2004-05 implements a new, multi-year approach to State and local funding of public schools designed to close the student achievement gap. It proposes a Foundation Formula for the distribution of State Aid that assists school districts with the costs of general education instruction, to be phased in over a seven-year period.

This new approach to State Aid has four basic components:

District's State Aid = [Foundation Cost X Pupil Need Index X Regional Cost Index] - Expected Local Contribution

- **The Foundation Cost** is the cost of providing general education services in New York schools, measured by determining the instructional costs of districts that are performing well.
- **The Pupil Needs Index** recognizes the added costs of providing extra time and extra help for students to succeed in school. It is measured by the number of students eligible for free and reduced price lunch and students living in geographically sparse areas of the State.
- **The Regional Cost Index** is an adjustment that recognizes regional variations in purchasing power around the State. It is measured based on wages of non-school professionals in each region of the State.
- **The Expected Local Contribution** is an amount school districts are expected to spend as their fair share of the total cost of general education. It is measured by multiplying the district tax base by an expected tax rate adjusted by district income per child. The Expected Local Contribution is not a mandated tax rate, but a way of determining a local share in order to calculate State Aid.

Each of these components of the formula is described in more detail in Attachment A. That attachment also provides information on other components of the proposal including: expense-based aids (Building and Transportation), aid for pupils with disabilities, regional services aid for the Big 5 districts, aid for career and technical education and categorical aids are not included in the Foundation Formula approach (e.g., Universal Pre-K, BOCES Aid, Bilingual Grants/Limited English Proficient Student Aid, Textbook Aid, Library Materials Aid, and other programs).

In the first year of the seven-year period, Exhibit A shows that an \$880 million increase is proposed, with \$508 million of this increase for Foundation Aid. Exhibit B shows that when the proposal is fully implemented, it will provide \$14.35 billion in Foundation Aid, a \$5.98 billion increase over comparable funding in 2003-04. Over time, this flow of aid to high need districts will have a significant impact in closing the student achievement gap.

Exhibit C shows that in 2004-05, the first year of the Regents proposal, that 84 percent of the increase in school aid would go to high need school districts to close the achievement gap.

Exhibits D and E show the share of the overall increase in computerized aids for school districts grouped by Need-Resource Capacity category in the first year of the proposal and with full implementation.

Attachment B is a technical supplement in support of the Regents proposal (see page 15). This includes an analysis of the resource and achievement gap, a selected bibliography, definitions of school district need/resource capacity categories used to describe the need status of districts, a list of high need school districts, a list of aids and grants to be consolidated under the Regents proposal, formula components recommended in the Regents proposal, a description of the regional cost adjustment based on professional salaries, a description of the Regents cost study, a summary of aids and grants proposed, and an analysis of proposed aid changes.

Attachments

Exhibit A
2004-05 State Aid Proposal
New York State
(all figures in millions)

Program	2003-04 School Year	2004-05 Regents Proposal	Change from Base
Foundation Aid	<u>\$8,370</u>	<u>\$8,878</u>	<u>\$508</u>
Comprehensive Operating Aid	\$6,841	\$0	
Extraordinary Needs Aid	\$703	\$0	
All Other Programs	\$827	\$0	
Support for Pupils with Disabilities	<u>\$2,386</u>	<u>\$2,366</u>	<u>(\$20)</u>
Public Excess Cost Aid	\$2,199	\$2,162	(\$37)
Private Excess Cost Aid	\$187	\$204	\$17
BOCES\Career and Technical Education	<u>\$637</u>	<u>\$681</u>	<u>\$44</u>
BOCES Aid	\$505	\$520	\$15
Special Services - Career Education Aid	\$94	\$120	\$26
Special Services - Computer Admin. Aid	\$38	\$41	\$3
Instructional Materials Aids	<u>\$254</u>	<u>\$255</u>	<u>\$1</u>
Textbook Aid	\$189	\$189	\$0
Computer Software Aid	\$46	\$46	\$0
Library Materials Aid	\$19	\$20	\$1
Expense-Based Aids	<u>\$2,296</u>	<u>\$2,587</u>	<u>\$291</u>
Building Aid	\$1,206	\$1,348	\$142
Building Reorganization Incentive Aid	\$13	\$1	(\$12)
Transportation Aid	\$1,072	\$1,227	\$155
Summer Transportation Aid	\$5	\$11	\$6
Other Computerized Aids	<u>\$279</u>	<u>\$366</u>	<u>\$87</u>
Grants for Overcrowded Schools	\$0	\$31	\$31
All Other Aids	\$279	\$335	\$56
Computerized Aids Subtotal	<u>\$14,223</u>	<u>\$15,133</u>	<u>\$910</u>
All Other Aids	\$284	\$254	(\$30)
Total General Support for Public Schools	<u>\$14,507</u>	<u>\$15,387</u> *	<u>\$880</u>

* This total does not include a Department request for the Teachers for Tomorrow Program.

Exhibit B Regents Foundation Aid Proposal

New York State
(all figures in millions)

	Base Year Funding	Regents Foundation Aid	Change from Base
2003-04 School Year	\$8,370	—	—
2004-05 School Year	—	\$8,878	\$508
2010-11 School Year	—	\$14,350	\$5,980

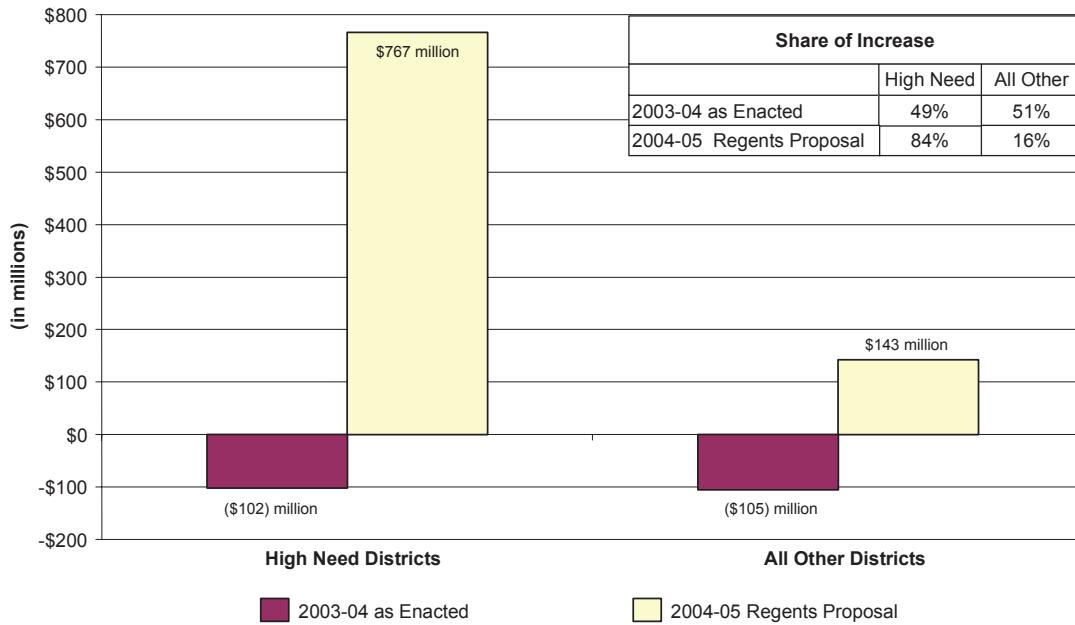


Exhibit D
2004-05 Regents State Aid Proposal
Share of Overall Increase in Computerized Aids

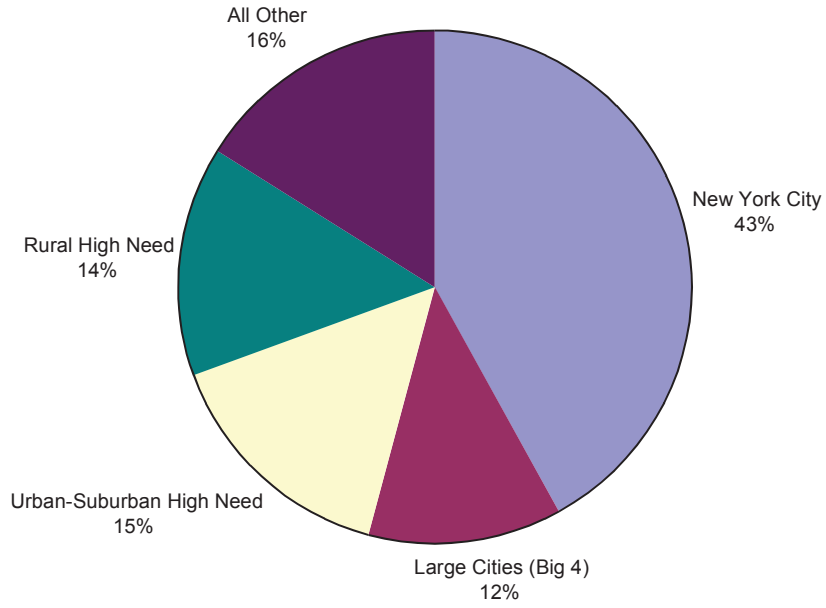
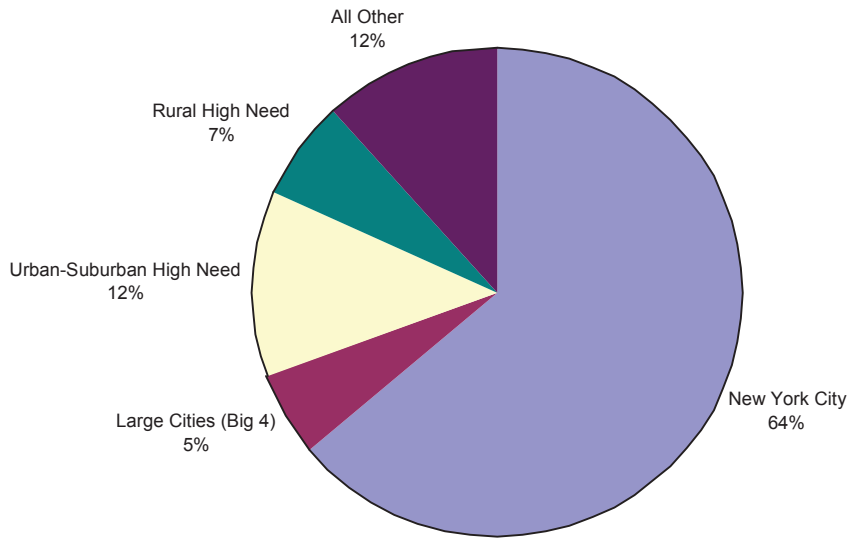


Exhibit E
Fully Implemented Regents State Aid Proposal
Share of Overall Increase in Computerized Aids



Regents School Aid Proposal for 2004-05

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Regents 2004-05 State Aid Proposal

Introduction

As the movement towards higher standards for all students evolves, many successes are apparent.

- *Elementary level.* The percent of fourth grade students meeting all standards since 1999 has increased 13 percentage points.
- *Middle level.* For the middle-level assessment in mathematics, 48 percent of eighth-graders met the standards in 2002, an increase of 10 percentage points since 1999.
- *Regents diplomas.* Since the implementation of higher graduation requirements in 1996, the percentage of public school graduates earning Regents diplomas increased from 42 to 55 percent.
- *Minority students* continued to make significant gains in elementary level English language arts; more than 48 percent of Black students met all standards in 2003 compared with 26 percent in 1999 and over 47 percent of Hispanic students did so, compared with 26 percent in 1999.
- *Students with disabilities* have shown improvement in elementary school English and middle school English and math.¹

These successes are happening all over the State, in poorer districts and wealthier districts, and with all groups of students.

Despite these many successes, a troubling resource and achievement gap persists. Students attending schools that have a high percentage of student poverty and limited local resources have a dual problem. First, they tend to have fewer resources. This is especially true in areas where high regional costs mean that a dollar for education buys fewer goods and services than in less costly areas of the State. Second, students attending such high need school districts consistently achieve at lower levels than students at schools with more affluent and less needy peers. These students are more likely to need extra instructional time, tutoring, and assistance from social service agencies, yet are less likely to receive those services. A review of data on school resources and student achievement will be included in a Technical Supplement to this proposal.

¹ New York State Board of Regents (June 2003). 2003 Chapter 655 Report: Annual Report to the Governor and the Legislature on the Educational Status of the State's Schools.

If the move to higher standards is to be successful, we must sustain the momentum of improvement exhibited around the State. We must facilitate success by all students regardless of the school they attend, family background, and educational needs. If we have the will to align our State resources to provide the financial support for all students to be successful, the entire State will reap the benefits in greater productivity and reduced costs for assistance. The State must maintain its focus on education and make sure enough resources go to the children who need them most.

Regents Goal

The State's system of funding for education should provide adequate resources through a State and local partnership so that all students have the opportunity to achieve the State's learning standards, including resources for extra time and help for students.

Enact a Foundation Formula to Target Aid to Educational Need

The Regents recommend a new multi-year approach to State Aid to school districts. It would replace a complex system of many formulas that are the result of years of statutory adjustments, and many of which in fact have not been used in State Aid distributions for the past three years. The Foundation Formula is much simpler. It calculates the cost of educating each student to the State's learning standards. Then this cost is divided between a State contribution and an expected local contribution.

The Foundation Formula is relatively simple:

District State Aid = [Foundation Cost x Pupil Need x Regional Cost Index] – Expected Local Contribution

Foundation Cost

The Foundation Cost is the cost of providing the average student with an education that meets State learning standards. It is measured by:

- Determining the instructional costs of districts that are performing well;
- Adjusting instructional costs so that all schools are comparable (*i.e.*, for regional cost and student poverty); and
- Adjusting for efficiency.

Pupil Need

A Pupil Need factor recognizes the added costs of providing extra time and help necessary for high-need students to succeed.

- Pupil Need is determined by combining two measures
 - The proportion of K-6 pupils eligible for free and reduced-price lunches, and
 - An adjustment to reflect students living in geographically sparse areas.

- The additional cost of providing extra time and help varies with the concentration of needy pupils within the district.
 - Districts with very low concentrations of needy pupils have relatively few additional demands upon them. These districts would get an additional 50 percent of the basic per-pupil cost for each needy pupil.
 - Districts with high concentrations of needy pupils must provide a broader array of additional services in order to enable their students to succeed. These districts have a greater need to implement schoolwide school improvement programs. This is recognized initially by providing an additional 100 percent of the basic per-pupil cost for each needy pupil. After this initial investment, the need for such start-up funding will decline and the 100 percent adjustment will be transitioned downward to 80 percent to reflect the reduced need for extra services.

The number of pupils served by the district determines the overall amount of services provided. Because districts must staff and plan to serve all children enrolled in the district, the Regents proposal employs a pupil count that is based on the number of pupils enrolled (Average Daily Membership), rather than the more traditional use of average daily attendance.

Regional Cost

Some school districts are in areas of the State where costs are higher. A regional cost adjustment provides comparable purchasing power around the State. The regional cost adjustment should reflect the actual, regional variations in the costs associated with providing an adequate education rather than the cost of additional services that districts elect to provide.

- This Regional Cost Index assesses the labor market for professions that require a bachelor's degree for entry-level employment.
- Teachers are not included to make the data independent of school districts' hiring preferences.
- The result is a measure of economic forces beyond the control of school boards which is used to adjust State Aid to recognize unavoidable, regional variations in the cost of education.

Expected Local Contribution

The expected local contribution is the amount school districts are expected to spend as their fair share of the cost of general education. On average, localities would pay slightly less than half of the overall cost of general education services. Lower wealth communities would pay much less. Higher wealth communities would pay more.

The expected local contribution is not mandatory. The Regents acknowledge that local effort in support of schools is a considerable challenge especially for city school districts which are fiscally dependent on their municipalities. Contributing to this

phenomenon are the many costs that cities incur to serve large percentages of their population who are economically disadvantaged. For example, New York City, as both a city and a county, must provide public assistance and Medicaid to its residents. Some districts may find they can provide the services needed to succeed at a lower cost to local taxpayers than is anticipated in this proposal.

The expected local contribution is based on two measures:

- **The district tax base** is the total taxable property of the district at full value, as determined by the Office of Real Property Services. In order to mitigate the impact of short-term real estate fluctuations, districts may select the more favorable of either the most recent full value assessment or a two-year average.
- **The expected local tax rate** is based on a statewide standard rate of \$15 per thousand. This standard rate is then adjusted to reflect local ability to pay, as measured by district income per child. The lower the income per child, the lower the expected tax rate. This establishes a reasonable level of taxation.
 - Most states use a relatively low tax rate.
 - The expected rate cannot be too low or expectations will be diminished in districts already above that rate.

Transition

The proposed Foundation Formula represents a funding system focused on student achievement. This is proposed following three years in which Operating Aid has been paid based primarily on estimated 2000-01 data. As in earlier years, equalization will occur based on district fiscal capacity and pupil need, but pupil need will be recognized to a greater extent than previously in order to ensure adequate support for programs and services that provide students with extra time and help to meet State learning standards. For these two reasons, changes in funding patterns are expected to occur between 2003-04 and 2004-05. In order to provide school districts with time to adjust to the new funding system, the Regents propose a transition adjustment that limits aid increases and losses for a reasonable, short-term period. Over time, this cap on increases should be eliminated and the Foundation Formula allowed to operate. An annual limit on loss is continued in order to allow districts time to accommodate reductions in State Aid.

Accountability

The Regents propose that accountability focus on school districts with schools that fail to meet adequate yearly progress goals. These schools are required to develop a plan that shows how the school is allocating resources to improve student achievement.

What's Included in the Foundation Formula?

The proposed Foundation Formula provides funding for the general instructional program. It replaces a number of aids and grants, as shown in Table 1.

**Table 1.
Aids and Grants Replaced by the
Proposed Regents Foundation Formula**

2003-04 Aids and Grants

Computerized Aids

- Comprehensive Operating Aid
- Operating Aid
- Tax Effort Aid
- Tax Equalization Aid
- Transition Adjustment/Adj. Factor
- Academic Support Aid
- Computer Hardware Aid
- Early Grade Class Size Reduction
- Educationally Related Support Services Aid
- Extraordinary Needs Aid
- Full Day Kindergarten Conversion Aid
- Gifted and Talented Aid
- Minor Maintenance and Repair Aid
- Operating Growth Aid
- Operating Standards Aid
- Operating Reorganization Incentive Aid
- Small City Aid
- Summer School Aid
- Tax Limitation Aid
- Teacher Support Aid

Other Aids and Grants

- Categorical Reading Programs
- CVEEB
- Fort Drum Aid
- Improving Pupil Performance Grants
- Learning Technology Grants
- Magnet Schools Aid
- Shared Services Savings Incentive
- Tuition Adjustment Aid
- Urban-Suburban Transfer Aid

Regents Proposal for 2004-05

Foundation

Grant

(Replaces all aids to the left)



Other Components

A number of other costs should be aided in the following manner.

Expense-Based Aids

State Support for School Construction

The recommendations concerning Building Aid and other State support for school construction will help overcome barriers to instructional improvement posed by inadequate

school facilities. Early grade class size reduction, pre-kindergarten programs and science laboratories are examples of instructional programs that are dependent on the availability and quality of school space. While capital improvements often take a period of years to implement, their funding can be spread across the useful life of buildings, and with favorable interest rates, can be affordable for districts and the State. The recommendations will help solve severe over-crowding and improve the capacity of school buildings to support educational programs that are key to closing the student achievement gap. Recommendations include:

- Allow school districts to use the Dormitory Authority of the State of New York to finance and manage school construction projects;
- Provide a supplemental cost allowance for school site acquisition and demolition in New York City;
- Provide *Grants for Overcrowded Schools* to relieve severe overcrowding in New York City and identify strategies for reducing school construction costs. Limit grants for building new space to relieve overcrowding in schools that currently provide less than 100 square feet per child.

In addition to the changes noted above, the Regents recommend reducing local costs for school construction through mandate relief. A provision of State Law, known as the Wicks Law, requires municipalities, including school districts, to employ four separate contractors for school construction projects of \$50,000 or more. For all but the largest of projects, a general contractor can effectively manage these separate functions.

The Regents recommend the State encourage the reduction of local costs by exempting school districts from the Wicks Law, thereby allowing a single general contractor for school construction projects in excess of \$50,000, rather than four separate contractors as currently required. Although estimates vary, this change is expected to result in considerable savings in building costs for school districts.

Transportation Aid

Consolidate Transportation Aid with Summer Transportation Aid and continue this as a separate aid.

Aid for Pupils with Disabilities

In its theoretical form, the Foundation Formula could be constructed to address spending for all instruction, both in general and special education. The Regents propose enacting the formula in its first year focused on general education only. This would provide time over the coming year for discussions with the public about raising achievement of students with disabilities in high need school districts and State Aid goals for special education funding. It would also provide time for needed reforms in general education to take hold. Analysis of data on the achievement of pupils with

disabilities shows a strong relationship between special and general education programs: students with disabilities achieve significantly better in schools whose general education students also perform well. Understanding the implications of the Foundation Formula for both general and special education may provide new opportunities for closing the achievement gap of students with disabilities. For 2004-05, changes are proposed to Public Excess Cost Aid to help districts with the excess costs of educating students with disabilities by focusing resources on districts with the greatest educational need. In the second year of the proposal, the Regents will consider incorporating aid for students with disabilities (regular Public Excess Cost Aid) in the Foundation Formula.

Categorical Aid Programs

The Regents recommend that categorical aid programs for Universal Pre-Kindergarten education and Limited English Proficient students, as well as Bilingual Education Grants, be maintained separately in the first year of the new funding system. In the future, when prekindergarten programs are universally available, the Regents will consider incorporating aid for pre-kindergarten students in the Foundation Formula.

Aid for Regional Shared Services

The State should continue to provide State Aid for regional shared services separately from the Foundation Formula through BOCES Aid and Special Services Aid for noncomponent school districts including the Big Five City School Districts. Programs funded include career and technical education, information technology and professional development. The Regents recommend that the State:

- Provide comparability between Special Services Aid for shared services for noncomponent school districts, including the Big Five City School Districts, and BOCES Aid for shared services among districts in the rest of the State.
- Allow access to BOCES services and provide aid for noncomponent districts that share services with at least one other district and pay an administrative surcharge to BOCES.
- Require districts to demonstrate maintenance of local effort and receive approval for each service requested by a BOCES District Superintendent appointed to coordinate such requests. The coordinating BOCES should be a BOCES with a Regional Information Center in a region adjacent to the city.

Programs Maintained Separately

A number of aid programs should be maintained separately. These are for programs that for a number of reasons are separate from the regular K-12 instructional program. These include the following aids:

Other Aids and Grants

BOCES Aid
Building Aid
Grants for Overcrowded Schools
Building Reorganization Incentive Aid
Limited English Proficiency Aid
Private Excess Cost Aid
Public Excess Cost Aid
Textbook Aid
Library Materials Aid
Computer Software Aid
Special Services – Career Education
Special Services – Computer Administration
Universal Pre-Kindergarten Aid
Bilingual Education Grants
BOCES Spec Act, <8, Contract Aid
Transportation Aid
Bus Driver Safety Training Grants
Chargebacks
Comptroller Audits
Division for Youth Transportation
Education of OMH/OMR
Education of Homeless Youth
Employment Preparation Education Aid
Incarcerated Youth
Native American Building Aid
Prior Year Adjustments
Roosevelt
Special Act Districts Aid
Teacher Centers
Teacher-Mentor Intern
Teachers of Tomorrow

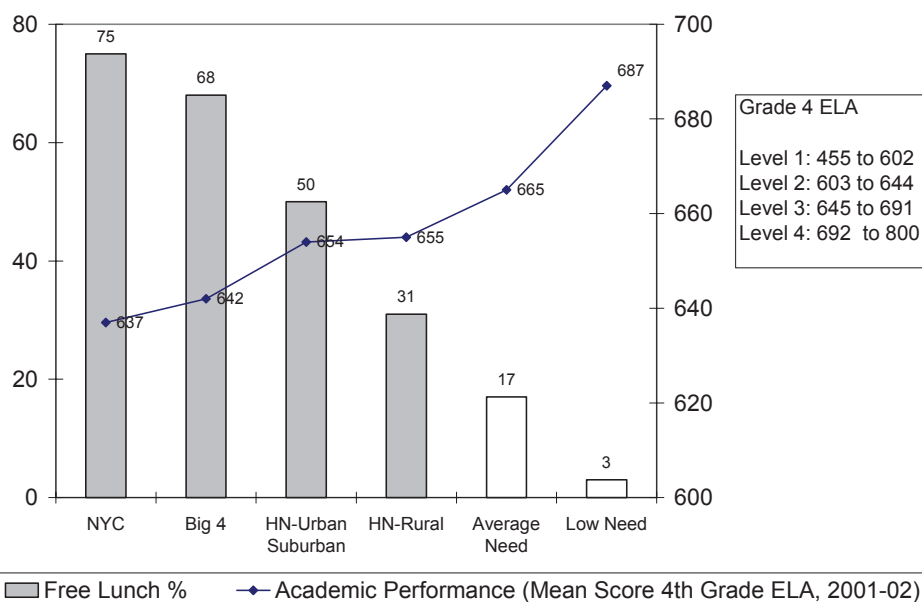
**Regents Proposal on State Aid to
School Districts for 2004-05
Technical Supplement**

1. The Resource and Achievement Gap
2. Selected Bibliography
3. Need/Resource Capacity Definitions
4. High Need School Districts 2004-05 School Year
5. Aids and Grants to Be Consolidated Under the Regents Proposal
6. Formula Components
7. Regional Cost Adjustment Based on Professional Salaries
8. Description of Regents Cost Study
9. Summary of Aids and Grants as Requested in the 2004-05 Regents Proposal on School Aid
10. Analysis of Aid Changes Under the 2004-05 Regents Proposal on School Aid

The Resource and Achievement Gap

The relationship between poverty and educational achievement is well established.² As student poverty in a school increases, academic performance tends to decline. This is illustrated in Figure 1 in which all New York State school districts are grouped by need-resource capacity category.³ The figure shows free lunch eligibility and grade 4 English

Figure 1: Mean Free Lunch Percent and 4th Grade ELA Mean Score by Need Resource Category, 2001-02



language arts performance for each category. New York City and the large cities (Rochester, Buffalo, Syracuse and Yonkers) have the highest concentrations of children in poverty and among the worst achievement levels. As poverty declines, achievement improves. For this reason, student poverty is considered a legitimate and stable substitute measure for educational need.

These relationships are further illustrated by examining contrasts in student performance, student need and school resources. Table 2 compares the public schools in New York City with those districts that have the highest level of local resources and the lowest levels of student need, known as the low need school districts. A detailed definition of need-resource capacity categories can be found in this Technical Supplement (following the bibliography).

² See the annual Chapter 655 reports (for example, New York State Board of Regents, July 2003), Arnot and Rowse, 1987, Evans, Oates and Schwab, 1992, Jencks and Phillips, 1998, and others.

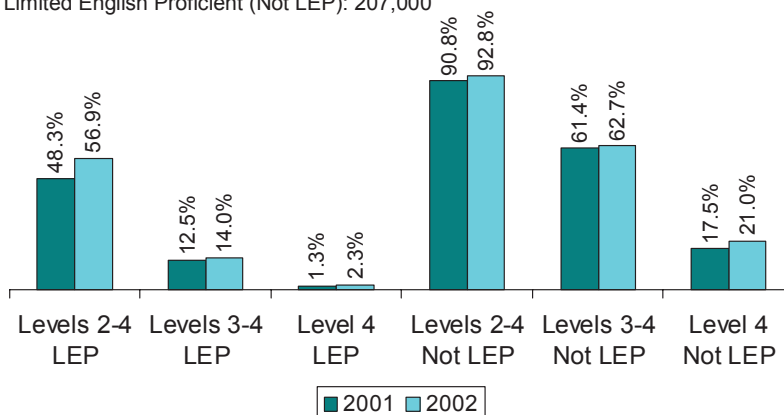
³ Need-resource capacity categories group school districts into six categories based on their student poverty in relation to their ability to raise revenues locally. A detailed definition of need-resource capacity categories can be found in this Technical Supplement.

Table 2 Contrasts in Student Performance, Need and Resources ⁴		
Measure	New York City School District	Low Need School Districts
Proficiency in elementary-level English language arts	46	86
Proficiency in middle-level mathematics	30	78
Percent of general education students entering ninth grade in 1998 meeting the English graduation requirement	79	98
Percent of students earning Regents diplomas	31	73
Percent of students eligible for free lunch	75	3
Percent of teachers lacking certification in mathematics	33	4

In many school districts poverty coexists with another educational need factor, the incidence of limited English proficient (LEP) students. More English proficient students than

Figure 2
Performance of LEP and Not LEP Students on the Elementary-Level English Language Arts Assessment 2001 and 2002

2002 Count of Tested Students:
Limited English Proficient (LEP): 5,500
Not Limited English Proficient (Not LEP): 207,000

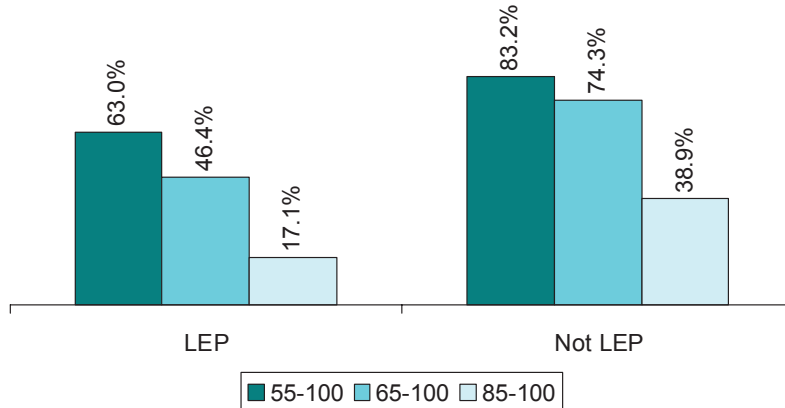


LEP students achieved the standards in elementary level English language arts by scoring at Level 3 or above (Figure 2). Examining achievement of LEP versus Not LEP students in Regents-level mathematics (Figure 3) shows that almost one-sixth of LEP students who met the standard in 2002 scored between 55 and 64.

⁴ New York State Board of Regents (June 2003). 2003 Chapter 655 Report: Annual Report to the Governor and the Legislature on the Educational Status of the State's Schools.

Figure 3
Performance of LEP and Not LEP Students in the 1998 Cohort on
the Regents Mathematics Assessment after Four Years

Count of Students in the 1998 Cohort:
 Limited English Proficient (LEP): 5,000
 Not Limited English Proficient (Not LEP): 152,500



Examining the number and percentage of limited English proficient students by location reveals an educational need that is particularly concentrated in urban areas (see Table 3). More than 70 percent of New York State's LEP students attend the New York City

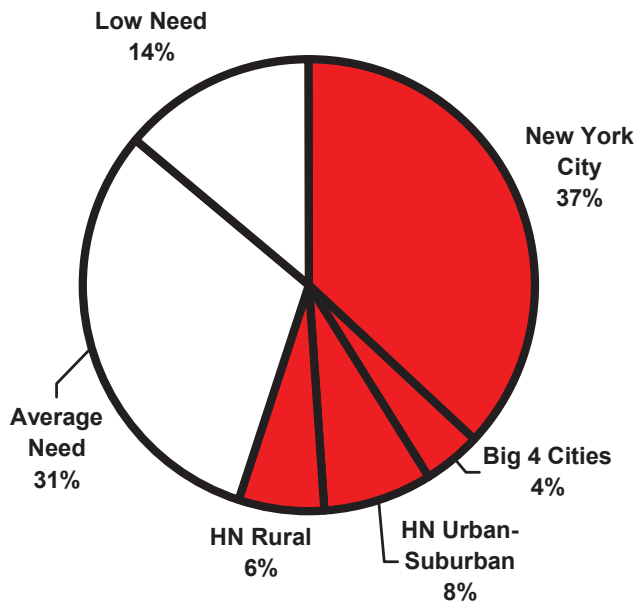
Table 3 Number and Percent of Public School Limited English Proficient Students by Location New York State (Fall 2001)		
Sector/Location	Students	
	Number	Percent
High N/RC Districts		
New York City	142,033	13.7%
Large City Districts	10,052	8.0
Urban-Suburban	14,913	6.9
Rural	1,286	0.7
Average N/RC Districts	16,511	1.9
Low N/RC Districts	8,810	2.3
Total Public	193,605	6.8%

Note: Includes students who score at or below the 40th percentile on an English language assessment instrument approved by the Commissioner of Education.

school district, where LEP students comprise 13.7 percent of the student body. In urban and suburban high need school districts and the Large City School Districts, LEP students make up approximately 7 and 8 percent of the student body, respectively.

The relationship between poverty and academic achievement is pervasive. It has been documented by numerous studies over four decades.⁵ This relationship is a critical policy concern because it affects large numbers of students. Figure 4 shows that a full 55 percent (approximately 1.6 million students) of the State's students are enrolled in high need districts.⁶ While not all of these students come from poverty backgrounds, many of them do, and numerous research

Figure 4. Where the Students Are
(Percentage of Students by Need-Resource Category)



The large number of students in high need school districts makes their education a state-wide policy concern.

studies have illustrated the negative impact of the concentration of student poverty on the achievement of all students, regardless of their individual poverty status.⁷

These numbers suggest that, in order to meet higher learning standards, New York State must be concerned about: what affects the achievement of students in schools with concentrations of student poverty; the resources that high need school districts require to support their educational program; and the effectiveness with which school districts use their resources. It suggests that the successful education of so large a group will have a significant impact on the economic vitality of the State by producing workers who can function in a competitive, international market and by reducing the costs of social services and criminal justice.

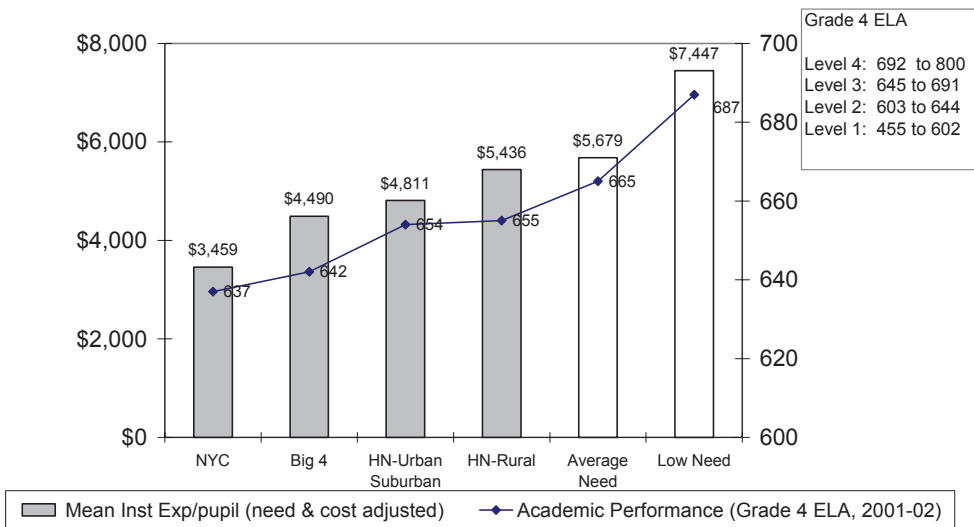
⁵ See annual reports of the Chapter 655 Report (for example, New York State Board of Regents, July 2003), Arnot and Rowse, 1987, Evans, Oates and Schwab, 1992, and Jencks and Phillips, 1998.

⁶ New York State Board of Regents, June 2003, p.88.

⁷ See Arnot and Rowse, 1987; Evans, Oates and Schwab, 1992; Henderson, Mieszkowski and Sauvageau, 1978; Link and Mulligan, 1991; Rumberger and Willms, 1992; Shavit and Williams, 1985; Summers and Wolfe, 1977; Willms, 1986.

That poverty affects student achievement is well known. What is less well known are the successes of schools in educating students from poverty backgrounds to high standards. While the debate on “does money matter?” still exists,⁸ it is now being recast by some as “*making* money matter” (emphasis added).⁹ Money matters and how it is used makes a difference as well. Using New York State school data, we examined the relationship between school district spending and student achievement as

Figure 5
After Adjusting for Need and Regional Cost, the Higher the School District Spending, the Greater the Pupil Achievement



measured by grade 4 English Language Arts test performance (see Figure 5). Spending data are adjusted in two ways. First, dollars spent are adjusted by the Regents Regional Cost Index to reflect comparable purchasing power from one region of the State to another. Second, spending per pupil is further adjusted by providing an additional weighting for pupils from poverty backgrounds to reflect the additional services that such pupils require. The resulting cost and need-adjusted

expenditures per pupil show a trend: the more the school district spends, the greater the pupil achievement.

Figure 5 shows that a distinct relationship exists between spending, student risk, and academic performance. That is, the emphasis on need and cost is supported by data from New York schools.¹⁰

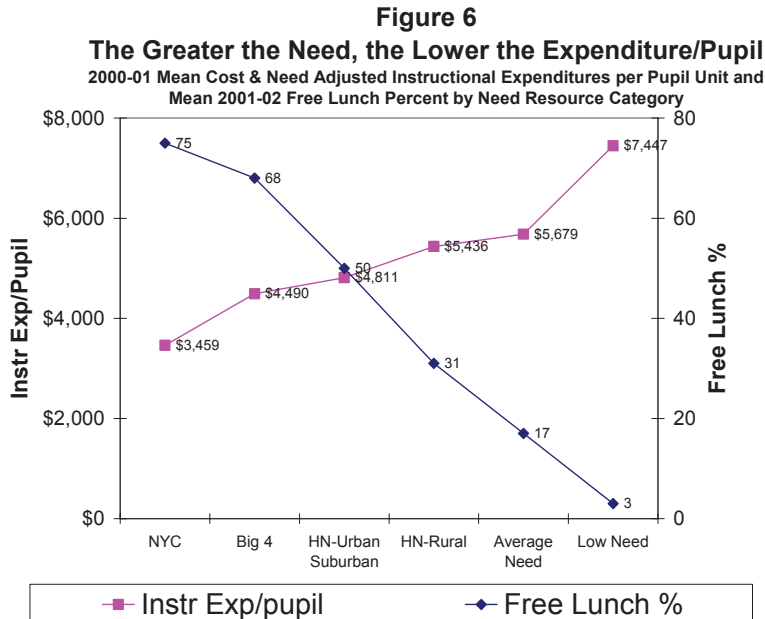
Examining the relationship between school spending and student poverty is also illuminating. Poverty is often used as a proxy or substitute measure for educational need. This is because of the high negative correlation between poverty and student achievement and because of the desire to use a measure that is not affected by the varying academic successes of school districts. As a result, poverty rather than achievement may be used as a proxy for educational need in aid formulas, because of the interest in providing incentives for school districts to improve student achievement.

⁸ See for example Hanushek, E. (1966), and Ladd, H. F. and J.S. Hansen (2002).

⁹ Ladd, H.F. and J.S. Hansen (2002).

¹⁰ See Glasheen, R., 2002.

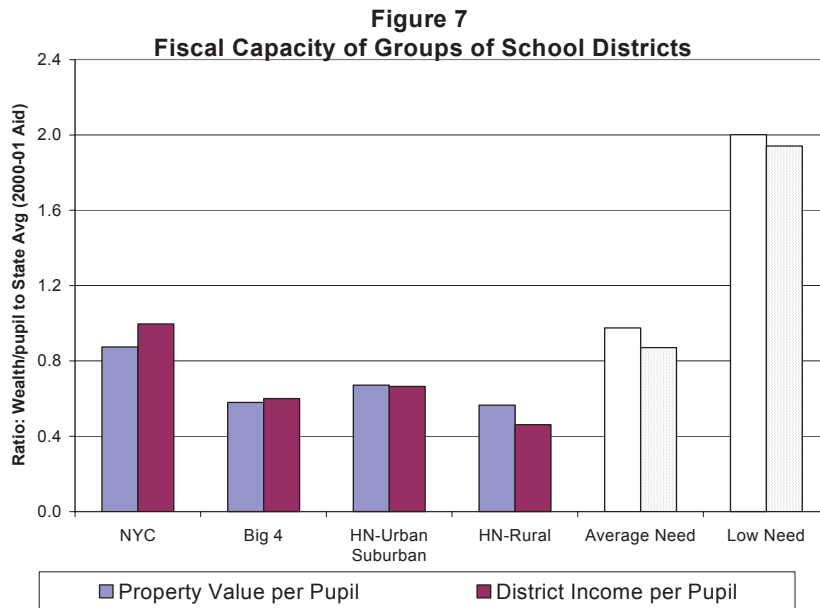
Figure 6 shows that as educational need decreases, need and cost adjusted instructional expenditures per pupil increase. Need and academic performance are virtual mirror images of each other.



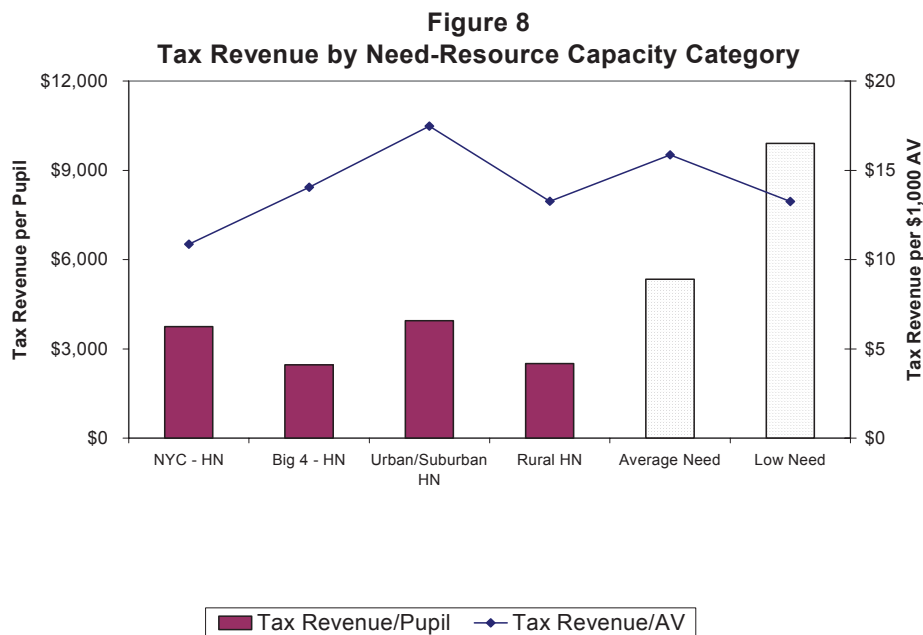
While the previous graphs looked at educational risk and the demand placed on school districts, the following charts examine school district fiscal capacity. Fiscal capacity refers to the ability of school districts to raise revenues locally. It is often assessed by a measure that represents an equal mix of property wealth per pupil and income per pupil in the district, known as the Combined Wealth Ratio.¹¹ The ability of school districts to pay for education varies considerably around the State. Since about half of school revenue comes from local sources, these capacity differences can amount to big differences in educational programs available to students. Figure 7 shows that the balance between fiscal capacity as assessed by property value per pupil versus income per pupil varies as well. Income wealth per pupil exceeds property wealth per pupil in the New York City School District while the opposite is true for high need rural school districts, and average and low need school districts.

We examined revenues raised and tax rates for different groups of school districts. Figure 8 shows the average dollars raised per pupil for each category of school district (tax revenue per pupil displayed by the bars) and tax revenue per \$1,000 of actual property value (expressed as tax rate and shown with the line). Low need districts collect more local revenue per pupil while taxing at a comparable rate to the Big Four districts. Overall, the rural high need districts have low tax rates and some of the lowest tax revenues per pupil.

¹¹ A measure of school district income and property, the State average Combined Wealth Ratio is 1.0. State averages for 2000-01 Operating Aid were \$98,300 income per pupil and \$244,900 actual value per pupil.

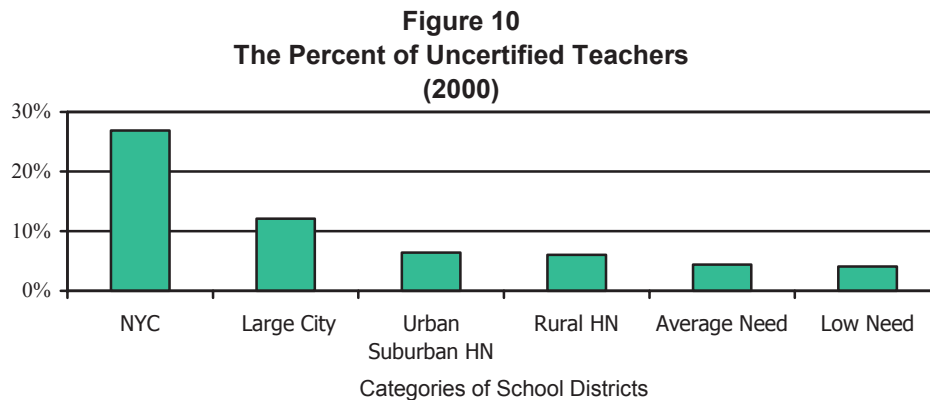
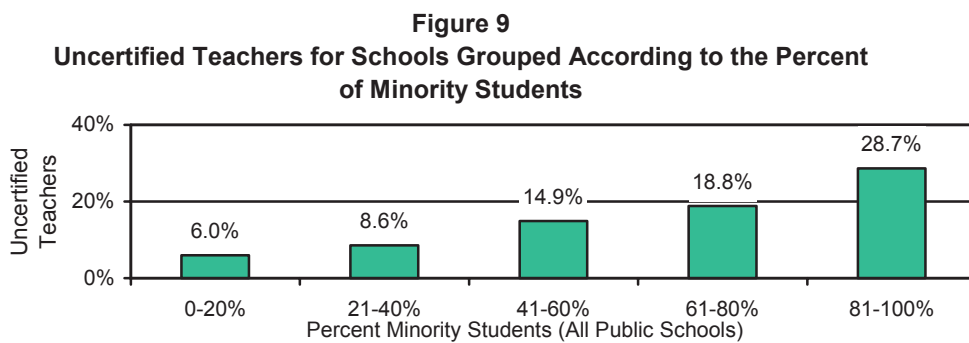


Further analysis of school district local effort shows that districts with higher student poverty and limited fiscal capacity are more likely to have a local effort problem.¹² Contributing to this phenomenon are the many costs that cities incur to serve large percentages of their population who are economically disadvantaged. For example, New York City, as both a city and a county, must provide public assistance and Medicaid to its residents. From those findings, the Regents acknowledge local effort as a significant element in closing the achievement gap.



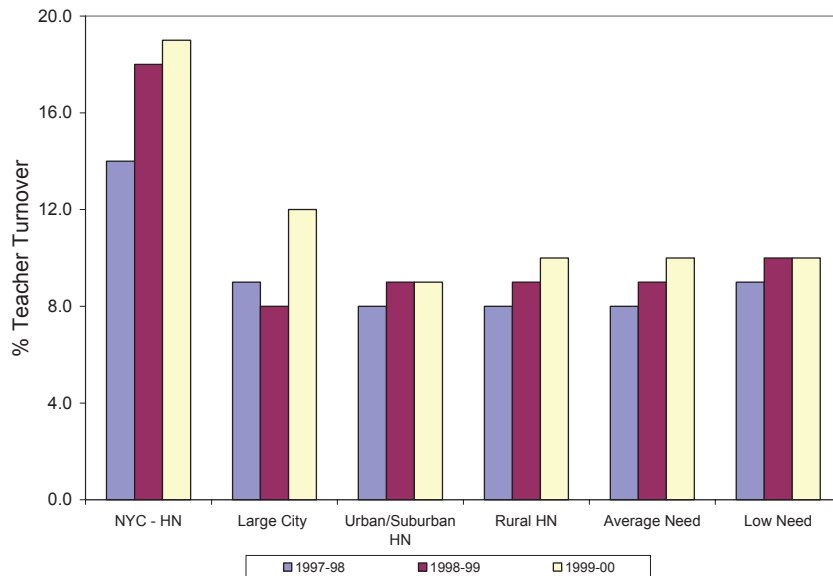
¹² See New York State Board of Regents (September 2002).

A major policy focus of the Regents is strengthening teaching. Recent research has documented the considerable impact of teachers on student achievement.¹³ In fact, the positive effect of having a quality teacher for three years in a row was equal to the decline in achievement students suffered from economic disadvantage. Examination of New York State data reveals the following. Schools with the largest percentage of minority students have the largest percentage of teachers without appropriate certification (Figure 9). Looking at the percent of uncertified teachers by need-resource capacity category shows that more than one in four teachers teach without appropriate certification in New York City (Figure 10). In school districts outside the Big Five, the rate is one in 25.



¹³ Rivkin, Hanushek and Kain (2000).

Figure 11
Teacher Turnover by Need Resource Capacity Category
of School Districts (SFY 1997-2000)



While having a certificate in the subject area one teaches may not explain why some teachers have a greater impact on student achievement than others, the lack of appropriate certification is found in districts where overall student achievement is among the lowest.

Figure 11 shows that teacher turnover¹⁴ has increased in all parts of the State, further contributing to the challenge of closing the achievement gap. This phenomenon can be attributed in large part to an aging teacher workforce. Teacher turnover is at the highest levels in New York City.

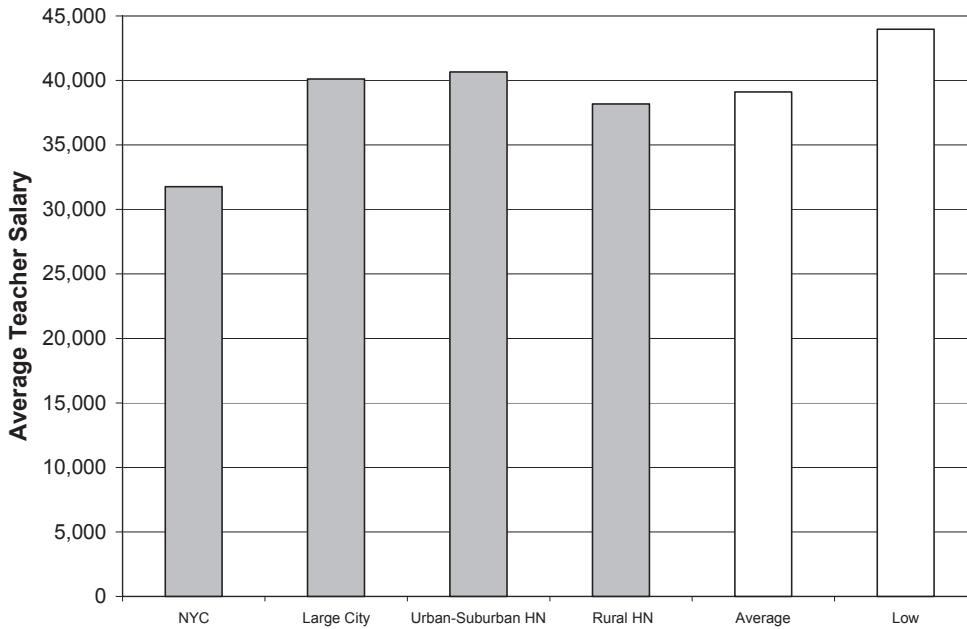
We examined teacher salaries by applying a cost index to make salaries comparable across regions of the State. Figure 12 shows that cost-adjusted teacher salaries are low in New York City compared to the rest of the State.

Quality career and technical education (CTE) programs provide students with practical, hands-on learning experiences leading to a high school diploma. Often such programs create an alternative way of developing high level reading and computational skills. Approved CTE programs maintain high academic standards, particularly in reading and computational skills, which hold promise for many students who were in the past lost in the traditional program.¹⁵

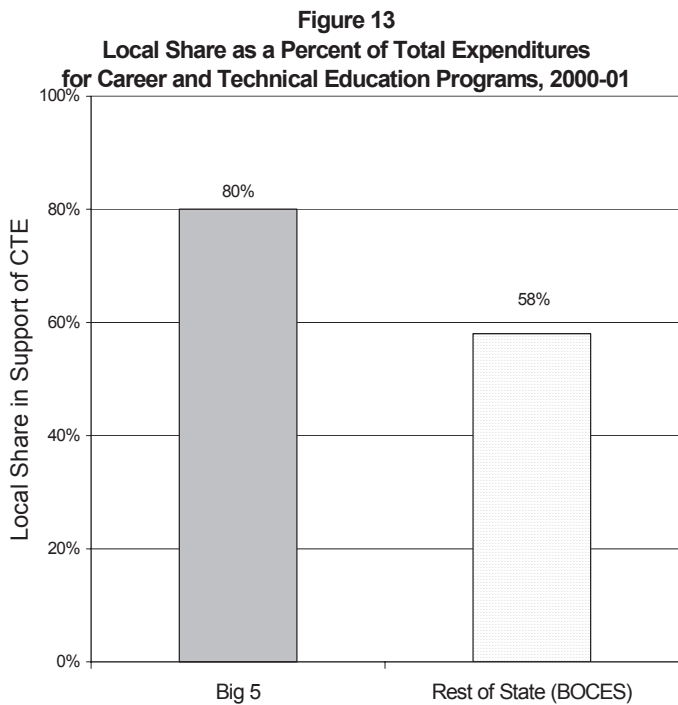
¹⁴ Teacher turnover is a measure of the teachers employed in a district in Year 1 who don't come back in Year 2. It is calculated as: the number of teachers employed by a district in year one but not in year two, divided by the number of teachers employed in year one. Note that if a district employed 75 teachers in year one, and everybody came back for year two, the district hired an additional 10 more teachers, the turnover rate would be zero for that district because everybody came back.

¹⁵ See for example Berryman, Flaxman and Inger, 1999; Grubb, David, Lurn, Plihal and Morgan, 1991; and Grubb and Stasz, 1991.

Figure 12. Cost Adjusted Teacher Salaries by Need-Resource Capacity Category of School Districts



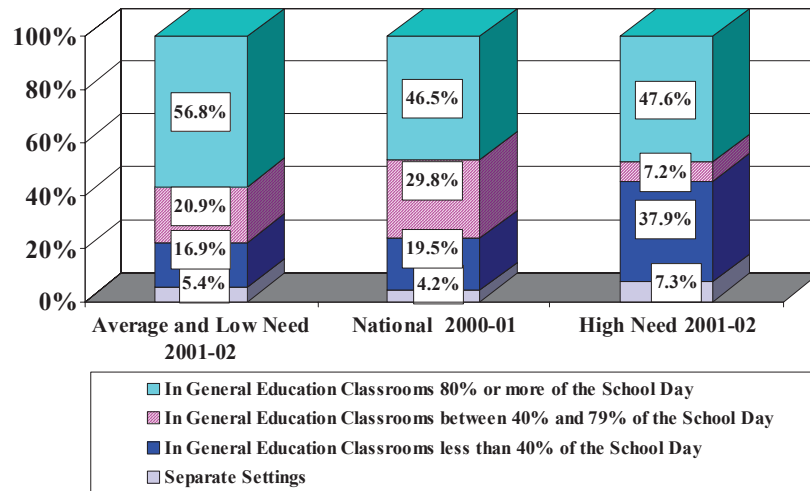
Existing aid formulas result in a higher level of reimbursement to BOCES programs than to those operated by the Big Five city school districts. Conversely, the local share that the Big Five city school districts must exert to support CTE programs is greater (see Figure 13). With the considerable need for such programs in the Big Five, a similar level of reimbursement is important to provide a fiscal incentive for these programs.



In New York State, 43 percent of the pupils enrolled in special education are in the large city school districts where support services in general education are limited, greater numbers of teachers are uncertified, and the lack of resources makes it more difficult to provide quality instruction and early intervention. This means a greater likelihood that these students will have less access to a rigorous general education curriculum, which results in lower performance on State assessments and less

likelihood of meeting graduation requirements. As a result, their ability to access postsecondary education and employment may be affected. The use of special education classes that are separate from general education programs further limits the academic options for students with disabilities. Figure 14 shows that high need school districts use the special class model to educate students with disabilities considerably

Figure 14. High Need school districts use the “special class” model for greater percentages of students with disabilities.



more often than other districts.

Figure 15 shows the average age¹⁶ of school buildings by need-resource capacity category of school districts. The chart shows that the average age of school buildings in our largest cities is more than 55 years and in urban and suburban high need school districts it is about 48 years.

Legislative changes enacted in the late 1990's provided a variety of incentives for school construction. These changes include the following:

- A regional cost index was enacted (1997) to meet the school construction needs in the cities;
- For projects approved by the voters on or after July 1, 1998, a 10 percent increase in the Building Aid formula was enacted (1998) on top of existing provisions which allowed a choice of the best aid ratio (State share) going back to 1981-82; and
- For projects approved by the voters on or after July 1, 2000, the protection afforded by the aid ratio choice was reduced (2000) by giving districts the choice of i) the current year Building Aid ratio, or ii) the best aid ratio from the 1981-82 through 1999-2000 aid years less 10 percent.

¹⁶ Age is calculated as a weighted average based on the construction date of different parts of the building. For example, a building first constructed in 1951 and renovated with a new wing of equal size in 2001 would have an average age of 25 years ((50 years + zero years) / 2 = 25 years average age).

Figure 15. Age of School Buildings (1999)

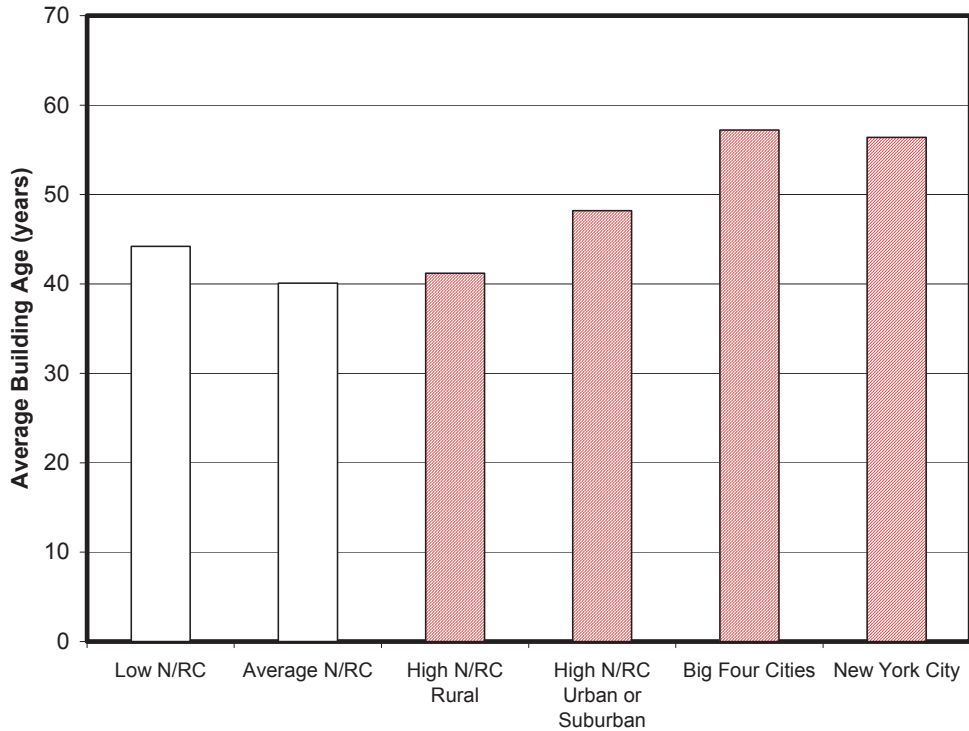


Figure 16. Capital Construction
Effect of State Aid Changes from 1998-2001

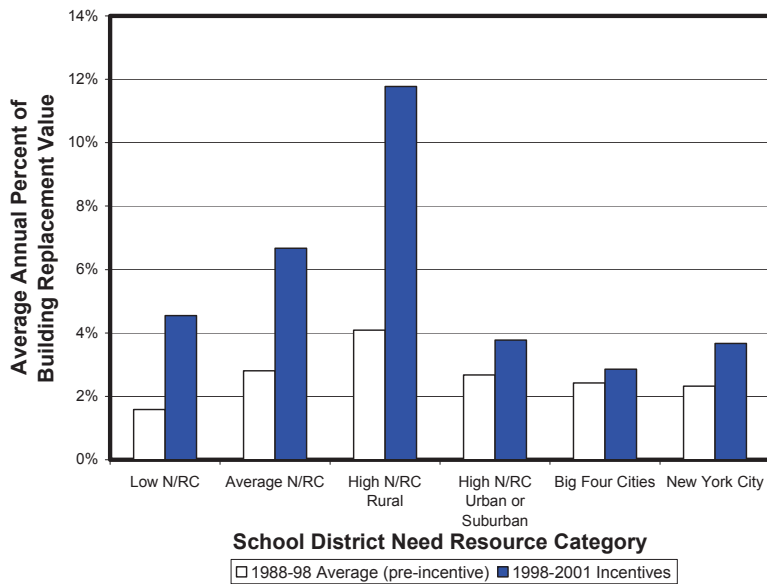


Figure 16 shows the impact of aid changes on school construction by school district need-resource capacity category during the period 1998 to 2001. School construction (as measured by the average annual percent of building replacement value) was greatest in the high need/resource capacity rural school districts, followed by construction in average and low need/resource capacity districts. These State Aid

incentives had the least impact on construction in the Big Five cities, and high need/resource capacity urban and suburban school districts. In the case of New York's five largest cities, school district fiscal dependence on their municipalities may have limited a positive response to these incentives.

Figure 16 also shows the leveraging effect of these State Aid incentives; that is, the additional capital construction that the same local effort purchases. This potential for increased construction with the same local effort was greatest for the high need-resource capacity rural districts, which responded with a high level of school construction. Despite relatively large increases in their ability to leverage local effort, the urban school districts did not respond with a level of school construction comparable to that of high need rural, average need or low need school districts.

The ability of school districts to meet student needs is affected by the cost of doing business in the region in which the district is located. Table 4 shows that costs are about 50 percent higher in the New York City-Long Island region than in the North Country. New York State legislative commissions and blue-ribbon panels have noted this phenomenon¹⁷ and recommended that State Aid be adjusted to compensate for these cost differences. The State Aid dollar should purchase the same amount of goods and services around the State.¹⁸

Table 4 Professional Cost Index for New York State by Labor Force Region (2003)		
Labor Force Region	Index Value	Purchasing Power of \$1,000 by Region
Capital District	1.168	\$856
Southern Tier	1.061	\$942
Western New York	1.080	\$925
Hudson Valley	1.359	\$735
Long Island/NYC	1.496	\$668
Finger Lakes	1.181	\$847
Central New York	1.132	\$883
Mohawk Valley	1.016	\$984
North Country	1.000	\$1,000

In conclusion, the additional needs of schools educating concentrations of students from poverty backgrounds are well supported. Yet school districts with concentrated poverty tend to spend less. They have limited capacity to raise revenues locally, raise fewer local revenues per pupil, lack certified teachers, have greater teacher turnover, and, in the case of New York City, have lower cost-adjusted teacher salaries. Aid formulas are less beneficial for the State's largest cities in supporting career and technical education as an alternative path to a high school diploma and in not recognizing regional cost differences in aid provided for school operation.

¹⁷ See Fleischmann, 1972; Rubin, 1982; and Salerno, 1988.

¹⁸ Reference is made to the need to cost adjust operating aids, which constitute the largest share of the aid pie. Other aids already include cost adjustments, namely Building Aid, Transportation Aid, Excess Cost Aids, etc.

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NEED/RESOURCE CAPACITY CATEGORY DEFINITIONS

The need/resource capacity index, a measure of a district's ability to meet the needs of its students with local resources, is the ratio of the estimated poverty percentage¹⁹ (expressed in standard score form) to the Combined Wealth Ratio²⁰ (expressed in standard score form). A district with both estimated poverty and Combined Wealth Ratio equal to the State average would have a need/resource capacity index of 1.0. Need/Resource Capacity (N/RC) categories are determined from this index using the definitions in the table below.

Need/Resource Capacity Category	Definition
High N/RC Districts	
New York City	New York City
Large City Districts	Buffalo, Rochester, Syracuse, Yonkers
Urban-Suburban	All districts at or above the 70th percentile (1.188) which meet one of the following conditions: 1) at least 100 students per square mile; or 2) have an enrollment greater than 2,500 and more than 50 students per square mile.
Rural	All districts at or above the 70th percentile (1.188) which meet one of two conditions: 1) fewer than 50 students per square mile; or 2) fewer than 100 students per square mile and an enrollment of less than 2,500.
Average N/RC Districts	All districts between the 20th (0.7706) and 70th (1.188) percentile on the index.
Low N/RC Districts	All districts below the 20th percentile (0.7706) on the index.

¹⁹**Estimated Poverty Percentage:** A weighted average of the 2000-01 and 2001-02 kindergarten through grade 6 free-and-reduced-price-lunch percentage and the 2000 Census poverty percentage. (An average was used to mitigate errors in each measure.) The result is a measure that approximates the percentage of children eligible for free- or reduced-price lunches.

²⁰**Combined Wealth Ratio:** The ratio of district wealth per pupil to State average wealth per pupil, used for 2000-01 aid.

**High Need School Districts
Used to Assess the Impact of the
Regents 2004-05 Proposal on State Aid to School Districts**

Albany County

010100 ALBANY
010500 COHOES
011200 WATERVLIET

Allegany County

020601 ANDOVER
020702 GENESEE VALLEY
020801 BELFAST
021102 CANASERAGA
021601 FRIENDSHIP
022001 FILLMORE
022101 WHITESVILLE
022302 CUBA-RUSHFORD
022401 SCIO
022601 WELLSVILLE
022902 BOLIVAR-RICHBG

Broome County

030200 BINGHAMTON
030501 HARPURSVILLE
031301 DEPOSIT
031401 WHITNEY POINT
031502 JOHNSON CITY

Cattaraugus County

041101 FRANKLINVILLE
041401 HINSDALE
042302 CATTARAUGUS-LI
042400 OLEAN
042801 GOWANDA
043001 RANDOLPH
043200 SALAMANCA
043501 YORKSHIRE-PIONE

Chautauqua County

060401 CASSADAGA VALL
060601 PINE VALLEY
060701 CLYMER
060800 DUNKIRK
061501 SILVER CREEK
061503 FORESTVILLE
061700 JAMESTOWN
062301 BROCTON
062401 RIPLEY
062601 SHERMAN
062901 WESTFIELD

Chemung County

070600 ELMIRA

Chenango County	
080101	AFTON
080601	GREENE
081003	UNADILLA
081200	NORWICH
081401	GRGETWN-SO-OTS
081501	OXFORD
082001	SHERBURNE-EARL
Clinton County	
090201	AUSABLE VALLEY
090301	BEEKMANTOWN
090901	NORTHRN ADIRON
091200	PLATTSBURGH
Columbia County	
101300	HUDSON
Cortland County	
110101	CINCINNATUS
110200	CORTLAND
110304	MCGRAW
110901	MARATHON
Delaware County	
120401	CHARLOTTE VALL
120701	FRANKLIN
120906	HANCOCK
121401	MARGARETVILLE
121601	SIDNEY
121701	STAMFORD
121702	S. KORTRIGHT
121901	WALTON
Dutchess County	
130200	BEACON
131500	POUGHKEEPSIE
Erie County	
140600	BUFFALO
141800	LACKAWANNA
Essex County	
150203	CROWN POINT
150901	MORIAH
151501	TICONDEROGA
Franklin County	
160801	CHATEAUGAY
161201	SALMON RIVER
161501	MALONE
161601	BRUSHTON MOIRA
161801	ST REGIS FALLS

Fulton County	
170500	GLOVERSVILLE
170600	JOHNSTOWN
171001	OPPENHEIM EPHR
Genesee County	
180300	BATAVIA
Greene County	
190401	CATSKILL
Herkimer County	
210302	WEST CANADA VA
210501	ILION
210502	MOHAWK
210601	HERKIMER
210800	LITTLE FALLS
211003	DOLGEVILLE
211103	POLAND
211701	VAN HORNSVILLE
212001	BRIDGEWATER-W
Jefferson County	
220301	INDIAN RIVER
220909	BELLEVILLE-HEN
221301	LYME
221401	LA FARGEVILLE
222000	WATERTOWN
222201	CARTHAGE
Lewis County	
230201	COPENHAGEN
230901	LOWVILLE
231101	SOUTH LEWIS
Livingston County	
240901	MOUNT MORRIS
241101	DALTON-NUNDA
Madison County	
250109	BROOKFIELD
250301	DE RUYTER
250401	MORRISVILLE EA
251501	STOCKBRIDGE VA
Monroe County	
261600	ROCHESTER
Montgomery County	
270100	AMSTERDAM
270301	CANAJOHARIE
270701	FORT PLAIN
271102	ST JOHNSVILLE

Nassau County	
280201	HEMPSTEAD
280208	ROOSEVELT
280209	FREEPORT
280401	WESTBURY
New York City	
300000	NEW YORK CITY
Niagara County	
400800	NIAGARA FALLS
Oneida County	
410401	ADIRONDACK
410601	CAMDEN
411800	ROME
412300	UTICA
Onondaga County	
421800	SYRACUSE
Ontario County	
430700	GENEVA
Orange County	
441000	MIDDLETOWN
441202	KIRYAS JOEL
441600	NEWBURGH
441800	PORT JERVIS
Orleans County	
450101	ALBION
450801	MEDINA
Oswego County	
460102	ALTMAR PARISH
460500	FULTON
460701	HANNIBAL
461801	PULASKI
461901	SANDY CREEK
Otsego County	
470202	GLBTSVLLLE-MT U
470501	EDMESTON
470801	LAURENS
470901	SCHENEVUS
471101	MILFORD
471201	MORRIS
471601	OTEGO-UNADILLA
472001	RICHFIELD SPRI
472202	CHERRY VLY-SPR
472506	WORCESTER

Rensselaer County

490601	LANSINGBURGH
491200	RENSSELAER
491700	TROY

Rockland County

500402	EAST RAMAPO
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St. Lawrence County

510101	BRASHER FALLS
510401	CLIFTON FINE
511101	GOUVERNEUR
511201	HAMMOND
511301	HERMON DEKALB
511602	LISBON
511901	MADRID WADDING
512001	MASSENA
512101	MORRISTOWN
512201	NORWOOD NORFOL
512300	OGDENSBURG
512404	HEUVELTON
512501	PARISHVILLE
513102	EDWARDS-KNOX

Schenectady County

530600	SCHENECTADY
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Schoharie County

540901	JEFFERSON
541001	MIDDLEBURGH
541401	SHARON SPRINGS

Schuyler County

550101	ODESSA MONTOUR
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Seneca County

560501	SOUTH SENECA
561006	WATERLOO CENT

Steuben County

570101	ADDISON
570201	AVOCA
570302	BATH
570401	BRADFORD
570603	CAMPBELL-SAVON
570701	CANISTEO
571501	GREENWOOD
571800	HORNELL
572301	PRATTSBURG
572702	JASPER-TRPSBRG

Suffolk County

580105	COPIAGUE
580106	AMITYVILLE
580109	WYANDANCH
580232	WILLIAM FLOYD
580512	BRENTWOOD
580513	CENTRAL ISLIP

Sullivan County

590501	FALLSBURGH
590901	LIBERTY
591302	LIVINGSTON MAN
591401	MONTICELLO

Tioga County

600101	WAVERLY
600903	TIOGA

Tompkins County

610901	NEWFIELD
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Ulster County

620600	KINGSTON
622002	ELLENVILLE

Warren County

630918	GLENS FALLS CO
631201	WARRENSBURG

Washington County

640601	FORT EDWARD
640701	GRANVILLE
641301	HUDSON FALLS

Wayne County

650101	NEWARK
650301	CLYDE-SAVANNAH
650501	LYONS
651201	SODUS
651501	N. ROSE-WOLCOT
651503	RED CREEK

Westchester County

660900	MOUNT VERNON
661500	PEEKSKILL
661904	PORT CHESTER
662300	YONKERS

Yates County

680801	DUNDEE
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**Aids and Grants to be Consolidated Under the Regents Proposal
on State Aid to School Districts
for School Year 2004-05**

**Aids and Grants Replaced by the
Proposed Regents Foundation Formula**

2003-04 Aids and Grants

Computerized Aids

Comprehensive Operating Aid
Operating Aid
Tax Effort Aid
Tax Equalization Aid
Transition Adjustment/Adj. Factor
Academic Support Aid
Computer Hardware Aid
Early Grade Class Size Reduction
Educationally Related Support Services Aid
Extraordinary Needs Aid
Full Day Kindergarten Conversion Aid
Gifted and Talented Aid
Minor Maintenance and Repair Aid
Operating Growth Aid
Operating Standards Aid
Operating Reorganization Incentive Aid
Small City Aid
Summer School Aid
Tax Limitation Aid
Teacher Support Aid

Other Aids and Grants

Categorical Reading Programs
CVEEB
Fort Drum Aid
Improving Pupil Performance Grants
Learning Technology Grants
Magnet Schools Aid
Shared Services Savings Incentive
Tuition Adjustment Aid
Urban-Suburban Transfer Aid

Regents Proposal for 2004-05

Foundation

Grant

(Replaces all aids to
the left)



Other Aids

Other Aids and Grants

BOCES Aid
Building Aid
Grants for Overcrowded Schools
Building Reorganization Incentive Aid
Limited English Proficiency Aid
Private Excess Cost Aid
Public Excess Cost Aid
Textbook Aid
Library Materials Aid
Computer Software Aid
Special Services – Career Education
Special Services – Computer Administration
Universal Pre-Kindergarten Aid
Bilingual Education Grants
BOCES Spec Act, <8, Contract Aid
Transportation Aid
Bus Driver Safety Training Grants
Chargebacks
Comptroller Audits
Division for Youth Transportation
Education of OMH/OMR
Education of Homeless Youth
Employment Preparation Education Aid
Incarcerated Youth
Native American Building Aid
Prior Year Adjustments
Roosevelt
Special Act Districts Aid
Teacher Centers
Teacher-Mentor Intern
Teachers of Tomorrow

2004-05 Regents Proposal Formula Components

Foundation Aid

Foundation: Foundation Operating Aid is the greater of \$500 or Formula Foundation Aid multiplied by Selected Total Aidable Pupil Units (TAPU). The Foundation Aid is the product of \$4,504, the Regional Cost Index (see explanation following) and a Pupil Need Index, less the Expected Local Contribution. The Pupil Needs Index, which ranges from 1.0 to 2.0, is the sum of 1.0 plus the product of the Extraordinary Needs percent (changed to exclude a Limited English Proficiency count) multiplied by the concentration factor. The concentration factor (maximum of 1.0) is $0.5 + (0.5 \times [(EN \text{ percent} - 10 \text{ percent})/70 \text{ percent}])$. The Expected Local Contribution is the product of 0.015 multiplied by the Alternate Pupil Wealth Ratio multiplied by the Selected Actual Value (AV) per 2002-03 TWPU. Selected AV is the lesser of the 2001 AV or the average of 2000 AV and 2001 AV. Selected TAPU, Total Wealth Pupil Units (TWPU), and TAPU for Expense have been changed to be based on average daily membership (instead of average daily attendance), eliminate the 0.25 additional weightings for Pupils with Special Educational Needs and secondary pupils and continue the 0.12 weighting for summer school pupils (in TAPU). Aid for New York City is on a citywide basis.

The following aids and grants are eliminated, as are several grants and aids that do not appear on the computerized aid estimates, including aid for CVEEBs, Learning Technology Grants, the Shared Services Savings Incentive, Tuition Adjustment Aid and Urban-Suburban Transfer Aid:

- Comprehensive Operating
- Operating Aid
- Tax Effort
- Tax Equalization
- Tax Limitation
- Gifted & Talented
- Minor Maintenance and Repair
- Operating Standards
- Extraordinary Needs
- Summer School
- Early Grade Class Size Reduction
- Educationally Related Support Services
- Computer Hardware
- Operating Growth
- Operating Reorganization Incentive
- Full Day Kindergarten Conversion
- Teacher Support
- Academic Support
- Small Cities

Improving Pupil Performance
Categorical Reading
Magnet Schools
Fort Drum

Transition Adjustment: The base includes the 2003-04 aids listed above which appear in the computerized aid estimates. For those districts for whom the new formula is less beneficial, districts are guaranteed between 85 percent and 95 percent of the 2003-04 consolidated base aids. The save-harmless percent is: $0.85 + (0.10 \times [(Need/Resource\ Index - 0.002)/(1.500 - 0.002)])$. The Need/Resource Index is the district's Extraordinary Needs Ratio (i.e., district Extraordinary Needs percent divided by the State average of 50.4 percent) divided by its CWR. District Foundation Aid is capped at a need-adjusted 5 percent over 2003-04 aids. The cap is: $0.05 \times (Need/Resource\ Index, \text{ but not less than } 1.0)$ with a minimum of 0.05 and a maximum of 0.15.

Support for Students with Disabilities

Excess Cost - Public: A district's 2002-03 Approved Operating Expense/TAPU for Expense is limited to a \$2,000 to \$8,800 range. The aid equals the allowed expense times the Aid Ratio ($1 - (.51 \times CWR)$, with a .25 minimum). Pupils are aided by district of attendance. A 1.30 weighting (down from 1.65) is provided for pupils who require special services or programs for 60 percent or more of the school day consistent with an Individualized Education Program (IEP). High Cost expense must exceed the lesser of \$10,000 or four times district AOE/TAPU for Expense. Declassification Aid is included based on 50 percent of the basic Public Excess Cost Aid per pupil. No district receives less than 95 percent of its 2003-04 aid per pupil however this cannot exceed 150 percent of formula aid. Excess cost aid for students in integrated settings is the product of excess cost aid per pupil multiplied by 70 percent (up from 50 percent) of the attendance of pupils who receive special education services or programs by qualified personnel, consistent with an IEP, for 60 percent or more of the school day in a general education classroom with non-disabled students.

Excess Cost - Private: Aid is for public school students attending private schools for students with disabilities. Net tuition expense is multiplied by the Aid Ratio ($1 - (.15 \times CWR)$, with a .5 minimum).

BOCES/Career and Technical Education

BOCES: BOCES Aid is included for administrative, shared services, rental and capital expenses. Save-harmless is continued. Approved expense for BOCES Administrative and Shared Services Aids is based on a salary limit of \$30,000. Aid is based on approved 2003-04 administrative and service expenses and the higher of the millage ratio or the Current AV/2002-03 TWPU Aid Ratio: $(1 - (.51 \times Pupil\ Wealth\ Ratio))$ with a .36 minimum and .90 maximum. The millage ratio factor remains 8 mills. Rent and Capital

Aids are based on 2004-05 expenses multiplied by the Current AV/2002-03 TWPU Aid Ratio with a .00 minimum and a .90 maximum. Payable aid is the sum of these aids.

Special Services Computer Administration: Computer Administration Aid equals the Current AV/2002-03 TWPU Aid Ratio $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .30 minimum multiplied by approved expenses not to exceed the maximum of \$62.30 multiplied by the Fall 2003 public school enrollment with half-day kindergarten weighted at 1.0.

Special Services Career Education: Career Education Aid equals the Current AV/2002-03 TWPU Aid Ratio $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum multiplied by \$3,720, multiplied by the 2003-04 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16.

Instructional Materials Aids

Textbook: Aid is based on 2003-04 approved textbook expenses up to the product of \$57.30 multiplied by the 2003-04 resident public and nonpublic enrollment.

Computer Software: Aid is based on 2003-04 approved computer software expenses up to the product of \$14.98 multiplied by the 2003-04 public and nonpublic enrollment.

Library Materials: Aid is based on 2003-04 approved library materials expenses up to the product of \$6.00 multiplied by the 2003-04 public and nonpublic enrollment.

Expensed-Based Aids

Building: Aid is equal to the product of the estimated approved building expenses multiplied by the highest of the 1981-82 through the 2001-02 AV/RWADA Aid Ratios or the Current AV/TWPU Aid Ratio. For projects approved by voters on or after July 1, 2000, expenses are multiplied by the higher of the Building Aid Ratio used for 1999-00 aid less .10 or the Current AV/TWPU Aid Ratio. Up to 10 percent of additional building aid is provided for projects approved by voters on or after July 1, 1998. Building expenses include certain capital outlay expenses, lease expenses, and an assumed debt service payment based on the useful life of the project and an average interest rate. Aid is not estimated for those prospective and deferred projects that had not fully met all eligibility requirements as of the November 15th database.

Building Reorganization Incentive: Building Reorganization Incentive Aid on capital outlay, lease and debt service is subjected to the same requirements as regular Building Aid. Aid is provided for reorganization projects which have been approved by voters within five years of district consolidation and where the project is contained in the five year capital reorganization plan.

Transportation: Aid is based upon estimated approved transportation operating expense plus capital expenses as reported to the Commissioner by November 15, 2003 (except in cases of emergency) multiplied by the selected Transportation Aid Ratio with a .9

maximum and a .065 minimum. The selected Aid Ratio is the highest of 1.263 multiplied by the State Sharing Ratio or $1.01 - (.46 * \text{Pupil Wealth Ratio})$ or $1.01 - (.46 * \text{Enrollment Wealth Ratio})$, plus a sparsity adjustment. The sparsity adjustment is the positive result of 25 minus the district's 2002-03 enrollment per square mile, divided by 58. The State Sharing Ratio is the greater of: $1.33 - (1.085 * \text{Combined Wealth Ratio})$ or $.915 - (0.56 * \text{Combined Wealth Ratio})$ or $0.53 - (0.238 * \text{Combined Wealth Ratio})$, with a maximum of 1.00.

Summer School Transportation: Transportation Aid for summer school programs is based on estimated approved transportation operating expense plus capital expenses as reported to the Commissioner by November 15, 2003 (except in cases of emergency) multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid is no longer prorated to remain within a \$5.0 million appropriation. This proposal combines summer school and regular transportation aid. Aid is shown separately in a subsequent table for the purpose of comparison to the base year.

Other State Aids

Grants for Overcrowded Schools: A \$31 million grant is proposed for New York City.

Limited English Proficiency: Aid is based on the 2003-04 LEP pupils multiplied by Foundation Operating Aid per pupil multiplied by 0.131.

Universal Pre-Kindergarten: The grant per pupil for unserved four-year olds is based on \$260 plus the product of \$4,000 multiplied by an adjusted State Sharing Ratio. For those districts that applied for a grant in 2003-04, the grant per pupil is save-harmlessed to the 2000-01 level. New York City's unserved count is phased-in at 66 percent; rest of State pupils are phased-in at the product of the unserved four-year olds multiplied by the October 2002 free and reduced price lunch percent. If the resulting count is at least 19.0, it is multiplied by 0.6320 to prorate the State total to \$215 million.

Regional Cost Adjustment Based on Professional Salaries

2004-05 Regents Proposal

A regional cost index was generated using an approach first developed by education finance researchers in the state of Oregon. Their method recognized that school districts are often the dominant purchasers of college-educated labor in a community. As such, they exercise unusual market influence over the price they pay for such services – a phenomenon that may distort the usual “free-market” model. For this reason, teacher salaries were specifically *excluded* from the construction of the index, and selected professional salaries used as a proxy for the purpose of determining regional cost differentials.

The index includes 63 titles for which employment at the entry level typically requires a bachelor’s degree, and excludes teachers and categories that tend to be restricted to federal and state government. The wage data are provided by the Bureau of Labor Statistics and are drawn from the 2001 Occupational Employment Statistics (OES) Survey. The OES survey is an *establishment* survey and according to U.S. Department of Labor analysts, “wages and earnings tend to be more accurately reported in establishment surveys as they are based upon administrative records rather than recall by respondents.”²¹ Additionally, the survey is administered on a three-year cycle where each year one third of the establishments are surveyed and wage data are aggregated using a technique known as wage updating. Thus, the approximations of wages become increasingly accurate and are most precise in the third year. The RCI calculations are based on the third and most accurate data-year in the cycle. The triennial nature of the data means that the RCI need only be updated in those years in which the most accurate data in the cycle are available.²²

Method of Calculation

The index was calculated as the weighted median annual wage for a given labor force region divided by the weighted median annual wage for New York State (\$65,189). The index was truncated to three decimal places then divided by the North Country value of .731. Index values range from 1.000 for the North Country to 1.496 for the Long Island/New York City Region. The accompanying table lists the counties included in each labor force region. The weighted median wage for New York State and for each labor force region was calculated as follows:

²¹ “Interarea Comparisons of Compensation and Prices,” *Report on the American Workforce, 1997*, p. 73.

²² For a detailed discussion of regional cost and the construction of the Regents Cost Index see, *Recognizing High Cost Factors in the Financing of Public Education: A Discussion Paper and Update Prepared for the New York State Board of Regents SA (D) 1.1* (Sept., 2000) and the technical supplement entitled *Recognizing High Cost Factors in the Financing of Public Education: The Calculation of a Regional Cost Index* (Nov., 2000). Copies can be obtained by contacting the Fiscal Analysis and Research Unit at (518) 474-5213 or visiting their web site at <http://www.oms.nysed.gov/faru/articles.html>.

Weighted Median Hourly Wage = The sum of: (Title Weight * Median Annual Wage) for all 63 titles making up the index.

1. Title Weight = the number of employees in a given title statewide divided by the number of employees in the 63 titles statewide. Applying title weights to each labor force region prevents the index from being skewed by variations in occupational mix across regions.
2. Median Annual Wage = median annual wage rate reported for each title in each labor force region and statewide.

A separate index was created for each labor force region based on a subset of 46 of the 63 titles. These 46 occupations represent those titles for which there were no missing data in any of the labor force regions. This index was then used to estimate the median annual wage of titles with missing data in any given labor force region. This was done by multiplying the statewide median annual wage for the title with missing data by the 46-title index for the specific labor force region for which the salary data was missing.

For the purpose of index construction, the New York City and Long Island labor force regions were treated as a single labor force region. The New York City/Long Island weighted median wage was calculated as follows:

NYC/LI Weighted Median Wage = The sum of (Title Weight * NYC/LI Median Annual Wage) for all 63 titles making up the index

1. Title Weight = same as above.
2. NYC/LI Median Annual Wage = for each title:

$$\frac{[(\# \text{ of emp LI} * \text{LI median annual wage}) + (\# \text{ of emp NYC} * \text{NYC median annual wage})]}{(\# \text{ of employees in LI} + \# \text{ of employees in NYC})}$$

Regional Cost Index Counties in Labor Force Regions

Capital District

Albany
Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

Central New York

Cayuga
Cortland
Onondaga
Oswego

Finger Lakes

Genesee
Livingston
Monroe
Ontario
Orleans
Seneca
Wayne
Wyoming
Yates

Hudson Valley

Dutchess
Orange
Putnam
Rockland
Sullivan
Ulster
Westchester

Long Island/New York City

Nassau
New York City
Suffolk

Mohawk Valley

Fulton
Herkimer
Madison
Montgomery
Oneida
Schoharie

North Country

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

Southern Tier

Broome
Chemung
Chenango
Delaware
Otsego
Schuyler
Steuben
Tioga
Tompkins

Western New York

Allegany
Cattaraugus
Chautauqua
Erie
Niagara

Estimating the Additional Cost of Providing an Adequate Education

One of the traditional principles in school finance which has guided Regents Proposal development in past years has been a wealth and need equalization principle. This principle was designed to drive greater amounts of aid per pupil to school districts with limited fiscal capacity and high concentrations of pupils in need. In recent years, however, the focus of school finance, particularly in New York State, has begun to shift from equity to the provision of an adequate education.²³ By the term adequate education is meant the greater equalization of academic outcomes (not resource inputs) so that all children are provided the opportunity to receive an education, which will subsequently allow them to lead meaningful and productive adult lives.

Purpose

The purpose of this report is to describe the methodology that was used to estimate the likely additional expenditures needed by districts with lower academic performance to achieve educational outcomes that demonstrate that an adequate education is being provided.

Methodology

Three General Approaches. The literature identifies three basic empirical methods for identifying the cost of providing an adequate education.²⁴ These methods include:

- 1) Econometric analyses that use sophisticated statistical techniques to estimate the resource costs associated with different levels of school district performance.

Other strategies are designed to determine the instructional and other costs associated with districts that have already achieved acceptable or adequate performance levels. These approaches are typically of two types:

- 2) Expenditure per pupil analyses use strategies based upon the gross instructional (and related) expenses of school districts whose achievement meets accepted levels of performance and
- 3) Professional judgement models employ strategies in which the key instructional components needed to achieve a desired achievement standard are identified by

²³ The shift from equity to adequacy in school finance is a shift that has been driven by an emerging consensus around high minimum outcomes as the orienting goal of both policy and finance. This has been well described by William H. Clune. *The Shift From Equity to Adequacy in School Finance*. June 1993. See also the Report on Funding Equity and Adequacy, The State Aid Work Group (July, 1999), SA (D) 1.1. and Attachment.

²⁴ An excellent discussion of these three approaches is provided by James W. Guthrie and Richard Rothstein, "Enabling 'Adequacy' to Achieve Reality," in Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen (eds), 1999, Equity and Adequacy in Education Finance, National Academy Press.

panels of experts, and then costed out. This latter method relies heavily upon the use of professional judgment as to what practices or resources are needed in order to achieve a desired level of academic success and is often referred to as the professional judgement model.

The Econometric Approach: Econometric approaches designed to estimate the cost of achieving a specified academic performance standard are complex, and require the use of two-stage least squares estimation methods. Ultimately, researchers estimate the direct effects or impacts of district characteristics, enrollment characteristics, wealth characteristics, and desired performance requirements on cost per pupil.

Once researchers have estimated these effects statistically, it is possible to insert the actual values of these variables for a given district into a prediction equation – while setting the performance level variable at a desired value – in order to estimate overall cost per pupil. The bottom line is this: when one statistically controls for district-level size and wealth characteristics, the higher the performance expected in the model, the higher the projected costs.

Unfortunately, the results of these more complex correlational approaches lack transparency, being very difficult to explain to lay people. As Guthrie and Rothstein have noted, “...when courts demand or legislatures determine that an adequate education be funded, they will require a calculation of this adequacy that seems intuitively reasonable, that is understandable to reasonably well-educated policymakers, and that can be explained to constituents.”²⁵ The comments of both Guthrie and Rothstein make clear their view that such an “ease-of-understanding” standard is not likely to be met by some of these more complex statistical approaches. In addition, many of the variables incorporated in these regression models are not particularly intuitive and do not relate specifically to instructional cost components; consequently, the results are often viewed as a “black box”. That is, while total costs at the school district level can be estimated by such econometric studies, how these total costs should be distributed by the state to the district or within the district to its various school buildings is beyond the scope of such studies.

The Academic Success Approach: Empirical estimates of the cost of an adequate education typically begin by investigating districts that are already achieving a desired state of academic performance. The most straightforward application of the empirical method starts with an examination of the spending patterns among all such districts to determine the average expenditure per pupil of the successfully performing districts. Since districts that perform at high levels often enjoy a very substantial wealth base, and therefore also spend at very high per pupils levels, concerns about technical efficiency are characteristic of this method.

A traditional response to the efficiency concern is to constrain the selection of districts to be analyzed. For example, the districts for which the average expenditure per pupil

²⁵Guthrie and Rothstein, “Enabling ‘Adequacy’ to Achieve Reality,” pp. 223.

of successful school districts that would be established could be restricted to the lowest spending 50 percent of such adequately performing districts.

A common variation of this approach is to empirically identify the staffing patterns of academically successful school districts. For example, pupil-teacher ratios, class sizes, number of guidance counselors are some of the patterns that could be examined in a study of this type. Based upon the judgements of SED analysts, normatively appropriate staffing patterns could then be identified and their associated costs calculated. As with the expenditure per pupil approach, it is possible to introduce efficiency into the calculation of cost by limiting the districts analyzed to those who appear to achieve adequate levels of performance at modest cost.

The Professional Judgement Approach: An important variant or extension of the Academic Success Approach relies more heavily on the use of consensus methods and professional judgment to identify the key instructional components to be costed out. Professional judgement methods consist of developing a consensus among professionals as to the appropriate staffing patterns and instructional components needed to achieve academic success. These components are then costed out based upon empirical data in order to estimate overall district-level costs. While this approach benefits politically from significant “buy-in” of the various expert-groups, such a method can be very time-consuming and would require at least one to two years to implement.

Three Critical Methodological Questions

For this study, each of the approaches described above was evaluated. However, in developing an estimate of the expenditures needed to ensure that all districts can provide the opportunity for an adequate education to all students, it was believed that the approach most transparent to the general public would be one based upon demonstrated academic success. The associated expenditures per pupil identified in these successful districts could be modified to reflect regional cost and the educational need of pupils. In short, the study would estimate the expenditures per pupil needed to achieve a specified academic outcome based on the spending patterns of districts actually achieving the specified level of academic performance.

As the methodology was developed, researchers answered three questions involving very specific operational definitions of major concepts. The questions were:

1. How should academic performance be measured?
2. How should pupil need be addressed? and,
3. Should there be a regional cost adjustment?

Measurement of Academic Performance

A critical methodological issue addressed by the study concerned the measurement of academic performance. New York State is presently implementing a series of tests

designed to measure academic performance at various grade levels. Examples of such examinations include:

- English Language Arts and Mathematics (fourth grade)
- English Language Arts and Mathematics (eighth grade)
- High School Regents examinations (e.g., English, mathematics social studies) students are likely to take in order to graduate.

Fourth Grade Tests. Fourth grade test results can be grouped into four categories or performance levels. These performance categories are:

- Level 1---Does not meet the standards;
- Level 2--- Meets some of the standards but not all;
- Level 3---Meets all standards; and,
- Level 4---Demonstrates proficiency.

High School Regents Examinations. Several important issues had to be addressed in using the results of high school examinations as components in the operational definition of an adequate education. First, results on Regents exams are given as a numerical score only. Scores are not automatically translated into levels of performance. Based on a review of the School District Report Card and the Annual Report to the Governor and Legislature on the Educational Status of the State's Schools the classification system shown below for high school Regents exams was developed by this study. The researchers concluded that these classifications best approximated the four-level scoring system that exists for elementary and middle school students.

The classifications are:

- Level 1 = a score of 0 to 54
- Level 2= a score of 55 to 64
- Level 3= a score of 65 to 84
- Level 4= a score of 85 to 100

Data on Regents High School examinations were collected for five tests. The tests were:

- Mathematics A;
- Global History;
- U.S. History;
- English; and,
- Earth Science.

A potential problem with using single-year test results, of course, is that academic outcomes in any one-year may be atypical and more reflective of a one-time phenomena rather than a typical example of academic outcomes over a multi-year period. This traditional critique was addressed for this study by using a three-year average of test results. Test results used in the study were from the 1999-00, 2000-01 and 2001-02 school years.

Ultimately, to make a cost estimate, adequate education needs to be defined in quantitative terms. In establishing its definition, the study had two basic choices. It could use either test scores or the percent of test takers achieving a specified educational result. Use of either measure would be valid. However, since the Court of Appeals in the Campaign for Fiscal Equity court ruling indicated that every child should be provided with an adequate education, it would appear that a threshold measure which captures the percent of test takers achieving a specified standard would be the most appropriate measure to use.

Upon reaching this decision, the study addressed three questions:

1. What level of achievement should be reached?
2. What percent of students should attain the specified outcome? And,
3. What tests should be used?

If students in a district are receiving an adequate education, it would seem that the vast majority of its students should be capable of achieving the Regents standards. This means, on whatever tests one uses for defining academic outcomes, the vast preponderance of students should be scoring at the equivalent of level 3 or level 4. So for this study, it was believed that if a district had on average 80 percent of its students scoring at level 3 or higher on the specified tests, the district would be considered as providing an adequate education.

Finally, the study had to determine which specific examinations would be used in developing the cost estimate. It was decided:

- To use both fourth grade tests in the definition of an adequate education. This decision was made primarily because only the central high districts do not have a fourth grade. Only one district was lacking fourth grade data. Thus almost every district would have fourth grade data, which would be a strong indicator of whether students had or had not acquired a sufficiently strong educational foundation to insure that high school graduation requirements were likely to be met; and,
- To use the test results of the five high school examinations previously listed, since passing of these or similar tests is required for high school graduation.

Missing Data. An important issue from a methodological perspective was how to treat a district if it were missing data. Missing data could occur because of several factors. These factors include:

1. Grade configuration of a district. A K-6 district would not have eighth grade or high school results. Conversely, a central high school district would not have any fourth grade results. In a sense, the district wasn't missing data as much as the data were non-existent for the district. Grade configuration was a major factor in missing data. For example, of the five districts without any data for either the fourth grade tests, four were central high schools.
2. Data were truly missing. No test data exists for one district. Other data may be missing due to administrative error or because a particular test was not given in a district for one or more years.

Based on these circumstances, the following decisions were made:

- If absolutely no test data existed for a district on any of the tests used, it would not be included in the study. Kiryas Joel was the only district not included in the study for this reason.
- If a district had some test data, the determination concerning provision of an adequate education would be based on existing data.

Operational Definition of an Adequate Education

Based on all of the considerations described above, an adequate education was operationally defined as a district:

With a simple, unweighted average of 80 percent of its test takers scoring at Level 3 or above on seven examinations (Fourth Grade English Language Arts, Fourth Grade Mathematics, high school Mathematics A, Global History, U.S. History, English and Earth Science) in 1999-00, 2000-01 and 2001-02. The reader will note that, given this operational definition, a district could have less than 80 percent of its test takers with a score below Level 3 on one or more of the individual tests and could still be found as providing an adequate education.

Although this definition does not meet the Regents goal that all students achieve the standards, it does identify districts where the opportunity to achieve exists. Thus this operational definition can be viewed as a reasonable compromise.

Student Need

If student need is believed to be an important issue in understanding academic performance two methodological questions concerning the quantification of need must be addressed. The questions are:

- What type(s) of students best reflect student need?
- What is the appropriate additional weighting(s) to give students so as to quantify the additional educational services such students require if they are to succeed?

What Pupil Count Should be Used to Measure Need? An assortment of measures could be used to estimate student need. Each of the possible counts possess strengths and weaknesses. A common measure used to identify student need among the 50 states is the percent of students eligible for a free and reduced price lunch. Indeed, in New York State, the K-6 percent of students eligible for a free or reduced price lunch is one of the pupil counts used to allocate a supplement to Operating Aid to help districts meet the needs of at risk students, known as Extraordinary Needs Aid. For these reasons, the study concluded student need could best be measured by the percent of K-6 pupils eligible for a free and reduced price lunch.

The count of K-6 students eligible for a free or reduced price lunch, however, may be subject to wide variation in some districts. For this reason, average counts reflecting three school years were used. Such an average would minimize the possibility of grossly misidentifying a district's poverty rate due to a unique circumstance. K-12 districts that did not provide a school lunch program in 1999-00, 2000-01 and 2001-02 were given a K-6 free and reduced percent of zero. Central high school districts were given the average count of their component school districts.

What Should Be the Additional Weighting for Need? To incorporate "need" into a student count requires the development of an additional weighting. In school finance, the term additional weighting is usually associated with the quantification of the extra costs associated with providing a specified service. These extra costs are then translated into an additional weighting. For example, secondary students (grades 7-12) in New York State are provided an additional weighting of 0.25. This means a secondary pupil in certain student counts used in state aid formulas has a calculated value of 1.25 ($1.0 + 0.25$).

The additional weighting selected is critical in determining the cost of an adequate education. This immediately raises the question of what is the appropriate additional weighting for need. In seeking guidance for a suitable need weighting, we have two sources - existing practice and the research literature.

The legislation of other states concerning the additional weighting of poverty or at-risk pupils is another source to consider in determining the appropriate additional weighting for such students. Carey described the practices of states as of the 2001-02 school

year⁴ and found that the funding level for poverty-based education aid varied widely among the states. In his view this was often more a reflection of available resources than of the actual costs of educating such students.

Since the 2001-02 school year, several states have taken legislative action concerning poverty or at-risk pupils. Maximum additional weightings enacted for poverty or at-risk pupils have ranged from 0.25 to 1.0. In New Hampshire and Wyoming the concept of a variable additional weighting for need based on the concentration of poverty pupils has been introduced.

Although a wide range exists in the research literature in terms of the appropriate additional weighting for student need, most of the literature suggests an additional weighting of at least 1.0. Indeed, in September 2003 the State Education Department released a study on educational need, expenditures per pupil and educational achievement in which student need was given an additional weighting of 1.0.

For these reasons it was decided that pupils would be given an additional weighting of 1.0 for poverty (based on 1999-00, 2000-01 and 2001-02 K-6 students eligible for free and reduced price lunch).

Cost Adjustment

In recent years, the Board of Regents in its State Aid proposal has also endorsed the concept of adjusting State Aid to reflect the variation in regional cost found to exist in New York State. It has done so due to the dramatically different costs associated with educating students in various geographic regions of the State.

To properly reflect these differing educational costs, it was decided to incorporate regional cost into the cost estimates. The cost indices used in calculating the estimate are the Regional Cost Indices (RCI)⁷ calculated for the 2004-05 State Aid Proposal of the Board of Regents. The RCIs were calculated based upon labor force regions as these have been defined by the New York State Department of Labor. The RCIs calculated for these labor force regions have been normed to a “North Country standard” and are described in Table 1 below:

Table 1: Regional Cost Indices for Labor Force regions in New York State:

North Country	1.000
Mohawk Valley	1.016
Southern Tier	1.061
Western NY	1.080
Central NY	1.132

⁴ Kevin Carey. State Poverty-Based Education Programs: A Survey of Current Programs and Options for Improvement. Center on Budget and Policy Priorities. 2002. <http://www.cbpp.org>

⁷ Based upon professional wage data provided by the Department of Labor.

Capital District	1.168
Finger Lakes	1.181
Hudson Valley	1.359
Long Island/New York City	1.496

Expenditures Per Need-Adjusted Pupil

The final approach was to develop an "expenditure per need adjusted pupil" model, which compared the expenditure pattern of districts with acceptable academic performance to districts with educational performance below the stated standard. Expenditures were defined as general education instructional expenditures⁸ (including an estimated amount for fringe benefits) as adjusted by the Regents Regional Cost Index calculated in 2003. The pupil count was the same count used for general education instruction as defined in statute for the Fiscal Supplement to the School Report Card.⁹ This count was then adjusted to reflect student need by weighting the free and reduced price lunch count at 1.0.

A graph of this prototype is shown in Figure 1. Under this approach, the first step was to identify districts providing an adequate education. As noted earlier, such districts were defined as districts in which an average of 80 percent of the students taking the seven previously identified examinations had a score that was at Level 3 or above. Districts in which on average 80 percent of the students tested did not score at levels 3 or 4 were identified as districts which may need to increase instructional expenditures in order to improve academic performance.

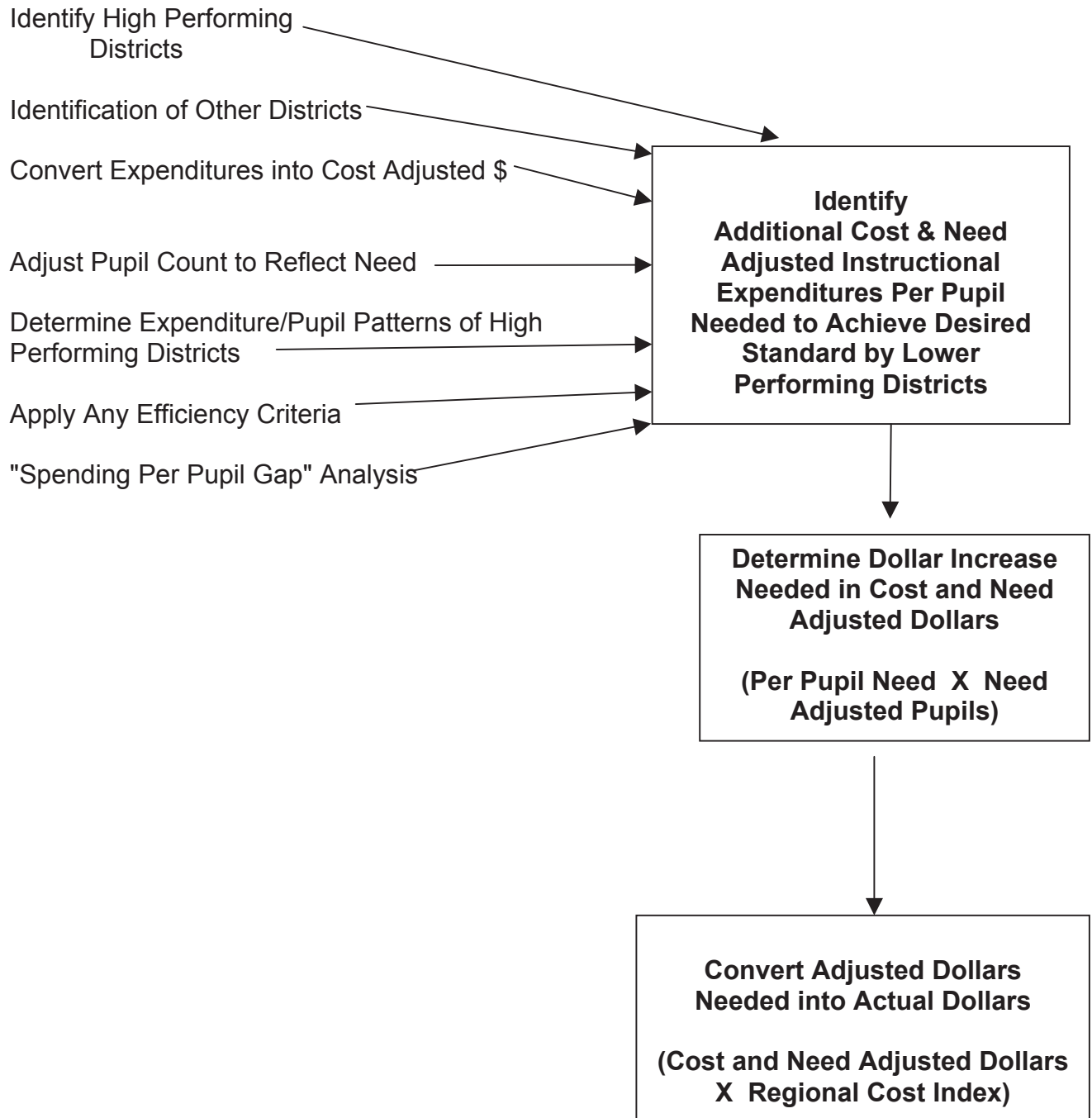
The next step in the methodology was to calculate the mean need and cost-adjusted instructional expenditure per pupil for all districts classified as providing an adequate education. These districts were then ranked from high to low on need and cost-adjusted instructional expenditures per pupil. At this point an efficiency measure was introduced. The mean expenditure per pupil was calculated for the lower half of these districts, based on per-pupil expenditures.

Thus, the procedures followed by the study to estimate the amount of additional instructional expenditures required to achieve adequacy can be figuratively expressed as shown in Figure 1.

⁸ Instructional expenditures include teacher salaries, other instructional salaries, BOCES, tuition, equipment and other expenditures.

⁹ Average daily membership plus resident students attending other districts plus resident students attending charter schools plus incarcerated youth, as applicable.

Figure 1: Estimating the Increase in Instructional Expenditures Needed So That the Opportunity for an adequate Education is Provided by All Districts



**SUMMARY OF AIDS AND GRANTS AS REQUESTED IN
THE 2004-05 REGENTS PROPOSAL ON SCHOOL AID**

Aid Category	2003-04 School Year	2004-05 School Year	Change Amount	Percent
	(-----Amounts in Millions----- -----)			
I. Foundation Aid				
Operating Aid/Foundation Aid	\$6,840.63	\$13,209.50	\$6,368.87	93.10
Gifted & Talented	0.00	0.00	0.00	NA
Operating Standards	0.00	0.00	0.00	NA
Academic Support	0.00	0.00	0.00	NA
Tax Effort	0.00	0.00	0.00	NA
Tax Equalization	0.00	0.00	0.00	NA
Tax Limitation	29.93	0.00	-29.93	-100.00
Extraordinary Needs	703.12	0.00	-703.12	-100.00
Summer School	36.18	0.00	-36.18	-100.00
Early Grade Class Size Reduction	138.31	0.00	-138.31	-100.00
Minor Maintenance & Repair	49.97	0.00	-49.97	-100.00
Educationally Related Support Services	71.08	0.00	-71.08	-100.00
Computer Hardware	28.10	0.00	-28.10	-100.00
Operating Growth	29.93	0.00	-29.93	-100.00
Operating Reorganization Incentive	17.53	0.00	-17.53	-100.00
Full Day Kindergarten Conversion	7.57	0.00	-7.57	-100.00
Teacher Support	67.48	0.00	-67.48	-100.00
Small Cities	81.88	0.00	-81.88	-100.00
Improving Pupil Performance (IPP)	66.35	0.00	-66.35	-100.00
Categorical Reading	63.95	0.00	-63.95	-100.00
Magnet Schools	135.80	0.00	-135.80	-100.00
Fort Drum	2.63	0.00	-2.63	-100.00
Plus: Cap on Losses	0.00	382.74	382.74	NA
Less: Cap on Increases	0.00	-4,714.42	-4,714.42	NA
Sum	8,370.43	8,877.82	507.39	6.06
II. Support for Students with Disabilities				
Public Excess Cost Aid	2,198.81	2,162.49	-36.31	-1.65
Private Excess Cost Aid	187.42	204.49	17.07	9.11
Sum	2,386.22	2,366.98	-19.24	-0.81
III. BOCES/Career and Technical Education Aid				
BOCES	505.05	519.87	14.83	2.94
Special Services Computer Administration	38.35	41.12	2.77	7.23
Special Services Career Education	94.02	119.78	25.76	27.40
Sum	637.42	680.78	43.36	6.80
IV. Instructional Materials Aid				
Computer Software	45.88	46.40	0.51	1.12
Library Materials	19.26	19.58	0.32	1.67
Textbook	189.01	188.65	-0.36	-0.19
Sum	254.16	254.63	0.47	0.19

V. Expense-Based Aids

Building Aid	1,194.60	1,348.45	153.85	12.88
Building Reorganization Incentive	12.73	0.94	-11.80	-92.65
Capital Outlay/Transition Grant Adjustment	11.44	0.00	-11.44	-100.00
Transportation	1,071.94	1,227.21	155.26	14.48
Summer Transportation	5.00	10.81	5.81	116.22
Sum	2,295.71	2,587.40	291.69	12.71

VI. Other State Aids

Overcrowded Schools	0.00	31.00	31.00	NA
Limited English Proficiency	77.41	119.84	42.43	54.81
Universal Prekindergarten	201.94	214.97	13.03	6.45
Sum	279.35	365.81	86.46	30.95
Calculated Aids Subtotal	14,223.29	15,133.42	910.13	6.40

VII. All Other Aids

Bilingual Education	11.20	11.20	0.00	0.00
Education of OMH/OMR Pupils	25.00	26.00	1.00	4.00
Homeless	5.38	5.68	0.30	5.58
DFY Transportation	0.23	0.23	0.00	0.00
Employment Preparation Edn. (EPE)	84.00	84.00	0.00	0.00
Incarcerated Youth	14.00	14.50	0.50	3.57
BOCES Spec Act, <8, contract	0.68	0.68	0.00	0.00
Bus Driver Safety Training Grants	0.40	0.40	0.00	0.00
Less: Local Contribution due for certain students	-18.00	-18.00	0.00	0.00
Comptroller Audits	0.25	0.25	0.00	0.00
Native American Building	2.00	2.00	0.00	0.00
Roosevelt	6.00	6.00	0.00	0.00
Special Act Districts	2.20	2.20	0.00	0.00
Mentor Teacher	4.00	4.00	0.00	0.00
Teacher Centers	30.00	30.00	0.00	0.00
Teachers for Tomorrow	20.00	20.00	0.00	0.00
County Vocational Ed. Extension Boards (CVEEB)	0.92	0.00	-0.92	-100.00
Learning Technology Grants	3.29	0.00	-3.29	-100.00
Shared Services Savings Incentive	0.20	0.00	-0.20	-100.00
Tuition Adjustment Aid	1.18	0.00	-1.18	-100.00
Urban-Suburban Transfer	1.13	0.00	-1.13	-100.00
Prior Year Adjustments	90.00	65.00	-25.00	-27.78
Sum	284.04	254.13	-29.91	-10.53
Combined Total	\$14,507.33	\$15,387.54	\$880.22	6.07

ANALYSIS OF AID CHANGES UNDER THE 2004-05 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2003-04 Enrollment	2004-05 AID	2003-04 BASE	Change	Percent Change	% of Total Increase	Change per pupil
	Decile Range								
1	0.000	0.045	174,800	303,240,125	307,107,684	(3,867,559)	-1.26	-0.42	(22)
2	0.046	0.154	247,430	647,909,970	652,723,466	(4,813,496)	-0.74	-0.53	(19)
3	0.155	0.352	243,387	913,549,885	915,624,906	(2,075,021)	-0.23	-0.23	(9)
4	0.353	0.673	243,120	1,078,288,789	1,038,053,987	40,234,802	3.88	4.41	165
5	0.674	1.014	199,030	972,112,653	937,396,387	34,716,266	3.70	3.80	174
6	1.015	1.402	125,793	760,840,940	716,512,008	44,328,932	6.19	4.86	352
7	1.403	1.931	127,199	846,722,756	788,559,736	58,163,020	7.38	6.37	457
8	1.932	2.522	137,247	1,059,408,681	977,988,080	81,420,601	8.33	8.92	593
9	2.523	3.253	87,208	747,414,755	681,984,540	65,430,215	9.59	7.17	750
10	3.254	7.779	109,989	1,006,536,052	915,494,719	91,041,333	9.94	9.98	828
STATE (Excl. BIG 5)			1,695,203	8,336,024,606	7,931,445,513	404,579,093	5.10	44.33	239
New York City			1,039,848	5,669,647,199	5,269,434,916	400,212,283	7.59	43.86	385
Big 4 Cities			132,028	1,127,744,165	1,019,976,730	107,767,435	10.57	11.81	816
STATE			2,867,079	15,133,415,970	14,220,857,159	912,558,811	6.42	100.00	318

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2003-04 Enrollment	2004-05 AID	2003-04 BASE	Change	Percent Change	% of Total Increase	Change per pupil
NYC	1,039,848	5,669,647,199	5,269,434,916	400,212,283	7.59	43.86	385
Big 4	132,028	1,127,744,165	1,019,976,730	107,767,435	10.57	11.81	816
Urban/Suburban High Need	235,343	1,646,164,297	1,510,480,409	135,683,888	8.98	14.87	577
Rural High Need	179,892	1,528,026,084	1,401,757,715	126,268,369	9.01	13.84	702
Average Need	878,538	4,307,829,667	4,157,467,045	150,362,622	3.62	16.48	171
Low Need	401,430	854,004,558	861,740,344	(7,735,786)	-0.90	-0.85	(19)
STATE	2,867,079	15,133,415,970	14,220,857,159	912,558,811	6.42	100.00	318

ANALYSIS OF AID CHANGES UNDER THE 2004-05 REGENTS PROPOSAL
TOTAL COMPUTERIZED AIDS WITHOUT TRANSPORTATION, BUILDING AND BUILDING INCENTIVE

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2003-04	2004-05	2003-04	Change	Percent	% of Total	Change		
	Decile Range		Enrollment	AID	BASE		Change	Increase	per pupil		
1	0.000	0.045	174,800	240,457,353	251,896,102	(11,438,749)	-4.54	-1.98	(65)		
2	0.046	0.154	247,430	499,147,843	529,343,029	(30,195,186)	-5.70	-5.22	(122)		
3	0.155	0.352	243,387	693,682,037	733,479,223	(39,797,186)	-5.43	-6.88	(164)		
4	0.353	0.673	243,120	840,724,248	825,479,529	15,244,719	1.85	2.64	63		
5	0.674	1.014	199,030	773,545,089	764,041,879	9,503,210	1.24	1.64	48		
6	1.015	1.402	125,793	603,224,311	578,730,770	24,493,541	4.23	4.23	195		
7	1.403	1.931	127,199	682,075,312	649,838,762	32,236,550	4.96	5.57	253		
8	1.932	2.522	137,247	877,898,869	813,216,891	64,681,978	7.95	11.18	471		
9	2.523	3.253	87,208	618,750,707	562,530,510	56,220,197	9.99	9.72	645		
10	3.254	7.779	109,989	842,766,786	763,039,606	79,727,180	10.45	13.78	725		
STATE (Excl. BIG 5)			1,695,203	6,672,272,555	6,471,596,301	200,676,254	3.10	34.69	118		
New York City				1,039,848	4,834,863,442	4,553,657,012	281,206,430	6.18	48.62	270	
Big 4 Cities			1.315	4.357	132,028	1,007,881,612	911,332,123	96,549,489	10.59	16.69	731
STATE			2,867,079	12,515,017,609	11,936,585,436	578,432,173	4.85	100.00	202		

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2003-04	2004-05	2003-04	Change	Percent	% of Total	Change
	Enrollment	AID	BASE		Change	Increase	per pupil
NYC	1,039,848	4,834,863,442	4,553,657,012	281,206,430	6.18	48.62	270
Big 4	132,028	1,007,881,612	911,332,123	96,549,489	10.59	16.69	731
Urban/Suburban High Need	235,343	1,423,798,253	1,320,689,527	103,108,726	7.81	17.83	438
Rural High Need	179,892	1,228,589,766	1,129,834,388	98,755,378	8.74	17.07	549
Average Need	878,538	3,356,687,812	3,316,990,529	39,697,283	1.20	6.86	45
Low Need	401,430	663,196,724	704,081,857	(40,885,133)	-5.81	-7.07	(102)
STATE	2,867,079	12,515,017,609	11,936,585,436	578,432,173	4.85	100.00	202

ATTACHMENT B

Supreme Court of the State of New York
County of New York: I.A.S. Part 25

Campaign For Fiscal Equity, et al.,

Plaintiffs,

v.

Index No.
111070/93

The State of New York, et al.,

Defendants.

MEMORANDUM OF LAW ON BEHALF OF AMICUS CURIAE
NEW YORK STATE BOARD OF REGENTS

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MEMORANDUM OF LAW

Preliminary Statement

The New York State Board of Regents, as amicus curiae, respectfully submits this Memorandum of Law to provide the Panel of Referees (the "Panel") with additional information about the Regents State Aid Proposal for 2004-05 and proposed enhancements to New York State's accountability system, which together comprise the Regents plan to reform financing of public education in New York State (the "Regents Plan").¹

This Memorandum of Law expands upon the Regents August 10, 2004 submission to the Panel by providing a more detailed description of the Regents Plan, explaining the rationale for the Plan, and describing how the Plan satisfies the mandate of Campaign For Fiscal Equity, et al. v. State of New York, et al., 187 Misc. 2d 1 (2001). As shown below, the Regents Plan: (1) ascertains the cost of providing a sound basic education; (2) reforms the current system of school funding to ensure students have the opportunity for a sound basic education; and (3) proposes a system of accountability to measure whether proposed reforms actually provide an

¹ The Regents Plan and an executive summary thereof was submitted to the Panel on August 10, 2004 as Exhibits B and A, respectively, to the Affidavit of Kathy A. Ahearn.

opportunity for a sound basic education. The Plan is a simple, elegant solution that warrants the Panel's recommendation.

I. THE REGENTS PROPOSED FOUNDATION FORMULA EFFECTIVELY DRIVES FUNDING TO EDUCATIONAL NEED

Judge DeGrasse's order, as modified by the Court of Appeals, requires defendants to reform State aid to public education to ensure that students attending New York City schools have the opportunity for a sound basic education. In response, the Regents propose that the current State aid system be abandoned, and a new system adopted statewide that focuses on identifying student need and targeting funds to that need.

There are several possible approaches to school aid reform. After careful consideration, the Regents decided on a Foundation Formula approach. The Regents Foundation Formula replaces 29 existing formulae with one that has only four components. By design, it is simple, predictable, and easily understood by the public.

The Foundation Formula first calculates the average cost of educating a general education student in New York State (i.e., the "Foundation Cost"). See, Point IA, infra. The Foundation Cost is then adjusted by two indices, the "Pupil

Need Index," which accounts for the additional cost of educating disadvantaged students (see, Point IA(1), infra), and the "Regional Cost Index," which accounts for cost disparities in different geographic areas (see, Point IA(2), infra). The State's share of aid is then calculated by subtracting from the adjusted Foundation Cost an "Expected Local Contribution" from each district (see Point IB, infra), and multiplying that result by a pupil count (see, Point IC, infra). The Foundation Formula is represented as:

$$\text{Foundation Formula Aid} = [\text{Foundation Cost} \times \text{Pupil Need Index} \times \text{Regional Cost Index}] - \text{Expected Local Contribution}$$

There are, of course, alternatives to the Foundation Formula approach (e.g., matching grants, expense-based aids, close-ended matching programs)², but the Regents considered and rejected these approaches in favor of the Foundation Formula, and urge the Panel to do the same. The Foundation Formula approach has several advantages. It sets aid independent of any decisions by districts on how much to spend. It also provides certainty to districts regarding how much funding they will receive. And, most significantly, it

² For a detailed discussion, see W. Duncombe and J. Yinger School Finance Reform: Aid Formulas and Equity Objectives, *National Tax Journal*, June 1998, pp. 239-262.

explicitly links school funding to the cost of educating children and drives dollars where they are most needed.

As Judge DeGrasse found, New York State's current school funding system does not effectively address educational need. It is instead the result of decades of legislative amendments, some of which benefit single districts and others that negate or control other formulae. Consequently, the current distribution of State funds bears little relationship to student need. The Regents Foundation Formula approach fundamentally alters that status quo.

A. The Regents Plan Accurately Measures The Cost Of Student Success.

Judge DeGrasse directed that the State calculate the cost of a sound basic education. The first element of the Foundation Formula, the "Foundation Cost," is the Regents starting point for determining cost.

The Regents Plan uses a "successful schools" methodology to determine Foundation Cost. This method identifies actual schools that meet a defined standard and then estimates per pupil spending in those schools.³ The "defined standard" set by the Regents as a proxy for sound basic education has three components. The Regents standard selects school districts

³ This does not include certain school district expenditures (which are aided separately, see Point II, infra) including special education services, transportation, debt service and others.

where students were achieving an average of 80 percent success on seven required Regents examinations (English and Math at the elementary level and five Regents examinations – Math A, Global History, U.S. History, English and Earth Science) in 1999-00, 2000-01 and 2001-02. This standard reflects student achievement at both the elementary and secondary school levels, avoids atypical results of any one year by averaging data from three years, and provides evidence that a large number of students are capable of achieving Regents standards. Indeed, the Regents approach yielded over 300 of the State's 681 major school districts, and therefore produced useful spending information. Applying this standard, the Regents concluded that successful schools are spending \$4,504⁴ per pupil for general education instruction.

In the Regents view, the successful schools approach best satisfies the Court's requirement to ascertain the cost of providing a sound basic education. It uses actual examples of successful schools, rather than hypothetical models, to calculate the cost of success. The approach is simple, employs basic mathematics and avoids complex statistical calculations of two alternative models, the professional judgment model (used by CFE) and the cost function model, both

⁴ Spending per pupil was calculated as average spending in three years: 1999-2000, 2000-01 and 2001-02. This amount was increased to account for inflation to create an estimate for 2004-05.

of which rely on econometric techniques to interpret findings.⁵ Both of these methodologies have limitations that undermine their effectiveness. The professional judgment method uses a panel of experts to define the components of model schools, and then “costs out” these components. But the results are necessarily based on the subjective judgments of a few individuals whose views are influenced by their particular frames of reference. The cost function method collects a variety of data from around the state, including school district spending and performance information, and uses statistical procedures to predict the spending required to meet a chosen performance standard in a school district with average characteristics.⁶ However, it uses econometric techniques involving multiple regression statistical procedures, making it difficult for legislators and the general public to understand how the formula works. The Regents therefore urge the Panel to adopt the successful schools methodology as it most accurately establishes the actual cost of student achievement.

⁵ For a review of the process of estimating the cost of adequacy, see W. Duncombe, A. Lukemeyer and J. Yinger, 2004. “Education Finance Reform in New York: Calculating the Cost of a ‘Sound Basic Education’ in New York City.” Center for Policy Research Policy Brief, #28, Syracuse, NY: Syracuse University (<http://www-cpr.maxwell.syr.edu/pbriefs/pb28.pdf>)

⁶ See, W. Duncombe and J. Yinger (2004), Comparison of School Aid Reform Proposals for New York State. The Maxwell School, Syracuse University. (<http://cpr.maxwell.syr.edu/efap/Campaign%20for%20Fiscal%20Equity/Comparison%20of%20Proposals2a.pdf>)

1. The Regents Plan Properly Adjusts
Cost To Account For Pupil Need

Because some students require additional time and help to achieve the State learning standards, the Regents Plan adjusts the Foundation Cost of \$4,504 by a "Pupil Need Index." The Pupil Need Index recognizes the additional cost of providing extra time and help for high-risk students to succeed. Thirty years of research has proven that there are additional costs associated with educating students in poverty and in schools that are small because of geographic isolation. Applying the Index increases the Foundation Cost for districts with more needy pupils.

The Regents Pupil Need Index is based on the number of students eligible for free and reduced price lunch and students living in geographically sparse areas of the State. The Index ranges from 1.0 to 2.0, where 1.0 represents a school district with no needy pupils and 2.0 represents the index for a school district with 100 percent needy pupils. The Pupil Need Index employs a formula to taper (or gradually credit) the importance of poverty; the effect is like a continuum of weightings. This enhances the cost-effectiveness of the aid system by linking dollars to different levels of student need.

The specific index chosen by the Regents is based on SED research. A September 2003 State Education Department study of educational need⁷ asked how to establish an additional weight for educational need. It found that states use additional weightings of from 0.25 to 1.0 based on the availability of funds. It also reported that additional weightings from 1.0 to 2.0 are recommended by experts to raise students from economically disadvantaged backgrounds to the achievement levels of their more advantaged peers. The study concluded that New York should use an additional weighting of 1.0 for each needy pupil in districts with the highest concentrations of student need.

2. The Regents Plan Properly Adjusts Cost To Account For Differences In Purchasing Power.

Because the purchasing power of a dollar varies in different parts of the State, the Regents Plan further adjusts the \$4,504 cost figure by a "Regional Cost Index." The Regional Cost Index operates to standardize costs across the geographic areas in which school districts operate.

The Regents Regional Cost Index is measured based on wages of non-school professionals in each of nine labor

⁷ Glasheen, R. An Exploratory Study of the Relationships Among Student Need, Expenditures and Academic Performance. New York State Education Department. Report to the Board of Regents, September 2003.

regions of the State, as defined by the New York State Department of Labor. Labor regions are composed of groupings of contiguous counties. The Regents Proposal uses regions rather than school districts because job seekers tend to access an entire region when seeking employment and do not necessarily limit themselves to a single school district.

The Regents Regional Cost Index is also based on the wages of non-school professionals. Teachers are purposefully excluded because school districts exercise unusual market influence over the price they pay for teaching services, which may distort the free market costs the index is intended to represent. The varying salaries paid teachers may reflect the preference of an individual district to pay more than an adjacent, competing one, rather than economic factors beyond the district's control.

The Regents Regional Cost Index was the product of careful study. It was developed after a review of national research on adjusting school aid for variation in costs⁸. The index also reflects the recommendations of several New York State special legislative commissions charged with making

⁸ For a review of this research, see *Recognizing High Cost Factors in the Financing of Public Education: A Discussion Paper and Update Prepared for the New York State Board of Regents* SA (D) 1.1 (Sept., 2000) and the technical supplement entitled *Recognizing High Cost Factors in the Financing of Public Education: The Calculation of a Regional Cost Index* (Nov., 2000). Copies can be obtained by contacting the Fiscal Analysis and Research Unit at (518) 474-5213 or visiting their web site at <http://www.oms.nysed.gov/faru/articles.html>.

recommendations to improve New York State's school funding system: Fleischmann in 1972; Rubin in 1982; and Salerno in 1988. SED used wage data from the 2001 Occupational Employment Statistics Survey collected by the Bureau of Labor Statistics for 63 non-education professional job titles that required at least a Bachelor's degree for employment and thus could be expected to compete with the teaching profession. Median hourly wage data were provided for each title statewide, as well as for each of nine labor regions. SED then weighted these occupational wages in each region to mirror the workforce mix of the 63 titles statewide. The index chosen ranges from 1.0 for the North Country labor force region to 1.496 for the combined New York City-Long Island labor force regions.

B. The Regents Plan Derives A State Aid Share By Subtracting From The Adjusted Foundation Cost An Expected Local Contribution.

School funding is a state and local partnership, and localities must contribute their fair share of education spending. Thus, once Foundation Cost is determined, the Regents Plan subtracts an "Expected Local Contribution" to arrive at the level of aid the State will supply. The Expected Local Contribution is an amount school districts are expected to spend as their share of the total cost of general

education. The Regents Plan measures it by multiplying the district tax base by an expected tax rate, adjusted by district income per child. The Regents Plan adjusts the tax rate by district income per child to assess the fiscal capacity of school districts by their income wealth as well as their property wealth. This method preserves both measures of district wealth (income and property) and the structure of the Foundation Formula.

Under the Regents Plan, the Expected Local Contribution is not a mandated tax rate, but a way of determining an equitable local share in order to calculate State Aid. By not mandating a local contribution that may be difficult to enforce, it ultimately holds districts accountable through public reports of student performance and school district local effort. If a district does not adequately fund its share, but student performance remains high, there need be no consequence. If student performance suffers, however, State intervention will be triggered through the State Accountability System (see Point IV, infra).

C. The Regents Plan Properly Accounts
For The Number Of Students Aided.

Once State aid is determined for each district, that amount is multiplied by a count of pupils in the district to

determine the total aid the State will pay to each district. In the Regents proposal, this pupil count also includes a weighting (or additional count) for summer school students. For example, a student who attends summer school is counted as 1.12 and one who does not is counted as only 1.0. In addition, the Regents proposal recommends counting students enrolled in school districts (i.e., average daily membership) rather than those actually attending (i.e., average daily attendance) as is done in current formulae. By relying on average daily membership, the Regents proposal eliminates any disadvantage high-need school districts may suffer due to poor attendance.

**II. THE REGENTS PROPOSED FOUNDATION FORMULA
CONSOLIDATES 29 AIDS, BUT RETAINS SEVERAL
SEPARATE CATEGORICAL AIDS**

The Regents Plan is similar to others before the Panel in that it recommends some consolidation of aids for basic school operation. Specifically, the Regents propose to consolidate into the Foundation Formula 29 aids. The Executive Proposal would consolidate only seven aids, including general education instruction, special education (except high cost and private school), and pre-K programs, and the CFE proposal would consolidate as many as 39 aids, including general education instruction, special education (except high cost and private

school), early education (for children ages 3, 4 and 5), and programs for English language learners. Consolidation simplifies the formula, allows for increased equity, and gives districts greater flexibility in spending.

The Regents Plan also retains certain aids separately:

Aids For School Transportation And School Construction

Because they can vary significantly around the State from year to year, these aids should be retained separately. For example, school construction costs may be high for a district for a number of years for a project and then small or nonexistent afterward. Aid for transportation and school construction are also provided based on approved expenses, a different basis than that used for Foundation Aid.

The Regents Plan on building aid addresses many of the conditions cited by Judge DeGrasse. The Plan confronts severe over-crowding and improves the capacity of school buildings to support educational programs that are key to closing the student achievement gap. Recommendations include:

- Allowing school districts to use the Dormitory Authority of the State of New York to finance and manage school construction projects. The Dormitory Authority can help school districts reduce construction costs by assistance with master planning,

feasibility studies, cost-benefit analyses, analysis of materials selection, and third-party review of construction documents;

- Providing a supplemental cost allowance for school site acquisition and demolition in New York City;
- Providing grants to relieve severe overcrowding in New York City and identifying strategies for reducing school construction costs; limiting grants for building new space to relieve overcrowding in schools that currently provide less than 100 square feet per child.
- Encouraging the reduction of local costs by exempting school districts from the Wicks Law, thereby allowing a single general contractor for school construction projects in excess of \$50,000, rather than four separate contractors as currently required.

Special Education Aid

Whether to consolidate aid for special education into the Foundation Formula is a complex question. The Regents believe this issue requires further study and comment from the field. The Regents will revisit the treatment of aid for special education in their State aid proposal for 2005-06. That proposal is currently under development.

Universal Pre-K Funding

The Regents Plan does not include grants for Universal Pre-K because current funding levels do not enable all districts to participate. When full funding occurs, these programs can be considered for incorporation in the Foundation Formula. In the meantime, the Regents have maintained separate categorical grants to support Pre-K education.

BOCES Aid

Regional and shared services are a key component for a strong education system. BOCES were originally established to give students from geographically sparse areas of the State access to programs that only school districts in more densely populated areas of the State could afford. As poverty continues to grow in our large cities, the original rationale no longer fits, and students in city school districts also need access to regional or shared services. The Regents Plan recommends that these services be available in cities to the same extent as the rest of the State.

The Regents Plan also provides support for existing regional shared services. It recommends that the State continue to provide State Aid for regional shared services separately from the Foundation Formula through BOCES Aid and Special Services Aid for noncomponent school districts,

including the Big Five City School Districts. Programs funded include career and technical education, information technology and professional development. The Regents recommend that the State:

- Allow access to BOCES services and provide aid for noncomponent districts that share services with at least one other district and pay an administrative surcharge to BOCES.
- Require districts to demonstrate maintenance of local effort and receive approval for each service requested by a BOCES District Superintendent appointed to coordinate such requests. The coordinating BOCES should be a BOCES with a Regional Information Center in a region adjacent to the relevant city.

Textbook And Instructional Materials Aids

The Regents have maintained Textbook Aid, Computer Software Aid and Library Materials Aid separately because they are different in nature from general-purpose aids and work most efficiently as expense-based aids.

Aid For Limited English Proficient Students

The Regents Plan also retains aid for the education of limited English proficient students and bilingual education grants as separate categorical programs. The Regents propose to keep these aids separate at this time to ensure that they continue to be used for their intended purpose. As school accountability systems improve, providing disaggregated achievement results for separate groups of students including limited-English-proficient students, consideration should be given to folding these aids into the Foundation Formula.

Federal Aid

Unlike the Executive Proposal, federal aid is not included in the Regents proposal. Because funding education is a State responsibility, the Regents Plan considers State and local school district funds only. Most federal funds can be used only to supplement, not supplant, a state's commitment to education. In fact, 20 U.S.C. §7902 of the No Child Left Behind Act ("NCLB") specifically prohibits states from considering payments of federal education dollars under NCLB in determining the amount of State aid payable to school districts. Accordingly, the Panel should not consider federal funds as a source to meet the State's obligation to fund education.

III. THE REGENTS PLAN RECOMMENDS \$14.35 BILLION IN FOUNDATION AID OVER SEVEN YEARS

To provide the opportunity for a sound basic education, the Regents Plan recommends an increase of \$880 million for school year 2004-05, with \$508 million of this increase provided for Foundation Aid. Forty-three percent of the increase will go to New York City. The Regents Plan limits each district to a maximum increase of 15 percent (see discussion below), capping New York City at 43 percent in the first year. Since New York City is far from its calculated Foundation level, it would continue to receive maximum aid increases until full implementation. The Regents Plan calls for the total increase to be phased-in over seven years. When fully implemented, the Regents proposal will provide \$14.35 billion in Foundation Aid, a \$5.98 billion increase over comparable funding in 2003-04. New York City would receive 64 percent of the increase by year seven.

The Regents Plan redirects this increased funding to where it is most needed. Eighty-four percent of the increase in State aid goes to high need school districts in 2004-05 and 88 percent goes to high need school districts at full implementation of the proposal. Low and average need school districts would receive 16 percent of the aid increase in the first year and 12 percent at full implementation.

Consequently, some of the highest wealth school districts that have more resources than needed to fund the Foundation Program will lose small amounts of money under the Regents proposal. Moreover, school districts that receive aid for students with disabilities no longer in the district (Public Excess Cost Save-Harmless Aid) will experience a reduction for students no longer attending the district. Accordingly, the Regents Plan recommends that Public Excess Cost Save Harmless aid be provided on a per-pupil basis, that is, only for currently attending pupils with disabilities. This guarantees that if the formulae provide less than in the previous year, additional aid is provided to ensure no loss per pupil.

The Regents recommend very limited hold-harmless protections for Foundation Aid, by allowing a wealth-equalized loss up to 15 percent over the prior year. To the extent that already scarce funds are used for hold-harmless, fewer are available to target educational need. The Regents therefore recommend against broad hold-harmless provisions like those proposed by the Executive and CFE.

The Regents chose a seven-year phase-in to give the State time to produce the funding increase and to allow districts time to use the increased funds in the most cost-effective manner. School districts require time to effectively spend additional resources and accommodate funding changes. The

Regents estimate that school districts can effectively absorb up to a 15 percent annual increase in Foundation Aid, so annual increases were capped at this level. While some districts may be currently spending close to or greater than the Foundation Cost that the Regents estimate is needed, it takes seven years for all school districts in the State to be fully funded at their estimated foundation levels.

By comparison, the Executive recommends an increase of \$4.5 billion in State funds, phased in over five years. Of this increase, \$2.2 billion (49 percent) would go to New York City. The Executive specifies that 51 percent of the increase would go to the rest of the State, but does not break this down for high need school districts other than New York City. The Regents respectfully assert that this proposal falls short of what is needed to ensure that students have an opportunity for a sound basic education.

IV. NEW YORK'S SYSTEM OF ACCOUNTABILITY SHOULD BE ENHANCED TO ENSURE THAT RESOURCES ARE BEING USED TO PROVIDE A SOUND BASIC EDUCATION

Judge DeGrasse held, and the Court of Appeals agreed, that the State defendants must institute a system of accountability that measures whether the reforms adopted actually provide students with the opportunity for a sound

basic education. In the Regents view, the State does not need a different accountability structure, a new accountability "office", or a new independent oversight panel, to comply with the Court's order. The current system of accountability need only be enhanced and funded, as described below, to satisfy the Court mandate.

New York State's current system of accountability establishes a framework that recognizes the dual responsibility of local districts and the State to ensure that public dollars are spent effectively to provide all students the opportunity for a sound basic education. It is comprehensive, rigorous and it works. The system has resulted, for example, in improvement overall in English language arts and mathematics achievement since 1999 and in a decline of the number of extremely low performing schools in the State. Approximately 70 percent of New York State schools now achieve Adequate Yearly Progress ("AYP") under the NCLB. The system responsible for this progress identifies low performing schools and districts and imposes a series of graduated actions at the local level and interventions at the State level to improve student achievement. Where results do not improve, consequences follow.

Under the present system, the Commissioner of Education evaluates schools on a continuum of criteria to determine if

they are in good standing or will be subject to intervention. When a school performs below the State standard in English language arts or mathematics, the district is required to develop and implement a plan to improve student results.

In addition to assessing whether schools are achieving the State learning standards, the Commissioner also determines annually whether every public school and district is making AYP in English language arts and mathematics at the elementary, middle, and high school levels. When a school fails to make AYP for two consecutive years, the school is identified as either a School in Need of Improvement ("SINI") if the school is subject to sanctions under Title I of the NCLB; or as a School Requiring Academic Progress ("SRAP") if the school does not receive Title I, Part A funds and therefore is subject solely to the requirements of the Regulations of the Commissioner of Education. Among other things, these schools must develop a two-year school improvement plan that is annually updated. In addition, SINI schools are required to offer parents the option to transfer their children to other public schools within the district.

Once the Commissioner identifies schools as SRAP or SINI, a series of increasingly rigorous sanctions is triggered if failure continues. Schools designated as SINI that fail to make AYP must offer eligible students supplemental educational

services. In addition, school districts are required to initiate one of several corrective actions for schools designated as SINI or SRAP that fail to make AYP for a second year. When a school has failed to make AYP for four consecutive years after being identified as a SINI or SRAP, the Commissioner requires the district to restructure or close the school.

The Commissioner also identifies for registration review schools that fail to make AYP and are farthest from State standards and most in need of improvement. Once identified for registration review, the Regents assign the school performance targets that it is expected to achieve within a specified time or risk having its registration revoked. After being placed under registration review, the school is visited by an external team that audits planning, resources and programs. The school uses the report of the external team to develop a comprehensive education plan, and the district uses it to develop a corrective action plan.

Local school districts, regional school support centers, distinguished educators, and SED staff provide schools that are identified for improvement with additional assistance and support. In general, the State Education Department itself focuses its efforts on Schools Under Registration Review ("SURR schools"). Regional school support centers and

distinguished educators provide critical support to schools designated as SURR and SINI.

In addition to individual school accountability, the State Education Department is also responsible for determining whether each school district achieves AYP. As in the case of schools, school districts that fail to make AYP for two consecutive years are designated as Districts In Need of Improvement ("DINI") and must develop district-wide improvement plans. Pursuant to the NCLB, the Commissioner must take corrective action against a district that receives Title I funds if it fails to make AYP for two years after being designated as in need of improvement.

As part of the Department's process of determining the performance status of schools and school districts, the Commissioner will begin, after the 2003-04 school year, to designate schools and districts that meet specific criteria as high-performing. Starting with the 2004-05 school year, certain schools and districts will be designated as rapidly improving.

To comply with the Court's order, the State and local districts must devote more resources to sustained and persistent reform efforts. More schools must be included in the reform effort, and reform must be comprehensive, systemic and permanent. The Panel should therefore recommend that we

build upon and strengthen the current system in several significant ways.

Enhance Technical Assistance and Support

First, the State should enhance its system of technical assistance and support for schools. This would be accomplished through Regional School Support Centers ("RSSC"), Academic Intervention Teams and BOCES.

There are currently seven RSSCs across the State, located in eastern New York, Long Island, the Hudson Valley, Syracuse, Rochester, Buffalo and New York City. These RSSCs provide technical assistance and instructional advice to low performing schools. They identify best practices and disseminate them through technology; work with academic intervention teams assigned by the Commissioner; help analyze student performance data; and develop district and school improvement plans. The work of the RSSCs should be expanded with additional funding and staff to reach more schools.

Academic Intervention Teams help build the capacity of local schools and districts to take their own corrective actions. Building capacity at the local level is indispensable to embedding reform into the school culture. Currently, these teams are staffed by distinguished educators to help improve in specific areas, such as reading and

mathematics. Expanded teams would work with every school district in the State identified for corrective action and each SURR school. They would consist of experts covering all aspects of successful schools: educational management; instructional leadership; curriculum and assessment; academic intervention and support services; parent and community involvement; educational assessment and improvement of classroom instruction. These teams would conduct comprehensive reviews of district and/or school operations, including the design and operation of the instructional program, and develop recommendations for implementation by the schools and/or districts.

BOCES and the District Superintendents who lead them could also be used more effectively in school improvement efforts. There are 38 BOCES throughout the State that work with schools in need of improvement. The State should provide additional funds to offset the local district expense associated with school improvement services provided by BOCES, and make BOCES services available to the Big Five districts, which would benefit significantly.

Improve Data and Information Systems

The State must also improve data and information systems to support school improvement. The State needs a school

district financial indicator system ("FCIS") that would ensure proper stewardship of dollars that pay for public education. The FCIS would include an early warning system for school districts to prevent financial distress; fiscal benchmarks and best financial practices; a public reporting tool providing information about the management of public funds to achieve educational goals; and a long-range financial planning tool for school districts.

Currently no such system exists. The Department's Office of Audit Services collects data to assess the short-run financial condition of school districts, but this does not assess long-term financial condition and cannot be used as a tool for long-range planning by school districts. Information that is currently available on school district finances does not incorporate professional judgments so the public lacks the necessary knowledge to interpret fiscal data.

A statewide student data system must be implemented to assess if reform is taking root. SED has already begun to build such a system, which will create greater capacity to track students, measure their progress, and thus raise the achievement of all students in New York. These efforts could be accelerated with additional funds. The current system can only analyze information for entire groups of students, but the tracking of individual students over time will allow us to

follow individual students through the system and analyze the effectiveness of state strategies and programs. For example, we will be able to measure the benefit of using smaller class sizes with certain groups of students. Such programs often involve the allocation of billions of education dollars without reliable data on their impact on student achievement. An individual record system will also help us to better meet many federal reporting requirements, including those of the NCLB.

The Regents also propose that the State develop a unified State aid management system to address the shortcomings of the current system. This improved system would provide a single point of access to all State aid data, and be capable of analyzing districts' fiscal needs. It would enable SED to more effectively collect information from school districts across the State, and would streamline the method for distributing to districts State and federal funds. The proposed system would provide timely feedback to users in schools districts and SED and would facilitate modeling of state aid formulae for legislative and executive branch use. The current system is a mix of older systems that are not efficient, flexible or as exacting as the proposed system.

An improved data system would include two final components: an update of the web-based system to improve the

efficiency of the grant awards process and provide improved reporting capability, and the elimination of redundant State reporting requirements, freeing districts to engage in more comprehensive planning and reporting. Streamlining plans, applications and reports that school districts submit to SED will reduce administrative burden and increase the focus of planning and reporting to support real gains in student achievement.

Enhance Audit Capacity

The Regents Plan calls for enhanced State oversight of local district transactions to ensure the integrity of district finances. SED would significantly expand its current audit capacity to: conduct more random audits of districts that have no known problems or issues; focus more resources on districts with indications of poor student performance, fiscal stress, or inadequate management controls; and conduct more frequent audits of school districts and review of school district financial statements. The Regents Plan also calls for strengthening protocols for annual school district independent audits conducted by CPAs and increased training on the fiscal oversight responsibilities of school officials and personnel.

Finally, to be effective, these enhancements to the current accountability system must be funded. The Regents expect to provide additional information to the Panel on the cost of these enhancements, if permitted to do so, at a future date.

CONCLUSION

The problem the Panel must solve is complex. The proposals of the Executive, CFE and the Regents help point the Panel to a solution. They have much in common. Each simplifies an archaic and dysfunctional system; focuses on aid for school operation and maintenance; ties finance reform to accountability; recognizes a State and local partnership; encourages a statewide solution; advocates State increases in spending; and recommends a multi-year phase-in period. But there are also sharp differences, particularly in the cost estimates and the structure of a system of accountability. The Board of Regents stands ready as amicus curiae and in its constitutional capacity as education policymakers to help the Panel find a solution that works for the children of New York.

Respectfully submitted,

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Dated: September 14, 2004

ATTACHMENT C



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

James A. Kadamus Deputy Commissioner
Office for Elementary, Middle, Secondary and Continuing Education
Room 875 EBA 518.474.5915

January 2005

TO: District Superintendents
Superintendents of Schools
New York City Department of Education
School Board Members
New York State Educational Associations
Nonpublic School Administrators
Administrators of Charter Schools
Other Interested Persons

FROM: James A. Kadamus

SUBJECT: Regents Proposal on State Aid to School Districts for 2005-06

The Regents State Aid proposal for 2005-06 builds upon a foundation formula proposal begun last year and responds to recommendations of a CFE Referee Panel. Its goal is to provide a State funding system for education that provides adequate resources through a State and local partnerships so that all students have the opportunity to achieve the State's learning standards, including resources for extra time and help for students.

The Regents propose to simplify school funding by consolidating 29 aids into a foundation formula. The foundation formula is based on the cost of educating students in successful school districts, adjusted for regional cost differences and differences in each district's concentration of needy pupils. An expected local contribution is calculated based on each district's actual value per pupil, adjusted by income per pupil. State Aid is calculated as the foundation cost less the expected local contribution. The proposal would hold school districts harmless against loss for the group of aids combined into Foundation Aid and would be phased in over five years. Aids to be kept separate are:

- Building Aid—enhancements are proposed to simplify and improve a cost allowance used in the calculation of Building Aid so that it is responsive to costs for site acquisition and multi-story buildings in dense urban areas.
- Special education aid—recommendations include: continuing the additional weighting for students with disabilities receiving special education programs and services 60 percent or more of the school day in settings integrated with their non-disabled peers; current year aid for new high cost students with disabilities; and a per-pupil, rather than total dollar, save-harmless for Public Excess Cost Aid.
- Universal Pre-K—increase this aid and base it on the per-pupil award used in the

Foundation Formula, so that it can be incorporated in the future.

- LEP Aid— Maintain a separate aid for the additional instruction of limited English proficient students.

In addition the proposal recommends enhancing school accountability by funding, through a separate budget proposal, technical assistance teams for high need school districts, a student information system, a financial condition indicator system and State Aid and grants management systems. The State should require high need school districts to prepare an annual, comprehensive Sound Basic Education plan and report, for approval by the State Education Department. The State should eliminate duplicative and redundant planning and reporting requirements, as provided for in a separate Regents legislative proposal.

The Regents recommend a \$1.5 billion increase for school year 2005-06, with a total increase of \$6.6 billion in the State's foundation formula over five years. Figure 1 shows the dollars requested for school year 2005-06. Figure 2 shows the distribution of the share of the overall increase in computerized aids for 2005-06 to school districts grouped by need/resource capacity category. Figure 3 shows the distribution of the increase in computerized aids for the fully implemented proposal, for school districts grouped by need/resource capacity category. Figure 4 shows that 80 percent of the increase in computerized aids would go to high need school districts under the Regents proposal compared with 67 percent as enacted for school year 2004-05. Figure 5 shows the distribution of computerized aid per pupil in 2004-05 and as proposed by the Regents for 2005-06 for school districts, grouped by need/resource capacity category.

Figure 1

Regents State Aid Proposal

New York State

(all figures in millions)

Program	2004-05 School Year	2005-06 Regents Proposal	Regents Proposal - Change from Base
General Purpose Aid	<u>\$9,240</u>	<u>\$10,245</u>	<u>\$1,005</u>
Comprehensive Operating Aid	\$6,965	\$12,667	\$5,702
Extraordinary Needs Aid	\$1,091	\$0	(\$1,091)
All Other Programs	\$830	(\$2,860)	(\$3,690)
Foundation Grant Subtotal	<u>\$8,886</u>	<u>\$9,807</u>	<u>\$921</u>
Limited English Proficiency Aid	\$104	\$141	\$37
Universal Prekindergarten Aid	\$250	\$297	\$47
Support for Extra Time and Help	<u>\$354</u>	<u>\$438</u>	<u>\$84</u>
Support for Pupils with Disabilities	<u>\$2,477</u>	<u>\$2,657</u>	<u>\$180</u>
Public Excess Cost Aid	\$2,266	\$2,437	\$171
Private Excess Cost Aid	\$211	\$220	\$9
BOCES\Career and Technical Ed.	<u>\$643</u>	<u>\$712</u>	<u>\$69</u>
BOCES Aid	\$507	\$551	\$44
Special Services - Career Education Aid	\$97	\$117	\$20
Special Services - Computer Admin. Aid	\$39	\$44	\$5
Instructional Materials Aids	<u>\$254</u>	<u>\$255</u>	<u>\$1</u>
Textbook Aid	\$188	\$189	\$1
Computer Software Aid	\$47	\$46	(\$1)
Library Materials Aid	\$19	\$20	\$1
Expense-Based Aids	<u>\$2,493</u>	<u>\$2,698</u>	<u>\$205</u>
Building Aid	\$1,396	\$1,426	\$30
Building Reorganization Incentive Aid	\$14	\$0	(\$14)
Building Grants	\$0	\$25	\$25
Transportation Aid	\$1,078	\$1,238 ¹	\$160
Summer Transportation Aid	\$5	\$9	\$4
Computerized Aids Subtotal	<u>\$15,107</u>	<u>\$16,567</u>	<u>\$1,460</u>
All Other Aids	<u>\$205</u>	<u>\$359</u>	<u>\$154</u>
Bilingual Education Grants	\$11	\$11	\$0
School Improvement Implementation Grants	\$0	\$10	\$10
Teachers of Tomorrow	\$20	\$108	\$88
Other Programs	\$174	\$239 ²	\$65
Total General Support for Public Schools	<u>\$15,312</u>	<u>\$16,926</u>	<u>\$1,614</u>
Prior Year Adjustments and Fiscal Stabilization Grants	\$28	\$0	(\$28)
Transportation Capital Expense Transition Grants	\$68	\$0	(\$68)
Grand Total	<u>\$15,408</u>	<u>\$16,926</u>	<u>\$1,518</u>

1 The Regents proposal includes funding for transportation capital expenses which were funded outside of General Support for Public Schools in 2004-05, and appears below for that year.

2 The Regents proposal includes funding for prior year adjustments which were funded outside of General Support for Public Schools in 2004-05, and appears below for that year.

Figure 2

**Regents State Aid Proposal
Share of Overall Increase**

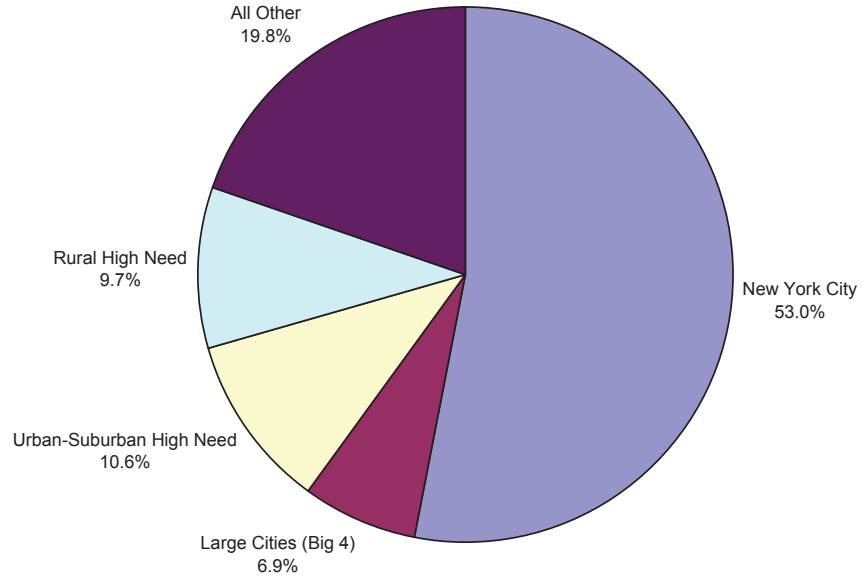


Figure 3

**Fully Implemented Regents State Aid Proposal
Share of Overall Increase**

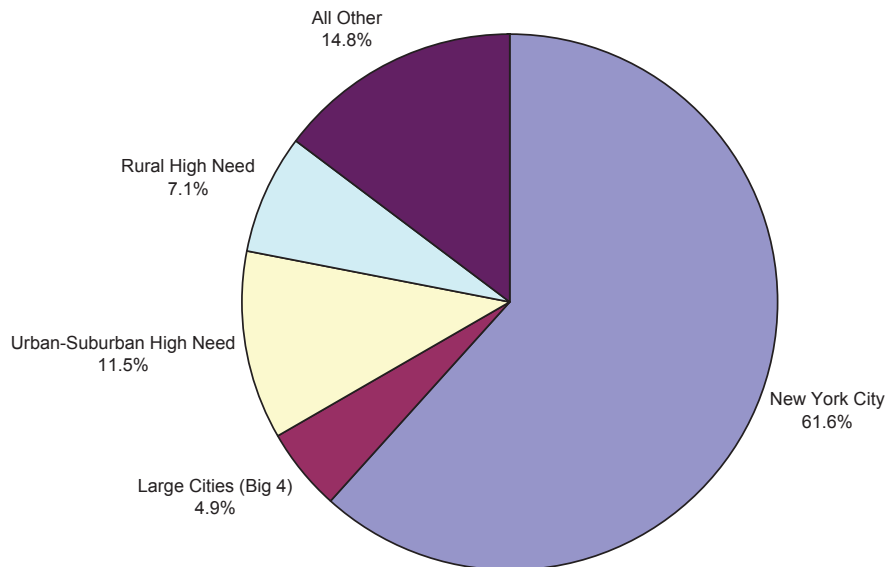


Figure 4

Computerized State Aid Increases How They Are Distributed

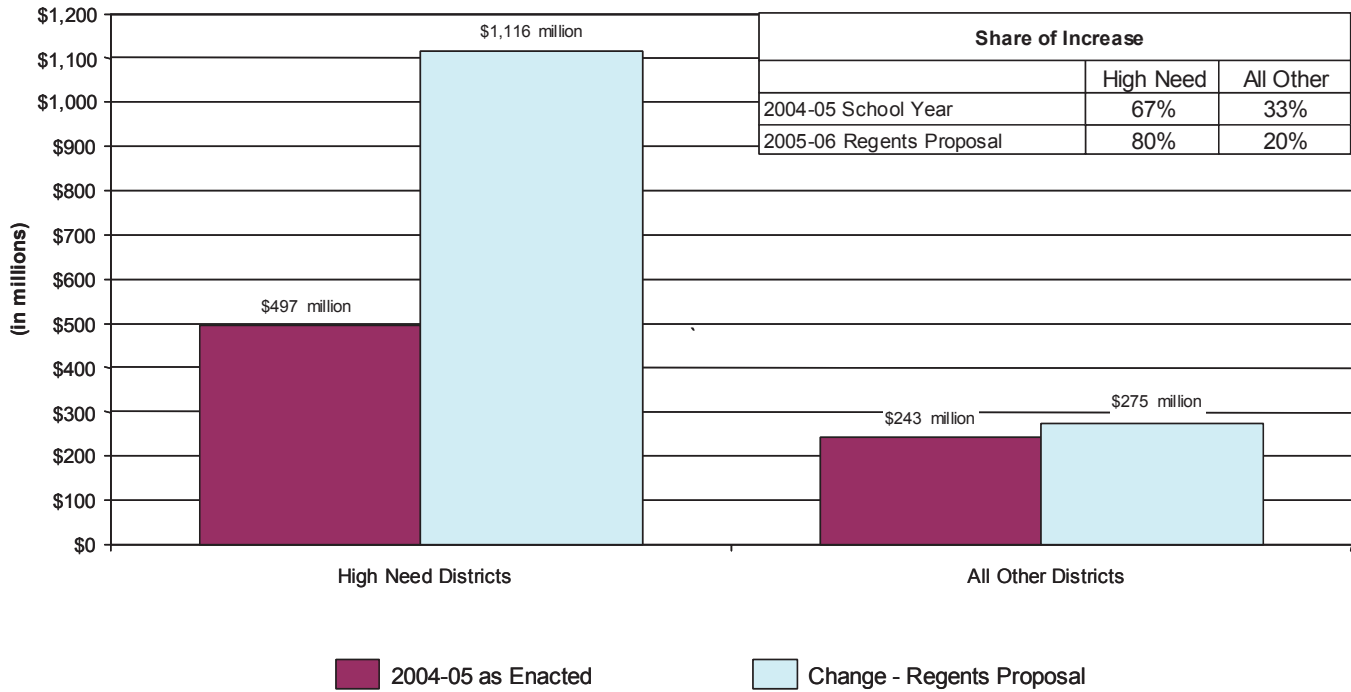
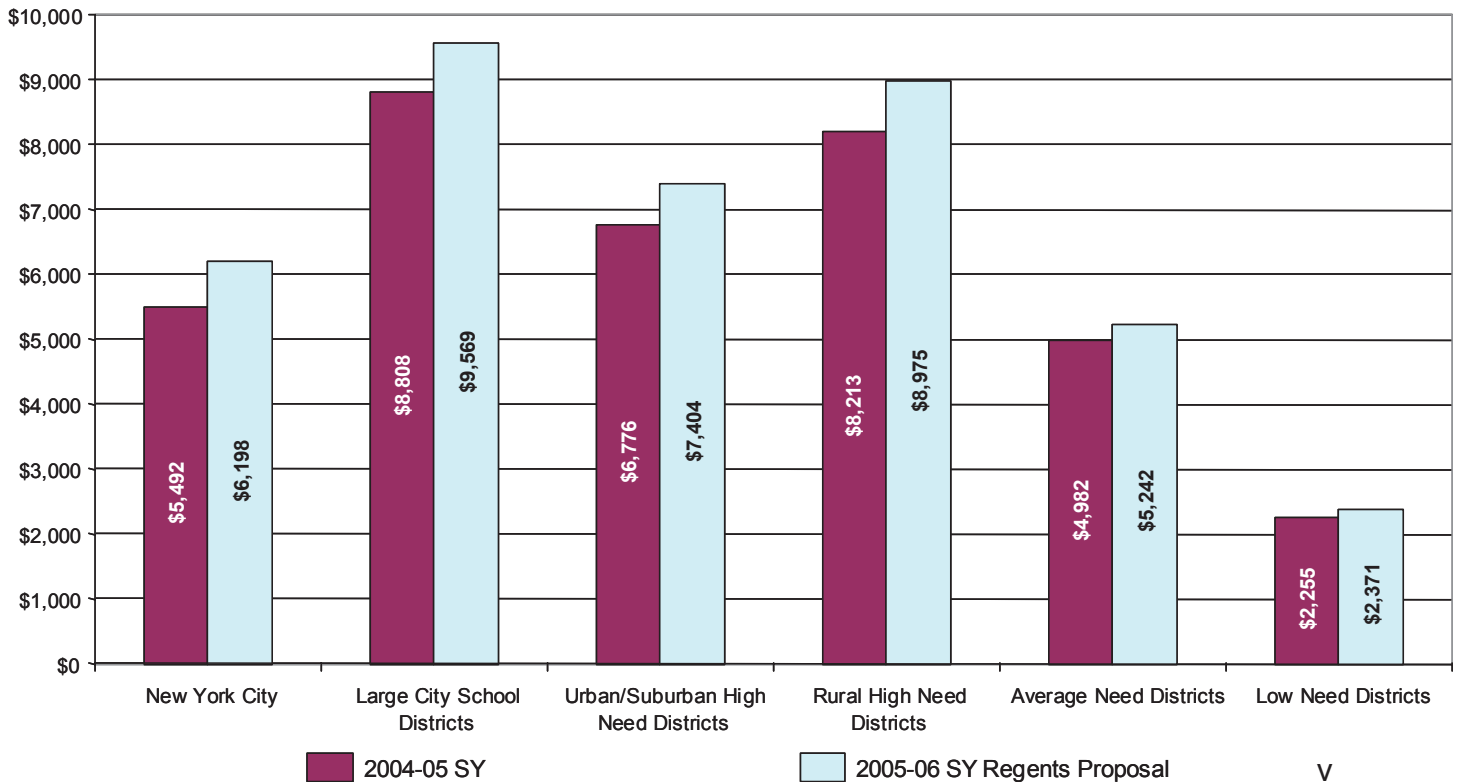


Figure 5

Distribution of Computerized Aid per Enrolled Pupil



**Regents Proposal on State Aid
To School Districts for School Year 2005-06**

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**Regents 2005-06 Proposal On
State Aid To School Districts**

REGENTS CONCEPTUAL PROPOSAL

Since 1999, New York State has steadily increased its standards and its student achievement. Five new Regents examinations have been developed by committees of experts and phased in gradually. Student results have been encouraging. Figure 6 shows that students in every need/resource capacity category of school districts have improved consistently in elementary-level mathematics over this period. Students meeting all the standards have increased in every category. Since 1999, New York City and the Big Four city school districts have achieved increases of almost 20 percentage points, mostly in the past two years. Similar trends are found for other subjects and at other levels of instruction.

**Figure 6
Elementary-Level Mathematics**

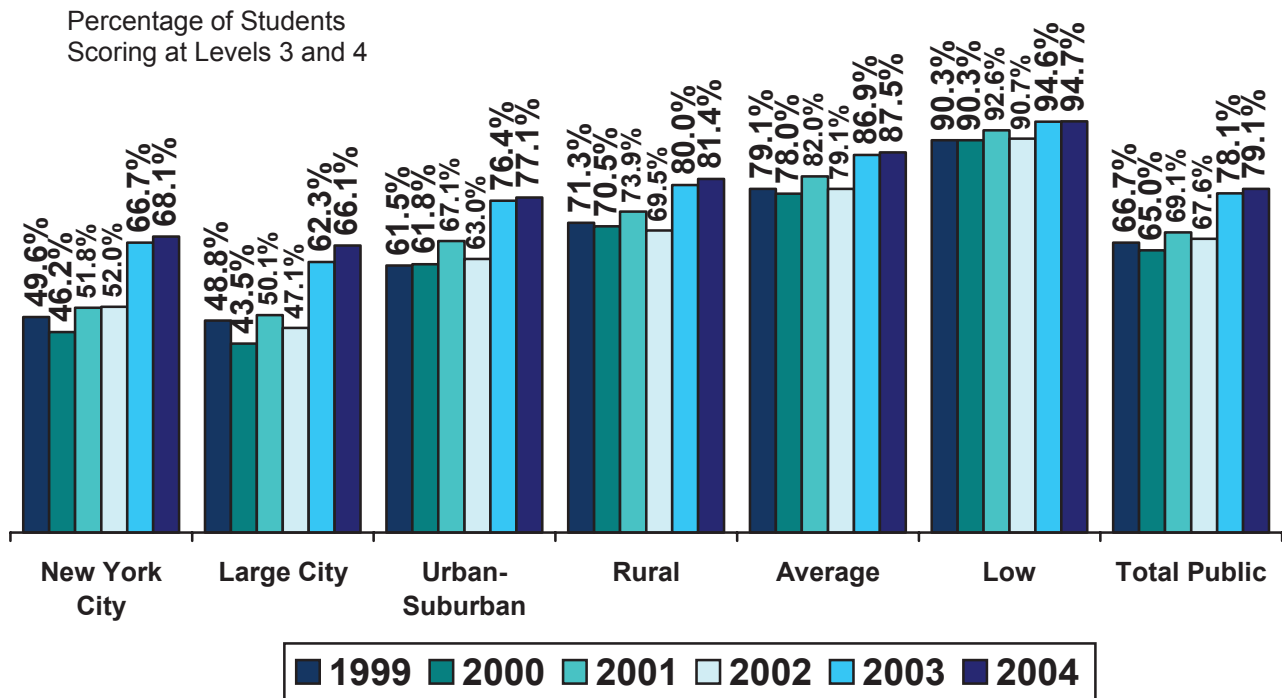
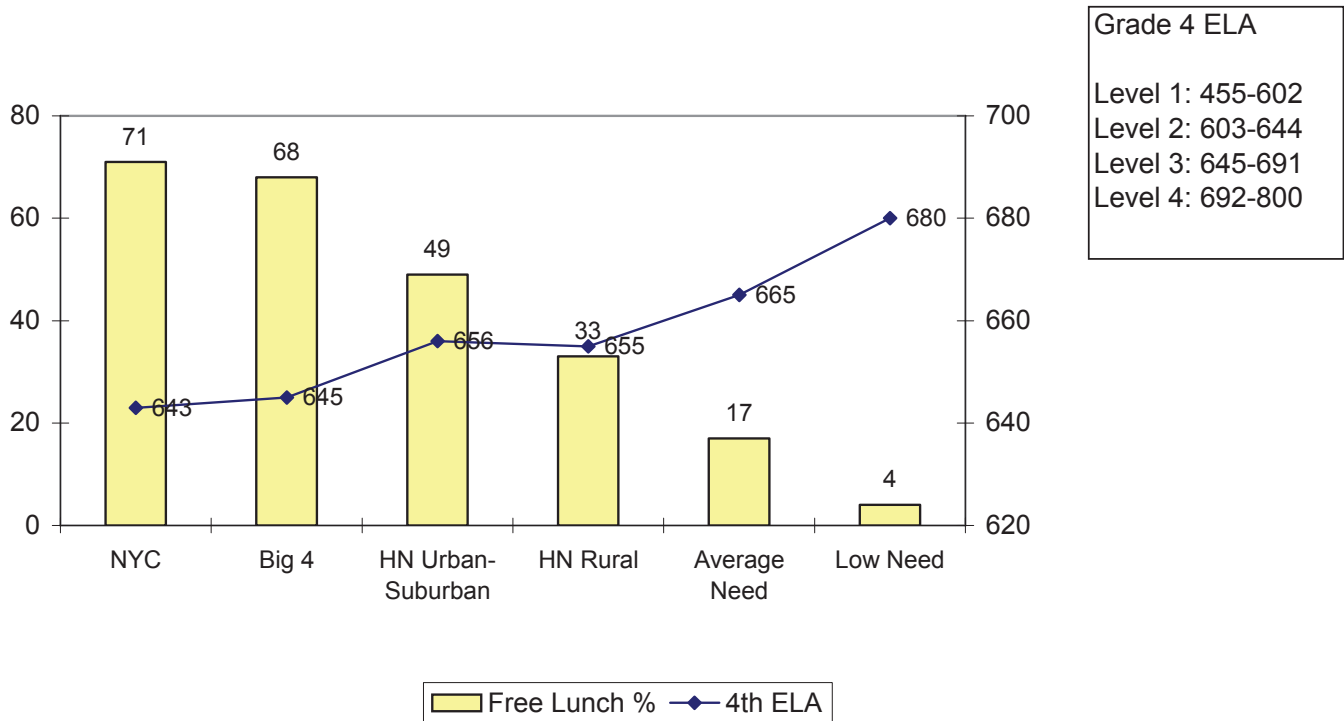


Figure 6 also shows a troubling achievement gap. Figure 7 further shows that, as the percent of students in poverty declines, as measured by students eligible for free lunch, achievement on the Grade 4 English language arts examination increases. As poverty increases, results worsen.

The resource and achievement gap has been well documented in past Regents

proposals. The courts recognized the existence of this gap in the case of Campaign For Fiscal Equity, et al. v. State of New York, et al. by finding that large numbers of students

Figure 7
Mean Free Lunch and Grade 4 ELA Mean Score
by Need/Resource Category 2002-03



in New York City were being denied the sound basic education the State Constitution entitles them to.

This proposal expands upon last year’s Regents proposal on State Aid to school districts. It provides a detailed description and rationale for a new funding system based on a Foundation Aid program. The new system links education funding to the cost of successful education, targets State Aid to school districts with the greatest educational need, and recognizes variation in purchasing power around the State. The proposal is also responsive to the court mandate of Campaign For Fiscal Equity, et al. v. State of New York, et al. in that it:

- (1) ascertains the cost of providing a sound basic education;
- (2) reforms the current system of school funding to ensure students have the opportunity for a sound basic education; and
- (3) proposes a system of accountability to measure whether proposed reforms actually provide an opportunity for a sound basic education.

This proposal is a simple and comprehensive solution to closing the student achievement gap and providing all students the education to which they are entitled. It

also makes explicit the ways in which the Regents proposal is responsive to the CFE court order noted above.

I. The Regents Proposed Foundation Formula Effectively Drives Funding to Educational Need.

The Regents propose that the current State aid system be abandoned, and a new system adopted statewide that focuses on identifying student need and targeting funds to that need.

After careful consideration, the Regents decided on a Foundation Formula approach. The Regents Foundation Formula replaces 25 existing formulae with one that has only four components. By design, it is simple, predictable, and easily understood by the public.

The Foundation Formula first calculates the average cost of educating a general education student in New York State (i.e., the “Foundation Cost”). The Foundation Cost is then adjusted by two indices, the “Pupil Need Index,” which accounts for the additional cost of educating disadvantaged students, and the “Regional Cost Index,” which accounts for cost disparities in different geographic areas. The State’s share of aid is then calculated by subtracting from the adjusted Foundation Cost an “Expected Local Contribution” from each district, and multiplying that result by a pupil count. The Foundation Formula is represented as:

$$\text{Foundation Formula Aid} = [\text{Foundation Cost} \times \text{Pupil Need Index} \times \text{Regional Cost Index}] - \text{Expected Local Contribution}$$

The Foundation Formula approach has several advantages. It sets aid independent of any decisions by districts on how much to spend. It also provides certainty to districts regarding how much funding they will receive. And, most significantly, it explicitly links school funding to the cost of educating children and drives dollars where they are most needed.

The Regents Plan Accurately Measures The Cost Of Student Success.

The first element of the Foundation Formula, the “Foundation Cost,” is the starting point for determining cost. The Regents Plan uses a “successful school districts” methodology to determine Foundation Cost. This method identifies actual school districts that meet a defined standard and then estimates per pupil spending in those school districts.¹ The “defined standard” set by the Regents as a proxy for sound basic education has three components. The Regents standard selects school districts where students were achieving an average of 80 percent success on seven required examinations (English and Math at the elementary level and five Regents examinations — Math A, Global History, U.S. History, English and Earth Science) in 1999-00, 2000-01 and 2001-02. This standard reflects student achievement at both the elementary and secondary school levels, avoids atypical results of any one year by averaging data

¹ This does not include certain school district expenditures (which are aided separately, see Point II, infra) including special education services, transportation, debt service and others.

from three years, and provides evidence that a large number of students are offered the opportunity to achieve Regents standards. Applying this standard, the Regents will identify what successful school districts are spending per pupil for general education instruction.²

1. The Regents Plan Adjusts Cost To Account for Pupil Need.

Because some students require additional time and help to achieve the State learning standards, the Regents Plan adjusts the Foundation Cost by a “Pupil Need Index.” The Pupil Need Index recognizes the additional cost of providing extra time and help for high-risk students to succeed. Thirty years of research has proven that there are additional costs associated with educating students in poverty and in school districts that are small because of geographic isolation. Applying the Index increases the Foundation Cost for districts with more needy pupils.

The Regents Pupil Need Index is based on the number of students eligible for free and reduced price lunch and students living in geographically sparse areas of the State. The Pupil Need Index employs a formula that increases the weighting for poverty as the concentration of poverty increases. This enhances the cost-effectiveness of the aid system by targeting dollars to educational need.

The specific index chosen by the Regents is based on SED research. A September 2003 State Education Department study of educational need³ examined how to establish an additional weight for educational need. It found that states use additional weightings of from 0.25 to 1.0 based on the availability of funds. It also reported that additional weightings from 1.0 to 2.0 are recommended by experts to raise students from economically disadvantaged backgrounds to the achievement levels of their more advantaged peers. The study concluded that New York should use an additional weighting of 1.0 for each needy pupil in districts with the highest concentrations of student need. In this Regents proposal, the weighting for pupil need ranges from .5 to 1.0, gradually increasing as the concentration of poverty increases.

2. The Regents Plan Properly Adjusts Cost To Account for Differences in Purchasing Power.

Because the purchasing power of a dollar varies in different parts of the State, the Regents Plan further adjusts the cost figure by a “Regional Cost Index.” The Regional Cost Index operates to standardize costs across the geographic areas in which school districts operate.

The Regents Regional Cost Index is based on wages of non-school professionals in each of nine labor regions of the State, as defined by the New York State Department of Labor. Labor regions are composed of groupings of contiguous counties. The Regents Plan uses regions rather than school districts because job seekers tend to access an

² For a full description of the Regents Cost Study, see the technical supplement to the Regents 2004-05 proposal on State Aid to school districts, a section titled Estimating the Additional Cost of Providing an Adequate Education (www.emsc.nysed.gov/stateaidworkgroup).

³ Glasheen, R. An Exploratory Study of the Relationships Among Student Need, Expenditures and Academic Performance. New York State Education Department. Report to the Board of Regents, September 2003.

entire region when seeking employment and do not necessarily limit themselves to a single school district.

Teachers are purposefully excluded because school districts exercise unusual market influence over the price they pay for teaching services, which may distort the free market costs the index is intended to represent. The varying salaries paid teachers may reflect the preference of an individual district to pay more than an adjacent, competing one, rather than economic factors beyond the district's control.

The Regents Regional Cost Index was developed after a review of national research on adjusting school aid for variation in costs.³ The index also reflects the recommendations of several New York State special legislative commissions charged with making recommendations to improve New York State's school funding system: Fleischmann in 1972; Rubin in 1982; and Salerno in 1988. SED used wage data from the 2001 Occupational Employment Statistics Survey collected by the Bureau of Labor Statistics for 63 non-education professional job titles that required at least a Bachelor's degree for employment and thus could be expected to compete with the teaching profession. Median hourly wage data were provided for each title statewide, as well as for each of nine labor regions. SED then weighted these occupational wages in each region to mirror the workforce mix of the 63 titles statewide. The index chosen ranges from 1.0 for the North Country labor force region to 1.496 for the combined New York City-Long Island labor force regions (see Table 1).

Figure 8 Professional Cost Index for New York State by Labor Force Region (2003)		
Labor Force Region	Index Value	Purchasing Power of \$1,000 by Region
Capital Distict	1.168	\$856
Southern Tier	1.061	\$942
Western New York	1.080	\$925
Hudson Valley	1.359	\$735
Long Island/NYC	1.496	\$668
Finger Lakes	1.181	\$847
Central New York	1.132	\$883
Mohawk Valley	1.016	\$984
North Country	1.000	\$1,000

B. Regents Plan Derives State Aid By Subtracting From The Adjusted Foundation Cost An Expected Local Contribution.

³ For a review of this research, see *Recognizing High Cost Factors in the Financing of Public Education: A Discussion Paper and Update Prepared for the New York State Board of Regents SA (D) 1.1* (Sept.,2000) and the technical supplement entitled *Recognizing High Cost Factors in the Financing of Public Education: The Calculation of a Regional Cost Index* (Nov.,2000). Copies can be obtained by contacting the Fiscal Analysis and Research Unit at (518) 474-5213 or visiting their web site at <http://www.oms.nysed.gov/faru/article.html>.

School funding is a State and local partnership, and localities must contribute their fair share of education spending. Thus, once the Foundation Cost is determined, the Regents Plan subtracts an “Expected Local Contribution” to arrive at the level of aid the State will supply. The Expected Local Contribution is an amount school districts are expected to spend as their share of the total cost of general education. The Regents Plan measures it by multiplying the district property tax base by an expected tax rate, adjusted by district income per child. The Regents Plan adjusts the tax rate by district income per child to assess the fiscal capacity of school districts by their income wealth as well as their property wealth. This method preserves both measures of district wealth (income and property) and the structure of the Foundation Formula.

Under the Regents Plan, the Expected Local Contribution is not a mandated tax rate, but a way of determining an equitable local share in order to calculate State Aid. The plan avoids mandating a local contribution because it is difficult to enforce without penalizing students. The plan holds districts accountable through public reports of student performance and school district local effort. If a district does not adequately fund its share, but student performance remains high, there need be no consequence. If student performance suffers, however, State intervention will be triggered through the State Accountability System.

C. The Regents Plan Properly Accounts For The Number of Students Aided.

Once the per-pupil State aid is determined for each district, that amount is multiplied by a count of pupils in the district to determine the total aid the State will pay to each district. The Regents proposal recommends counting students enrolled in school districts (i.e., average daily membership) rather than those actually attending (i.e., average daily attendance) as is done in current formulae. By relying on average daily membership, the Regents proposal eliminates any disadvantage high-need school districts may suffer due to poor attendance.

II. The Regents Proposed Foundation Formula Consolidates Many Aids, But Retains Several Separate Categorical Aids.

The Regents Plan recommends some consolidation of aids for basic school operation. Specifically, the Regents propose to consolidate a number of aids into the Foundation Formula. Consolidation simplifies the formula, allows for increased equity, and gives districts greater flexibility in spending. The Regents Plan also retains certain aids separately. The balance of this section describes aids that the Regents recommend be retained separately.

Special Education Aid

Whether to consolidate aid for special education into the Foundation Formula is a complex question. As a beginning step, the Regents conducted a series of forums around the State to receive public comment. Educators, advocates, parents and others expressed a variety of views. For the most part, forum participants expressed a desire to retain special education funding as a separate aid. They voiced concerns about the

consistency of data from school district to school district and the need to adequately fund extra time and help needed by all students prior to referral. They raised the issue of the ability of districts to cope with rising costs, including those associated with certain integrated program models and costs for high-cost students with disabilities, especially those who move into the district during the school year.

The Regents have asked staff to explore options for simplifying special education funding, while retaining it as a separate aid program. Once recommendations are developed, staff will elicit public comment on identified approaches. For this year, the Regents will retain special education funding as a separate aid and advance a proposal that provides current-year aid for new high-cost students with disabilities.

Universal Pre-K Funding

In the 2004-05 proposal, the Regents maintained separate categorical grants to support pre-K education. Advocates for early childhood learning have argued that incorporating universal pre-K funding into the Foundation Formula will allow the State to continue to make progress toward offering the program universally. Research has documented long-term achievement benefits for students. While these may be arguments for folding funding for universal pre-K programs into the Foundation Aid program, there is not currently the capacity in all school districts to offer pre-K programs and K-12 programs. When this capacity exists, the State should consider consolidating programs for pre-K into the Foundation Program.

Building Aid

Because capital costs for school districts can vary significantly around the State from year to year, this aid should be retained separately. For example, school construction costs may be high for a district for a number of years for a project and then small or nonexistent afterward. Aid for school construction is provided based on approved expenses, a different basis than that used for Foundation Aid.

Regents recommendations concerning Building Aid and other State support for school construction will help overcome barriers to instructional improvement posed by inadequate school facilities. Early grade class size reduction, pre-K programs and science laboratories are examples of instructional programs that are dependent on the availability and quality of school space. These recommendations will simplify capital planning, reduce severe over-crowding in school districts, help fund extraordinary incidental costs beyond the control of the school district, reduce school construction costs, and improve the maintenance and repair of school facilities.

Recommendations to simplify planning and to ensure Building Aid is equitable:

- Simplify the maximum cost allowance formula for State Building Aid. The State sets a reasonable cost ceiling for all capital projects. The current system is an overly complex and inefficient process that, in some cases, forces a district to compromise the desired educational goal in order to achieve maximum reimbursement. It is proposed that the State calculate a cost allowance based on a certain allotment of space and cost per enrolled pupil, according to the following formula:

$$\text{Cost Allowance} = \text{Projected Pupil Enrollment} \times \text{Allowed Square Feet Per Pupil} \times \text{Allowed Cost per Square Foot} \times \text{Regional Cost Factor}$$

Allowable costs would be updated monthly by the current New York State Labor Department Cost Index. Unlike the Regents Regional Cost Index proposed for Foundation Aid, which is fundamentally a professional wage index, the New York State Labor Department cost index is based solely on the wages of three major occupational titles critical to the building industry. A simplified formula would offer greater educational flexibility, ease of understanding and transparency.

- Building Aid review of preliminary and final plans and specifications for all new proposed school facilities in New York City prior to the awarding of construction contracts. Currently, all other school districts in the State benefit from an aidability review by the State Education Department that provides the information necessary for a district to maximize State Building Aid on school construction projects. Aidability reviews would reduce the more than 25 percent gap in aidable new building costs between New York City and the rest of the State.

Recommendations to relieve overcrowding:

- Provide a supplemental cost allowance to recognize extraordinary site acquisition costs beyond the control of the school district, environmental remediation in dense urban areas, and building demolition necessary to build new school buildings to relieve severe overcrowding.
- Provide a supplemental cost allowance for the increased costs associated with the construction of multi-story fire-resistive buildings in compliance with applicable building codes in dense urban areas where erecting one or two-story buildings is not practical.

Recommendations to improve the cost-effectiveness of school construction:

- Eliminate the Wicks Law. A provision of State Law, known as the Wicks Law, requires municipalities, including school districts, to employ four separate prime contractors for school construction projects of \$50,000 or more. A general contractor can effectively manage these separate functions. New York City already has this benefit. No other State mandates separate contracts for public works. Making the Wicks Law optional could reduce project costs by an average of 5 to 10 percent.
- Allow school districts access to the Dormitory Authority of the State of New York for basic construction services to ensure they receive the quality construction they are paying for.
- Eliminate State Building Aid for energy performance capital construction contracts without voter approval. The Board of Regents believes that energy efficiency improvements in public schools are an important consideration in controlling school operating costs and demonstrate responsible environmental behavior. Energy performance contracts or traditional capital improvement projects approved by

voters are two methods available to districts to implement energy saving improvements.

Recommendation to protect the investment in school facilities:

- Provide resources for minor maintenance and repair of school facilities. Facilities maintenance and operating budgets are generally the first target for budget cuts during difficult fiscal times when districts are striving to maintain educational programs and offerings. Studies show that one dollar spent on maintenance can save six dollars in future capital construction costs. This program will pay for itself in reduced State Building Aid. School districts would be required to maintain their financial effort to maintain and repair their facilities.

Regional Services and the Big Five City School Districts

BOCES were established in 1948 to provide educational programs and services to school districts on a regional basis to reduce costs and promote excellence, especially in small rural school districts with declining enrollments. BOCES have developed considerable expertise in offering programs of professional development, career and technical education, and information technology. Demographic changes of increasing poverty and declining tax bases in large city districts have resulted in growing demand for such services in our large cities. For reasons of efficiency and effectiveness, the Regents now find that it is in the public interest to share services for use in city school districts. This proposal recommends that the existing practice of excluding large city school districts from accessing BOCES services be discontinued on a trial basis. It recommends that the large four city school districts (Yonkers, Rochester, Syracuse and Buffalo) be given the authority to contract with neighboring BOCES for services in critical service areas that are strong in BOCES and weak in the city district. It further recommends that:

- The Commissioner's guideline that no one district receive more than 60 percent of any shared education service be waived on a case-by-case basis, as needed;
- An Advisory Implementation Group including District Superintendents be established to help guide development of this program;
- Aid be provided to city school districts for (1) planning and development up to one year, (2) shared educational services, and (3) an administrative surcharge to be paid by the city school district to the BOCES on a fee-for-service basis; and
- The Special Services Aid formula be amended to provide aid on a level comparable to that provided by BOCES Aid to school districts in the rest of the State.

For the New York City school district, the enriched Special Services Aid would be provided to support regional services in critical need areas within the city school district.

Aid For Limited English Proficient Students

The Regents Plan retains aid for the education of limited English proficient students and bilingual education grants as separate categorical programs. This proposal recognizes that services for limited English proficient pupils are different in nature from academic intervention services. As school accountability systems improve, providing disaggregated achievement results for separate groups of students including limited English proficient students, consideration can be given to folding these aids into the Foundation Formula.

III. New York’s System of Accountability Should Be Enhanced to Ensure That Resources Are Being Used to Provide A Sound Basic Education.

The courts have held that State defendants must institute a system of accountability that measures whether the reforms adopted actually provide students with the opportunity for a sound basic education. In the Regents view, the State does not need a different accountability structure, a new accountability “office,” or a new independent oversight panel, to comply with the Court’s order. The current system of accountability need only be enhanced and funded, as described below, to satisfy the Court mandate.

Funding these recommendations does not involve State Aid to school districts and therefore they are not included in the Regents school aid proposal. They are described here because they complement the Regents aid recommendations and are important to realizing the goals of closing the student achievement gap. The Regents and State Education Department will advance funding to support these recommendations as separate budget requests.

New York State’s current system of accountability establishes a framework that recognizes the dual responsibility of local districts and the State to ensure that public dollars are spent effectively to provide all students the opportunity for a sound basic education. It is comprehensive, rigorous and it works. The system has resulted, for example, in improvement overall in English language arts and mathematics achievement since 1999 and in a decline of the number of extremely low-performing schools in the State. Approximately 70 percent of New York State schools now achieve Adequate Yearly Progress (“AYP”) under the NCLB. The system responsible for this progress identifies low-performing schools and districts and imposes a series of graduated actions at the local level and interventions at the State level to improve student achievement. Where results do not improve, consequences follow.

A. School Accountability

Under the present system, the Commissioner of Education evaluates schools on a continuum of criteria to determine if they are in good standing or will be subject to intervention. When a school performs below the State standard in English language arts or mathematics, the district is required to develop and implement a plan to improve student results.

In addition to assessing whether schools are achieving State learning standards, the Commissioner also determines annually whether every public school and district is making AYP in English language arts and mathematics at the elementary, middle, and

high school levels. When a school fails to make AYP for two consecutive years, the school is identified as either a School in Need of Improvement (“SINI”) if the school is subject to sanctions under Title I of the NCLB, or as a School Requiring Academic Progress (“SRAP”) if the school does not receive Title I, Part A funds and therefore is subject solely to the requirements of the Regulations of the Commissioner of Education. Among other things, these schools must develop a two-year school improvement plan that is annually updated. In addition, SINI schools are required to offer parents the option to transfer their children to other public schools within the district.

Once the Commissioner identifies schools as needing improvement or academic progress, a series of increasingly rigorous sanctions is triggered if failure continues. Schools designated as SINI that fail to make AYP must offer eligible students supplemental educational services. In addition, school districts are required to initiate one of several corrective actions for schools designated as needing improvement or academic progress that fail to make AYP for a second year. When a school has failed to make AYP for four consecutive years after being identified as a school needing improvement or academic progress, the Commissioner requires the district to restructure or close the school.

The Commissioner also identifies for registration review schools that fail to make AYP and are farthest from State standards and most in need of improvement. Once identified for registration review, the Regents assign the school performance targets that it is expected to achieve within a specified time or risk having its registration revoked. After being placed under registration review, the school is visited by an external team that audits planning, resources and programs. The school uses the report of the external team to develop a comprehensive education plan, and the district uses it to develop a corrective action plan.

School districts, Regional School Support Centers, distinguished educators, and SED staff provide schools that are identified for improvement with additional assistance and support. In general, the State Education Department focuses its efforts on Schools Under Registration Review (“SURR schools”). Regional School Support Centers and distinguished educators provide critical support to schools designated as SURR and SINI.

B. District Accountability

In addition to individual school accountability, the State Education Department is also responsible for determining whether each school district achieves AYP. As in the case of schools, school districts that fail to make AYP for two consecutive years are designated as Districts In Need of Improvement (“DINI”) and must develop district-wide improvement plans. Pursuant to the No Child Left Behind (NCLB) Act, the Commissioner must take corrective action against a district that receives Title I funds if it fails to make AYP for two years after being designated as needing improvement.

As part of the Department’s process of determining the performance status of schools and school districts, the Commissioner will begin, after the 2003-04 school year, to designate schools and districts that meet specific criteria as high-performing. Starting with the 2004-05 school year, certain schools and districts are being designated as

rapidly improving.

To comply with the Court's order, the State and local districts must devote more resources to sustained and persistent reform efforts. More schools in danger of becoming low-performing must be included in the reform effort, and reform must be comprehensive, systemic and permanent. The Regents recommend that the State build upon and strengthen the current system in several significant ways.

Enhance Technical Assistance and Support

First, the State should enhance its system of technical assistance and support for schools. This would be accomplished through Regional School Support Centers ("RSSC"), Academic Intervention Teams and BOCES.

There are currently seven RSSCs across the State, located in eastern New York, Long Island, the Hudson Valley, Syracuse, Rochester, Buffalo and New York City. These regional centers provide technical assistance and instructional advice to low-performing schools. They identify best practices and disseminate them through technology; work with academic intervention teams assigned by the Commissioner; help analyze student performance data; and develop district and school improvement plans. The work of these regional centers should be expanded with additional funding and staff to reach more schools.

Academic Intervention Teams help build the capacity of local schools and districts to take their own corrective actions. Building capacity at the local level is indispensable to embedding reform into the school culture. Currently, these teams are staffed by distinguished educators to help improve specific areas, such as reading and mathematics. Expanded teams would work with every school district in the State identified for corrective action and each SURR school. They would consist of experts covering all aspects of successful schools: educational management; instructional leadership; curriculum and assessment; academic intervention and support services; parent and community involvement; educational assessment; and improvement of classroom instruction. These teams would conduct comprehensive reviews of district and/or school operations, including the design and operation of the instructional program, and develop recommendations for implementation by the schools and/or districts.

BOCES and the District Superintendents who lead them could also be used more effectively in school improvement efforts. There are 38 BOCES throughout the State that work with schools in need of improvement. The State should provide additional funds to offset the local district expense associated with school improvement services provided by BOCES, and make BOCES services available to the Big Five districts, which would benefit significantly.

Improve Data and Information Systems

A. Financial Condition Indicator System

The State must also improve data and information systems to support school

improvement. The State needs a school district financial indicator system (“FCIS”) that would ensure proper stewardship of dollars that pay for public education. The FCIS would include an early warning system for school districts to prevent financial distress; fiscal benchmarks and best financial practices; a public reporting tool providing information about the management of public funds to achieve educational goals; and a long-range financial planning tool for school districts.

Currently no such system exists. The Department’s Office of Audit Services collects data to assess the short-run financial condition of school districts, but this does not assess long-term financial condition and cannot be used as a tool for long-range planning by school districts. Information that is currently available on school district finances does not incorporate professional judgments so the public lacks the necessary knowledge to interpret fiscal data.

B. Student Data Information System

A statewide student data system must be implemented to assess if reform is taking root. SED has already begun to build such a system, which will create greater capacity to track students, measure their progress, and thus raise the achievement of all students in New York. These efforts could be accelerated with additional funds. The current system can only analyze information for entire groups of students, but the tracking of individual students over time will allow us to follow individual students through the system and analyze the effectiveness of State strategies and programs. For example, we will be able to measure the benefit of using smaller class sizes with certain groups of students. Such programs often involve the allocation of billions of education dollars without reliable data on their impact on student achievement. An individual record system will also help us to better meet many federal reporting requirements, including those of NCLB.

C. State Aid and Grants Management Systems

The Regents also propose that the State develop a unified State aid management system to address the shortcomings of the current system. This improved system would provide a single point of access to all State aid data, and be capable of analyzing districts’ fiscal needs. It would enable SED to more effectively collect information from school districts across the State, and would streamline the method for distributing to districts State and federal funds. The proposed system would provide timely feedback to users in school districts and SED and would facilitate modeling of State aid formulae for the Legislature and Executive Branch. The current system is a mix of older systems that are not efficient, flexible or as exacting as the proposed system.

An improved data system would include two final components: an update of the web-based system to improve the efficiency of the grant awards process and provide improved reporting capability, and the elimination of redundant State reporting requirements, freeing districts to engage in more comprehensive planning and reporting. Streamlining plans, applications and reports that school districts submit to SED will reduce administrative burden and increase the focus of planning and reporting to support real gains in student achievement.

Enhanced Audit Capacity

A uniform system of State accountability must use accurate, consistent and trustworthy data on local finances, demographic information and indicators of student performance that can be validly compared across districts of the State. Such a system contributes to equal educational opportunity for all by ensuring that policy decisions are data-driven and equitably applied.

Almost \$14 billion in State Aid is devoted to public schools in New York State, and that sum is primarily allocated on the basis of information provided by the districts themselves. If aid is to be distributed appropriately, that information must be accurate and verifiable. In order to ensure this, the State Education Department staff must implement a rigorous data quality assurance program.

The Regents Plan calls for enhanced State oversight of school district fiscal transactions to ensure the integrity of district finances. SED would significantly expand its current audit capacity to: conduct more random audits of districts that have no known problems or issues; focus more resources on districts with indications of poor student performance, fiscal stress, or inadequate management controls; and conduct more frequent audits of school districts and review of school district financial statements. The Regents Plan also calls for strengthening protocols for annual school district independent audits conducted by CPAs and increased training on the fiscal oversight responsibilities of school officials and personnel.

Funding for these initiatives is advanced as part of the Regents annual budget request.

REGENTS RESPONSE TO THE REPORT OF THE CFE REFEREES

The Regents 2005-06 proposal builds on the 2004-05 Foundation Formula proposal. However, the Regents have always maintained that they would continue to review ideas and recommendations from other groups to ensure that they had the best possible proposal that reflected the latest thinking.

The CFE Referees have issued their findings and the Regents have studied these and assessed and modified their proposal in light of this new knowledge. The Regents await the final court order that is expected to result from this process and will re-assess their proposal at that time.

A Statewide Solution

The CFE Referees made a number of recommendations after hearing testimony on the best way to define a sound basic education and to structure an approach to school funding that would provide significantly more money to New York City schools. The Referees' solution proposes additional spending for New York City of \$5.6 billion over four years, but leaves it to the Legislature to determine the proportion of these funds that would come from the State and the local share. While the Referees stopped short of recommending a specific funding formula, the Regents have considered these recommendations in the development of their 2005-06 proposal. We are also mindful of the call from the Referees to create a statewide solution that supports all high-need districts, not just New York City.

Sustainability

Recent estimates from the State Division of the Budget indicate that New York State will have a \$4 billion deficit going into the 2005-06 fiscal year. In addition, some of the revenue sources that supported previous budgets will expire this fiscal year. The State Comptroller's reports on upstate cities cite long-term economic weakness (e.g., the 2003 report on Buffalo Budget Review).

The Regents believe any solution to CFE must address the needs of all high-need school districts around the State. Any solution that is not sustainable will result in disruption of educational programs and reforms for children. Therefore, the Regents proposal provides significant additional funds to New York City and other high-need districts through a funding formula that is phased in over a time period. The Regents also emphasize that the Foundation Formula proposed is designed to be a long-term solution to the historical problems of the distribution of aid in New York State. A reasonable phase in period is needed to ensure that districts do not experience a disruption in funding as the new formula is implemented.

Most of the high-need districts in the State have succeeded in enabling the vast majority

of students to meet the graduation standards. However, these districts rely on the low-pass (a score of 55 on required Regents exams) standard to a much greater extent than other districts. In addition, the high-need districts have far more students than other districts who take more than four years to graduate, transfer to GED programs or leave school before graduating. As the Regents consider moving the graduation requirements to a proficiency level (a score of 65 on required Regents exams), a high-need district will need to provide better instruction and more of it in order to enable its students to be proficient in the State learning standards.

The additional investment in high-need districts should build upon the success of standards-based education. The new funding must continue to result in changes in instructional practice and significantly improved achievement (see Section on Enhancing Accountability/Effective Use of New Resources).

Regents State Aid Proposal for 2005-06

The Regents proposal calls for an overall increase of \$1.518 billion. This total increase is composed of a \$921 million increase in Foundation Aid and \$596 million in other aids. Of the overall increase, 80 percent goes to high-need districts and 20 percent goes to all other districts. New York City receives an \$810 million increase in aid in 2005-06, 53 percent of the overall increase.

The proposal also includes a provision that no school district will receive less in foundation formula funds than they received in comparable funds in the 2004-05 school year. This “save harmless” provision ensures that districts will not lose State resources at a time when they are being asked to improve achievement for all students.

Phase In for Full Implementation

The Regents proposal plans for a five-year phase-in to full implementation. This plan builds on legislative action in 2004. That action included a \$509 million increase in aids included in the Regents Foundation Formula, an amount that was \$1 million more than the Regents requested for these aids.

The Regents now propose to fully phase in the Foundation Formula over the next five years starting in 2005-06 and ending in 2009-2010. This phase in is faster than the Regents proposed last year. The total State Aid for the fully phased in Foundation Formula in 2009-10 for all districts is \$15 billion, an increase of \$6.6 billion over comparable funding in 2004-05.

This phase in period balances the urgency of providing major increases in funds to high-need school districts, the need to create a new formula that is sustainable over time, and the need for school districts to have time to adjust their planning and programs to improve student achievement.

Response to Specific Issues Raised by CFE Referees

We have considered what the CFE Referees have said in a number of areas, including local effort, a regional cost index, and using a successful schools model to define a sound basic education. Appendix A provides a rationale for why the Regents are continuing to advocate for elements of the foundation formula that were included in the 2004-05 Regents proposal on State aid to schools.

Although the Regents propose a five-year phase in instead of the four-year phase-in recommended by the CFE Referees, the total proposed funding under both proposals is comparable. The Regents proposal takes into consideration an expected local share from New York City of \$940 million over the five-year phase in.

Because the Regents proposal does not mandate a local share, we have not assumed how much of the \$940 million should be provided in any single year. However, it is reasonable to assume that New York City's local share would approach \$200 million in the first year. When added to New York City's total aid of \$810 million, the Regents proposal provides \$1.01 billion in the first year of implementation for New York City.

The bottom line is that the CFE Referees propose an increase of \$5.6 billion for New York City over four years without specifying New York City's local share. The Regents propose an increase of \$5.6 billion for New York City over five years with \$4.7 billion coming from the State and \$0.9 billion coming from New York City.

Categorical Aid Programs

The 2004-05 Regents State Aid Proposal recommended that categorical aid programs for universal pre-kindergarten education and Limited English Proficient students, as well as Bilingual Education Grants, be maintained separately in the first year of the new funding system. This year's proposal continues those recommendations. In the future, the Regents will consider incorporating aid for pre-kindergarten students in the Foundation Formula. Toward that end, the Regents recommend a revised formula for enactment in 2005-06 that will replace both Universal Pre-kindergarten grants and Experimental Prekindergarten grants. The grants for each eligible district will be based on the per-pupil award used in the Foundation Formula so that, once the program is fully phased in, it can be seamlessly incorporated into the Foundation Formula. The number of districts eligible for grants will also be increased. The proposed funding for the pre-kindergarten program is increased from \$250 million to \$297 million.

Supporting Adequate School Facilities

The Referees recommended substantial new funds to support the completion of significant capital projects in the New York City school district. The Regents recommend changes aimed at simplifying planning for school construction and ensuring that Building Aid is equitable and responsive to the high site acquisition and demolition costs of New York City. They make recommendations to relieve overcrowding, improve the cost-effectiveness of school construction, and continue aid for minor maintenance and repair to protect the State's investment in school facilities.

The current Building Aid formula cost allowance works well for reconstruction projects in New York City but not for new projects that add capacity. Only costs within the maximum cost allowance are eligible for State Building Aid. Over the last five years more than 96 percent of reconstruction project costs, including incidental costs, have been within the maximum cost allowance. The figure for reconstruction projects in the rest of the State is a little more than 97 percent.

The picture is much different for new buildings in New York City. Over the last five years less than 37 percent of new building project costs in the City have been within the maximum cost allowance. The figure for new building projects in the rest of the State is a little more than 80 percent. New York City's current Building Aid ratio is 60.7 percent, including the 10 percent incentive. Thus, New York City has received less than 25 percent State Building Aid on net new building costs over the last five years.

To support adequate school facilities in New York City, the Regents propose to:

1. Simplify the State Building Aid formula as described in the Regents Conceptual Proposal to allow school administrators to accurately predict State Building Aid prior to building design.
2. Base the "allowed per square feet per pupil" in the cost allowance formula on the median values of New York State school buildings constructed in the last five years. The values are:
 - a. Grades PreK – 6 = 130 square feet per pupil
 - b. Grades 7-9 = 160 square feet per pupil
 - c. Grades 7-12 = 180 square feet per pupil
3. Adjust the allowed cost per square foot to ensure the formula is revenue neutral – the average maximum cost allowance for new buildings will not change under the new simplified formula.
4. Include an adjustment of up to 15 percent to recognize the increased costs of building in extremely dense urban areas related to multi-story construction and limited staging areas.
5. Provide aid for extraordinary site costs and the environmental remediation of sites in high-density urban areas. The Regents propose that the State share of extraordinary site costs beyond those covered by the maximum cost allowance would be 50 percent.
6. Ensure that 80 percent of reasonable new building costs for New York City and other high-need districts are within the maximum cost allowance and therefore eligible for State Building Aid. The net State Building Aid on new buildings in New York City would be approximately 50 percent.

Recent value engineering efforts by the School Construction Authority reduced new school construction costs to \$306 per square foot, a 30 percent reduction. Value engineering is the process of reviewing a building design and looking for alternative standards and products that meet the original design intent for a lesser cost or perform better for the same cost. The Regents Building Aid proposals are based on New York

City construction costs of \$305 per square foot plus 30 percent for incidental costs, after adjusting for inflation, in order to achieve the goal that 80 percent of new building costs fall within the maximum cost allowance. More than 80 percent of new building costs would be aided if New York City reduced construction costs below \$305 per square foot. The cost allowances would continue to be adjusted for inflation.

The Regents also propose that all new buildings proposed by the New York City Department of Education be reviewed by the State Education Department prior to final design to ensure that State Building Aid has been maximized.

In addition, the Regents propose \$25 million for New York City to support the City's value engineering on new buildings and additions to maximize State Building Aid and to expedite the design of new buildings to reduce class size and relieve overcrowding.

Additional Cost Studies

The Referees recommended that the Regents and SED supervise the conduct of additional studies of the cost of instruction (every four years) and the cost of school facilities (every five years). The Regents welcome this responsibility and look forward to providing useful studies in accord with the court's order. The Department will seek funds to comply with this requirement if it is incorporated in the judicial order.

Enhancing Accountability/Effective Use of New Resources

The Referees recommended that the current system of accountability be enhanced by requiring the New York City Department of Education to develop a comprehensive sound basic education plan that specifies how each dollar of new funding will be spent to provide its students with a sound basic education. This comprehensive plan would be coordinated with the five-year phase in of the additional operational funding provided. This plan would be complemented by a Sound Basic Education report that will consolidate current plans and reports that must be submitted into a single, accessible document.

The Regents recommend that comprehensive planning and reporting be required for other high-need school districts as well. The State Education Department should approve the comprehensive plan and evaluate the Sound Basic Education Report to ensure that funds are focused on the neediest schools. This approval process should consider what strategies have the highest likelihood for success in improving student achievement in the high-need districts.

In addition, the Regents seek additional State funds to provide improved technical assistance teams for high-need school districts and to make improvements in the quality of data used for accountability purposes, as described in the Regents proposal section on New York's System of Accountability.

REGENTS CONTINUE TO ADVOCATE FOR ELEMENTS OF THE 2004-05 PROPOSAL FOR A FOUNDATION FORMULA

A Professional Wage-Based Cost Index

The Referees recommended use of an updated version of the Geographic Cost of Education Index, used in the CFE adequacy study. This educational index is based on teacher salaries. The Regents recommend use of a non-educational professional wage-based Regional Cost Index, the advantages of which have been provided in the Regents 2004-05 State Aid proposal.

Local Effort

The Referees deferred to legislative action the question of how much of the increase should be provided by the State and how much by local taxpayers. The Regents continue their proposal for an expected local contribution, based on a tax rate of \$15 per \$1,000 of actual property value, adjusted by each school district's income per pupil.

Assessing an Adequate Education

The notion of an adequate education implies one that provides all students with the opportunity for a sound basic education, not one that goes beyond this particular standard. As Justice DeGrasse explains in his decision, "the Education Article requires a sound basic education, not one that is state of the art." He further explains that "the Court repeatedly used the terms "adequate," "basic," and "minimally adequate" to describe the education to be provided to the State's public school students (State Supreme Court Decision, 719 N.Y.S.2d 475, January 9, 2001, p.15)."

In reality, successful school districts may provide a sound basic education or they may provide more. Many people agree that some successful school districts, that is districts that have the vast majority of students meeting State learning standards, provide more than an adequate education. This is the result of a funding system that allows communities to spend beyond a required minimum. Another common agreement is that efficiency should be encouraged.

There is some direction in the research literature about how to target adequate spending to districts and incorporate efficiency in education cost studies using the successful schools approach. Staff have used this knowledge in formulating the Regents cost study. John Augenblick conducted a study⁴ for the State of Ohio in which they attempted to establish instructionally adequate spending levels. "Once having identified a pool of districts which did not exhibit extremes of wealth or spending and in which students had met state measure performance criteria, a weighted per pupil revenue amount was constructed from among these eligible districts." One hundred two

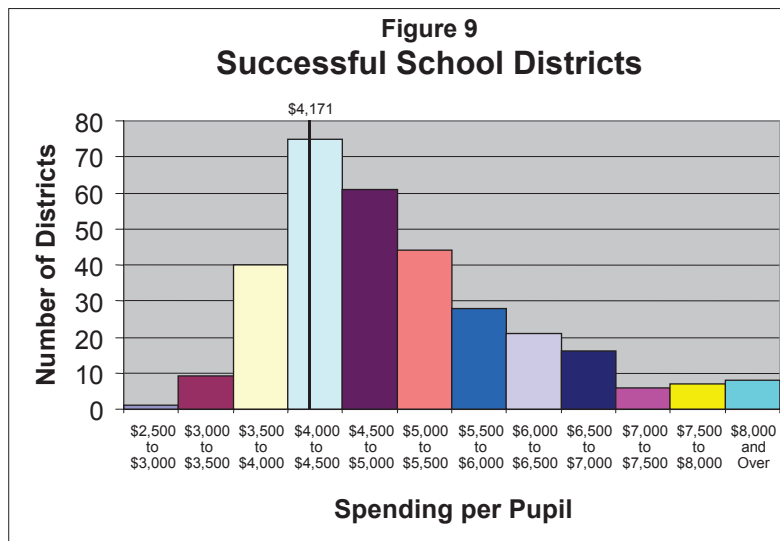
⁴ See a description of Augenblick's study in J. Guthrie and R. Rothstein, *Enabling 'Adequacy' to Achieve Reality*, 20

of 607 Ohio school districts were used for this adequacy standard. In the Regents study a sample of similar size was used: 158 of 680 school districts.

A 1996 cost study⁵ conducted for Illinois Governor James Edwards and his Commission of Education Funding by Professor Bruce Cooper calculated a foundation level for Illinois school districts. He performed a series of *filters*: for poverty groups of school districts, for student performance, and for districts whose per-pupil expenditures were below the State average. In the Regents cost study, the filters used were performance and per-pupil expenditures in relation to the average for successful school districts.

Hickrod and Genge (1994) explore an approach to economic efficiency in the public schools. They develop a methodology for identifying districts that are performing statistically 'higher than expected' at costs that are 'lower than expected.'⁶ Their purpose was to identify *technically efficient* and *high service* school districts. The Regents cost study identifies technically efficient school districts that have achieved student performance benchmarks in relation to Regents learning standards.

The Regents incorporated a measure in their cost study to identify those districts that are providing a sound basic education with few enrichments. The Regents 2004-05 school aid proposal assessed spending in the 50 percent lowest spending successful districts, after applying regional cost and pupil need adjustments, rather than in all successful school districts. This is continued in the Regents 2005-06 proposal.



In order to better assess whether the higher spending group of school districts was providing more than a sound basic education, we compared resource allocation and programs between the two groups of successful school districts.

⁵ See a description of Cooper's study in J. Guthrie and R. Rothstein, Enabling 'Adequacy' to Achieve Reality.

⁶ G. Alan Hickrod and Fred Genge (1994). The 'Quadriform' and the Curriculum: An Approach to Economic Efficiency in the Public Schools. *Journal of Education Finance*, 20.

The first factor we examined was spending levels. Successful school districts in the top half of the spending distribution spent an average of 50 percent more per pupil on general education instruction than successful school districts in the lower half. This is a substantial difference. Examining the range of spending shows further that spending of the full group of successful districts varied substantially: from a low of \$2,825 per pupil to a high of \$18,000 per pupil. In addition, as Figure 9 shows, the distribution of spending of the 316 successful districts is not a normal distribution but one that is skewed to the high end. This led us to hypothesize that many of these districts were providing programs and services that went beyond the provision of a sound basic education, and to examine other programmatic and teacher characteristics to sort this out. In this review, we found that the two groups of districts were similar on some characteristics and different on others.

The two groups of school districts were similar with respect to the following teacher quality characteristics:

- Years of experience
- Percent that failed the first certification exam
- Percent teaching outside of certification area
- Permanent certification in all subjects
- Percent with BA or less
- Barron’s ranking of colleges attended

The two groups of districts were different with respect to the following characteristics:

Factor	Amount of Difference
Teacher salaries	Regionally cost-adjusted salaries in the higher spending group were 15 percent more
Pupil-Teacher Ratio	Lower spending group had 10 percent more pupils to teachers
Percent of teachers with a Master's Degree and 30 credits or more	Proportion of teachers with this level of education was twice as high in the higher spending group
Enriched course offerings, including Advanced Placement	Higher spending districts had more than 50 percent of enriched course offerings per pupil

After a careful examination of characteristics of these two groups of successful school districts, we conclude that there is a meaningful difference between the two groups. The higher spending group has chosen to spend more by having lower pupil-teacher ratios, paying higher teacher salaries for coursework taken, and offering more Advanced Placement courses. We conclude that these districts have likewise chosen to offer more than a sound basic education and should be excluded from the sample of school districts, whose spending is used to estimate the cost of an adequate education. Our sample of technically efficient districts remains the 158 school districts that meet the Regents performance criteria while spending below the average of spending for all successful school districts.

Technical Supplement

1. Need/Resource Capacity Definitions
2. High Need School Districts 2004-05 School Year
3. Aids and Grants to be Consolidated Under the Regents Proposal
4. Formula Components
5. Regional Cost Adjustment Based on Professional Salaries
6. Summary of Aids and Grants as Requested in the 2005-06 Regents State Aid Proposal
7. Analysis of Aid Changes Under the 2005-06 Regents State Aid Proposal

Need/Resource Capacity Category Definitions

The need/resource capacity index, a measure of a district's ability to meet the needs of its students with local resources, is the ratio of the estimated poverty percentage⁷ (expressed in standard score form) to the Combined Wealth Ratio⁸ (expressed in standard score form). A district with both estimated poverty and Combined Wealth Ratio equal to the State average would have a need/resource capacity index of 1.0. Need/Resource Capacity (N/RC) categories are determined from this index using the definitions in the table below.

Need/Resource Capacity Category	Definition
High N/RC Districts New York City Large City Districts Urban-Suburban Rural	New York City Buffalo, Rochester, Syracuse, Yonkers All districts at or above the 70th percentile (1.188) which meet one of the following conditions: 1) at least 100 students per square mile; or 2) have an enrollment greater than 2,500 and more than 50 students per square mile. All districts at or above the 70th percentile (1.188) which meet one of two conditions: 1) fewer than 50 students per square mile; or 2) fewer than 100 students per square mile and an enrollment of less than 2,500.
Average N/RC Districts	All districts between the 20th (0.7706) and 70th (1.188) percentile on the index.
Low N/RC Districts	All districts below the 20th percentile (0.7706) on the index.

⁷ **Estimated Poverty Percentage:** A weighted average of the 2000-01 and 2001-02 kindergarten through grade 6 free-and-reduced-price-lunch percentage and the 2000 Census poverty percentage. (An average was used to mitigate errors in each measure.) The result is a measure that approximates the percentage of children eligible for free- or reduced-price lunches.

⁸ **Combined Wealth Ratio:** The ratio of district wealth per pupil to State average wealth per pupil, used for 2000-01 aid.

High Need School Districts 2005-06 School Year

Albany County

010100	ALBANY
010500	COHOES
011200	WATERVLIET

Allegany County

020601	ANDOVER
020702	GENESEE VALLEY
020801	BELFAST
021102	CANASERAGA
021601	FRIENDSHIP
022001	FILLMORE
022101	WHITESVILLE
022302	CUBA-RUSHFORD
022401	SCIO
022601	WELLSVILLE
022902	BOLIVAR-RICHBG

Broome County

030200	BINGHAMTON
030501	HARPURSVILLE
031301	DEPOSIT
031401	WHITNEY POINT
031502	JOHNSON CITY

Cattaraugus County

041101	FRANKLINVILLE
041401	HINSDALE
042302	CATTARAUGUS-LI
042400	OLEAN
042801	GOWANDA
043001	RANDOLPH
043200	SALAMANCA
043501	YORKSHIRE-PIONE

Chautauqua County

060401	CASSADAGA VALL
060601	PINE VALLEY
060701	CLYMER
060800	DUNKIRK
061501	SILVER CREEK
061503	FORESTVILLE
061700	JAMESTOWN
062301	BROCTON
062401	RIPLEY
062601	SHERMAN
062901	WESTFIELD

Chemung County

070600	ELMIRA
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Chenango County

080101	AFTON
080601	GREENE
081003	UNADILLA
081200	NORWICH
081401	GRGETWN-SO-OTS
081501	OXFORD
082001	SHERBURNE-EARL

Clinton County

090201	AUSABLE VALLEY
090301	BEEKMANTOWN
090901	NORTHRN ADIRON
091200	PLATTSBURGH

Columbia County

101300	HUDSON
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Cortland County

110101	CINCINNATUS
110200	CORTLAND
110304	MCGRAW
110901	MARATHON

Delaware County

120401	CHARLOTTE VALL
120701	FRANKLIN
120906	HANCOCK
121401	MARGARETVILLE
121601	SIDNEY
121701	STAMFORD
121702	S. KORTRIGHT
121901	WALTON

Dutchess County

130200	BEACON
131500	POUGHKEEPSIE

Erie County

140600	BUFFALO
141800	LACKAWANNA

Essex County

150203	CROWN POINT
150901	MORIAH
151501	TICONDEROGA

Franklin County

160801	CHATEAUGAY
161201	SALMON RIVER
161501	MALONE
161601	BRUSHTON MOIRA
161801	ST REGIS FALLS

Fulton County	
170500	GLOVERSVILLE
170600	JOHNSTOWN
171001	OPPENHEIM EPHR
Genesee County	
180300	BATAVIA
Greene County	
190401	CATSKILL
Herkimer County	
210302	WEST CANADA VA
210501	ILION
210502	MOHAWK
210601	HERKIMER
210800	LITTLE FALLS
211003	DOLGEVILLE
211103	POLAND
211701	VAN HORNSVILLE
212001	BRIDGEWATER-W
Jefferson County	
220301	INDIAN RIVER
220909	BELLEVILLE-HEN
221301	LYME
221401	LA FARGEVILLE
222000	WATERTOWN
222201	CARTHAGE
Lewis County	
230201	COPENHAGEN
230901	LOWVILLE
231101	SOUTH LEWIS
Livingston County	
240901	MOUNT MORRIS
241101	DALTON-NUNDA
Madison County	
250109	BROOKFIELD
250301	DE RUYTER
250401	MORRISVILLE EA
251501	STOCKBRIDGE VA
Monroe County	
261600	ROCHESTER
Montgomery County	
270100	AMSTERDAM
270301	CANAJOHARIE
270701	FORT PLAIN
271102	ST JOHNSVILLE

Nassau County	
280201	HEMPSTEAD
280208	ROOSEVELT
280209	FREEPORT
280401	WESTBURY
New York City	
300000	NEW YORK CITY
Niagara County	
400800	NIAGARA FALLS
Oneida County	
410401	ADIRONDACK
410601	CAMDEN
411800	ROME
412300	UTICA
Onondaga County	
421800	SYRACUSE
Ontario County	
430700	GENEVA
Orange County	
441000	MIDDLETOWN
441202	KIRYAS JOEL
441600	NEWBURGH
441800	PORT JERVIS
Orleans County	
450101	ALBION
450801	MEDINA
Oswego County	
460102	ALTMAR PARISH
460500	FULTON
460701	HANNIBAL
461801	PULASKI
461901	SANDY CREEK
Otsego County	
470202	GLBTSVILLE-MT U
470501	EDMESTON
470801	LAURENS
470901	SCHENEVUS
471101	MILFORD
471201	MORRIS
471601	OTEGO-UNADILLA
472001	RICHFIELD SPRI
472202	CHERRY VLY-SPR
472506	WORCESTER

Rensselaer County

490601 LANSINGBURGH
491200 RENSSELAER
491700 TROY

Rockland County

500402 EAST RAMAPO

St. Lawrence County

510101 BRASHER FALLS
510401 CLIFTON FINE
511101 GOUVERNEUR
511201 HAMMOND
511301 HERMON DEKALB
511602 LISBON
511901 MADRID WADDING
512001 MASSENA
512101 MORRISTOWN
512201 NORWOOD NORFOL
512300 OGDENSBURG
512404 HEUVELTON
512501 PARISHVILLE
513102 EDWARDS-KNOX

Schenectady County

530600 SCHENECTADY

Schoharie County

540901 JEFFERSON
541001 MIDDLEBURGH
541401 SHARON SPRINGS

Schuyler County

550101 ODESSA MONTOUR

Seneca County

560501 SOUTH SENECA
561006 WATERLOO CENT

Steuben County

570101 ADDISON
570201 AVOCA
570302 BATH
570401 BRADFORD
570603 CAMPBELL-SAVON
571502 CANISTEO-GREEN
571800 HORNELL
572301 PRATTSBURG
572702 JASPER-TRPSBRG

Suffolk County

580105	COPIAGUE
580106	AMITYVILLE
580109	WYANDANCH
580232	WILLIAM FLOYD
580512	BRENTWOOD
580513	CENTRAL ISLIP

Sullivan County

590501	FALLSBURGH
590901	LIBERTY
591302	LIVINGSTON MAN
591401	MONTICELLO

Tioga County

600101	WAVERLY
600903	TIOGA

Tompkins County

610901	NEWFIELD
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Ulster County

620600	KINGSTON
622002	ELLENVILLE

Warren County

630918	GLENS FALLS CO
631201	WARRENSBURG

Washington County

640601	FORT EDWARD
640701	GRANVILLE
641301	HUDSON FALLS

Wayne County

650101	NEWARK
650301	CLYDE-SAVANNAH
650501	LYONS
651201	SODUS
651501	N. ROSE-WOLCOT
651503	RED CREEK

Westchester County

660900	MOUNT VERNON
661500	PEEKSKILL
661904	PORT CHESTER
662300	YONKERS

Yates County

680801	DUNDEE
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**Aids and Grants to be Consolidated and Other Aids
Under the Regents Proposal
on State Aid to School Districts
for School Year 2005-06**

**Aids and Grants Replaced by the
Proposed Regents Foundation Formula**

2004-05 Aids and Grants

Computerized Aids

- Comprehensive Operating Aid
- Operating Aid
- Tax Effort Aid
- Tax Equalization Aid
- Transition Adjustment/Adj. Factor
- Academic Support Aid
- Computer Hardware Aid
- Early Grade Class Size Reduction
- Educationally Related Support Services Aid
- Extraordinary Needs Aid
- Full Day Kindergarten Conversion Aid
- Gifted and Talented Aid
- Minor Maintenance and Repair Aid
- Operating Growth Aid
- Operating Standards Aid
- Operating Reorganization Incentive Aid
- Small City Aid
- Summer School Aid
- Tax Limitation Aid
- Teacher Support Aid

Other Aids and Grants

- Categorical Reading Programs
- CVEEB
- Fort Drum Aid
- Improving Pupil Performance Grants
- Magnet Schools Aid

Regents Proposal for 2005-06

Foundation

Grant



(Replaces all aids to the left)

Other Aids

Other Aids and Grants

BOCES Aid
Building Aid
Grants for Overcrowded Schools
Building Reorganization Incentive Aid
Limited English Proficiency Aid
Private Excess Cost Aid
Public Excess Cost Aid
Textbook Aid
Learning Technology Grants
Library Materials Aid
Computer Software Aid
Special Services – Career Education
Special Services – Computer Administration
Universal Pre-Kindergarten Aid
Bilingual Education Grants
BOCES Spec Act, <8, Contract Aid
Transportation Aid
Bus Driver Safety Training Grants
Chargebacks
Comptroller Audits
Division for Youth Transportation
Education of OMH/OMR
Education of Homeless Youth
Employment Preparation Education Aid
Incarcerated Youth
Native American Building Aid
Prior Year Adjustments
Roosevelt
Special Act Districts Aid
Teacher Centers
Teacher-Mentor Intern
Shared Services Savings Incentive
Tuition Adjustment Aid
Urban-Suburban Transfer Aid

2005-06 Regents Proposal Formula Components

Foundation Aid

Foundation: Foundation Operating Aid is the greater of \$500 or Formula Foundation Aid multiplied by Selected Total Aidable Pupil Units (TAPU). The Foundation Aid is the product of \$4,594, the Regional Cost Index (see explanation following) and a Pupil Need Index, less the Expected Local Contribution. The Pupil Needs Index, which ranges from 1.0 to 2.0, is the sum of 1.0 plus the product of the Extraordinary Needs percent (changed to exclude a Limited English Proficiency count) multiplied by the concentration factor. The concentration factor (maximum of 0.975) is $0.4875 + (0.4875 \times [(EN \text{ percent} - 10 \text{ percent})/70 \text{ percent}])$. The Expected Local Contribution is the product of 0.015 multiplied by the Alternate Pupil Wealth Ratio multiplied by the Selected Actual Value (AV) per 2003-04 TWPU. Selected AV is the lesser of the 2002 AV or the average of 2001 AV and 2002 AV, with increases limited to 15 percent over 2001 AV. Selected TAPU, Total Wealth Pupil Units (TWPU), and TAPU for Expense have been changed to be based on average daily membership (instead of average daily attendance), eliminate the 0.25 additional weightings for Pupils with Special Educational Needs and secondary pupils and continue the 0.12 weighting for summer school pupils (in TAPU). Aid for New York City is on a citywide basis. Resident Weighted Average Daily Attendance (RWADA) is used only for Building Aid. The following aids and grants are eliminated, as well as an aid that does not appear on the computerized aid estimates, County Vocational Education Extension Board (CVEEB):

- Comprehensive Operating
- Operating Aid
- Transition Adjustment
- Tax Effort
- Tax Equalization
- Tax Limitation
- Gifted & Talented
- Minor Maintenance and Repair
- Operating Standards
- Extraordinary Needs
- Summer School
- Early Grade Class Size Reduction
- Educationally Related Support Services
- Computer Hardware
- Operating Growth
- Operating Reorganization Incentive
- Full Day Kindergarten Conversion
- Teacher Support
- Academic Support
- Small Cities
- Improving Pupil Performance
- Categorical Reading
- Magnet Schools
- Fort Drum

Transition Adjustment: The base includes the 2004-05 aids listed above which appear in the computerized aid estimates. For those districts for which the new formula is less beneficial, districts are guaranteed 100 percent of the 2004-05 consolidated base aids. District Foundation Aid is capped at a need-adjusted 8.5 percent over 2004-05 aids. The cap is: $0.085 \times (\text{Need/Resource Index, but not less than } 1.0)$ with a minimum of 0.085 and a maximum of 0.14. The Need/Resource Index is the district's Extraordinary Needs Ratio (i.e., district Extraordinary Needs percent divided by the State average of 52.2 percent) divided by its Combined Wealth Ratio (CWR).

Support for Extra Time and Help

Limited English Proficiency: Aid is based on the 2004-05 LEP pupils multiplied by Foundation Operating Aid per pupil multiplied by 0.145.

Universal Pre-Kindergarten: The grant per pupil for unserved four-year olds is based on 0.50 multiplied by the 2005-06 Foundation Operating Aid per pupil. New York City's unserved count is phased-in at the product of the unserved four-year olds multiplied by 66 percent multiplied by the October 2003 free and reduced price lunch percent; rest of State pupils are phased-in at the product of the unserved four-year olds multiplied by the October 2003 free and reduced price lunch percent. If the resulting count is at least 19.0 or the district was eligible in the past, the district receives aid. No district receives less than the sum of its 2004-05 Universal Pre-kindergarten grant and the 2004-05 allocations for Targeted Prekindergarten (including summer).

Support for Students with Disabilities

Excess Cost - Public: A district's 2003-04 Approved Operating Expense/TAPU for Expense is limited to a \$2,000 to \$9,100 range. The aid equals the allowed expense times the Aid Ratio ($1 - (.51 * \text{CWR})$, with a .25 minimum). Pupils are aided by district of attendance. A 1.65 weighting is provided for pupils who require special services or programs for 60 percent or more of the school day consistent with an Individualized Education Program (IEP). High Cost expense must exceed the lesser of \$10,000 or four times district AOE/TAPU for Expense. Declassification Aid is included based on 50 percent of the basic Public Excess Cost Aid per pupil. No district receives less than 95 percent of its 2004-05 aid per pupil however this cannot exceed 150 percent of formula aid. Excess cost aid for students in integrated settings is the product of excess cost aid per pupil multiplied by 50 percent of the attendance of pupils who receive special education services or programs by qualified personnel, consistent with an IEP, for 60 percent or more of the school day in a general education classroom with non-disabled students.

Excess Cost - Private: Aid is for public school students attending private schools for students with disabilities. Net tuition expense is multiplied by the Aid Ratio ($1 - (.15 * \text{CWR})$, with a .5 minimum).

BOCES/Career and Technical Education

BOCES: BOCES Aid is included for administrative, shared services, rental and capital expenses. Save-harmless is continued. Approved expense for BOCES Administrative and Shared Services Aids is based on a salary limit of \$30,000. Aid is based on approved 2004-05 administrative and service expenses and the higher of the millage ratio or the AV/2003-04 TWPU Aid Ratio: $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum and .90 maximum. The millage ratio factor remains 8 mills. Rent and Capital Aids are based on 2005-06 expenses multiplied by the Current AV/2003-04 TWPU Aid Ratio with a .00 minimum and a .90 maximum. Payable aid is the sum of these aids.

Special Services Computer Administration: Computer Administration Aid equals the higher of the millage ratio or the AV/2003-04 TWPU Aid Ratio $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum multiplied by approved expenses not to exceed the maximum of \$62.30 multiplied by the Fall 2004 public school enrollment with half-day kindergarten weighted at 1.0.

Special Services Career Education: Career Education Aid equals the higher of the millage ratio or the Aid Ratio $(1 - (.51 * \text{CWR}))$ with a .36 minimum multiplied by \$3,720, multiplied by the 2004-05 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16.

Instructional Materials Aids

Textbook: Aid is based on 2004-05 approved textbook expenses up to the product of \$57.30 multiplied by the 2004-05 resident public and nonpublic enrollment.

Computer Software: Aid is based on 2004-05 approved computer software expenses up to the product of \$14.98 multiplied by the 2004-05 public and nonpublic enrollment.

Library Materials: Aid is based on 2004-05 approved library materials expenses up to the product of \$6.00 multiplied by the 2004-05 public and nonpublic enrollment.

Expensed-Based Aids

Building: Aid is equal to the product of the estimated approved building expenses multiplied by the highest of the 1981-82 through the 2002-03 AV/RWADA Aid Ratios or the Current AV/RWADA Aid Ratio. For projects approved by voters on or after July 1, 2000, expenses are multiplied by the higher of the Building Aid Ratio used for 1999-00 aid less .10 or the Current AV/RWADA Aid Ratio. Up to 10 percent of additional building aid is provided for projects approved by voters on or after July 1, 1998. Building expenses include certain capital outlay expenses, lease expenses, and an assumed debt service payment based on the useful life of the project and a statewide average interest rate. Aid is not estimated for those prospective and deferred projects that had not fully met all

eligibility requirements as of the November 15, 2004 database.

Simplified Building Aid Calculations: The Regents propose to simplify the calculation of the maximum cost allowance which is used to determine State Building Aid. The changes described below will allow school administrators to accurately predict State Building Aid prior to building design. The new formula would be:

$$\text{Maximum Cost Allowance} = \text{Projected Enrollment} \times \text{Allowed Square Feet per Student} \times \text{Allowed Cost per Square Foot} \times \text{Regional Cost Factor}$$

1. The projected enrollment would continue to be the enrollment projected five years out for grades PreK-6, seven years for grades 7-9 and ten years for high school.
2. The “allowed square feet per pupil” is based on the median values of New York State school buildings constructed in the last five years. The values are:
 - Grades PreK – 6 = 130 square feet per pupil
 - Grades 7-9 = 160 square feet per pupil
 - Grades 7-12 = 180 square feet per pupil
3. The “allowed cost per square foot” is set at a level to ensure reasonable construction costs for instructional facilities will be fully covered – the average maximum cost allowance for new buildings will not change under the new simplified formula. The values are:
 - Grades PreK – 6 = \$138 per square foot
 - Grades 7-9 = \$145 per square foot
 - Grades 7-12 = \$151 per square foot

The allowed cost per square foot would be adjusted monthly by the change in the construction cost index. The construction cost index can be found at:
<http://www.nysed.gov/fmis/facplan/projects/costind.htm>.

4. The current regional cost factor methodology would remain unchanged. The construction cost regional cost factors can be found at:
<http://www.emsc.nysed.gov/facplan/articles/rci03-04.html>.

Recognition of Extraordinary Construction Costs: the formula would include the following adjustments:

- Recognition for the increased costs of building in extremely dense urban areas. Extraordinary costs related to multi-story construction, site security, increased costs due to constricted traffic flows and limited staging areas, and the site acquisition and environmental remediation of sites in high-density urban areas will be eligible for aid even when such costs are in excess of the maximum cost allowance.

Grants for Overcrowded Schools: The Regents propose \$25 million for New York City to support the City's value engineering on new buildings and additions to maximize State Building Aid and to expedite the design of new buildings to reduce class size and relieve overcrowding.

Building Reorganization Incentive: Building Reorganization Incentive Aid on capital outlay, lease and debt service is subjected to the same requirements as regular Building Aid. Aid is provided for reorganization projects that have been approved by voters within five years of district consolidation and where the project is contained in the five-year capital reorganization plan.

Transportation: Non-capital aid is based upon estimated approved transportation operating expense plus capital expenses multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid for capital expenses (regular and summer) is computed as above but based on the assumed amortization of purchase, lease and equipment costs over five years, at a statewide average interest rate. The selected Aid Ratio is the highest of 1.263 multiplied by the State Sharing Ratio or $1.01 - (.46 * \text{Pupil Wealth Ratio})$ or $1.01 - (.46 * \text{Enrollment Wealth Ratio})$, plus a sparsity adjustment. The sparsity adjustment is the positive result of 21 minus the district's 2003-04 enrollment per square mile, divided by 317.88. The State Sharing Ratio is the greater of: $1.33 - (1.085 * \text{Combined Wealth Ratio})$ or $.915 - (0.56 * \text{Combined Wealth Ratio})$ or $0.53 - (0.238 * \text{Combined Wealth Ratio})$, with a maximum of 1.00.

Summer School Transportation: Transportation Aid for summer school programs is based on estimated approved transportation operating expense multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid is no longer prorated to remain within a \$5.0 million appropriation. This proposal combines summer school and regular transportation aid. Aid is shown separately in a subsequent table for the purpose of comparison to the base year.

Regional Cost Adjustment Based on Professional Salaries 2005-06 Regents Proposal

A regional cost index was generated using an approach first developed by education finance researchers in the state of Oregon. Their method recognized that school districts are often the dominant purchasers of college-educated labor in a community. As such, they exercise unusual market influence over the price they pay for such services, so that differences in cost may be the result of choices school districts make. For this reason, teacher salaries were specifically excluded from the construction of the index, and selected professional salaries used as a proxy for the purpose of determining regional cost differentials.

The index includes 63 titles for which employment at the entry level typically requires a bachelor's degree, and excludes teachers and categories that tend to be restricted to federal and state government. The wage data are provided by the Bureau of Labor Statistics and are drawn from the 2001 Occupational Employment Statistics (OES) Survey. The OES survey is an establishment survey and according to U.S. Department of Labor analysts, "wages and earnings tend to be more accurately reported in establishment surveys as they are based upon administrative records rather than recall by respondents."⁹ Additionally, the survey is administered on a three-year cycle where each year one third of the establishments are surveyed and wage data are aggregated using a technique known as wage updating. Thus, the approximations of wages become increasingly accurate and are most precise in the third year. Unchanged from the 2004-05 Regents proposal, the RCI calculations are based on the third and most accurate data-year in the cycle. The triennial nature of the data means that the RCI need only be updated in those years in which the most accurate data in the cycle are available.¹⁰ The next scheduled update of the data would occur in 2006.

Method of Calculation

The index was calculated as the weighted median annual wage for a given labor force region divided by the weighted median annual wage for New York State (\$65,189). The index was truncated to three decimal places then divided by the North Country value of .731. Index values range from 1.000 for the North Country to 1.496 for the Long Island/New York City Region. The accompanying table lists the counties included in each labor force region. The weighted median wage for New York State and for each labor force region was calculated as follows:

⁹ "Interarea Comparisons of Compensation and Prices," *Report on the American Workforce, 1997*, p. 73.

¹⁰ For a detailed discussion of regional cost and the construction of the Regents Cost Index see, *Recognizing High Cost Factors in the Financing of Public Education: A Discussion Paper and Update Prepared for the New York State Board of Regents SA (D) 1.1* (Sept., 2000) and the technical supplement entitled *Recognizing High Cost Factors in the Financing of Public Education: The Calculation of a Regional Cost Index* (Nov., 2000). Copies can be obtained by contacting the Fiscal Analysis and Research Unit at (518) 474-5213 or visiting their web site at <http://www.oms.nysed.gov/faru/articles.html>.

Weighted Median Hourly Wage = The sum of: (Title Weight * Median Annual Wage) for all 63 titles making up the index.

1. Title Weight = the number of employees in a given title statewide divided by the number of employees in the 63 titles statewide. Applying title weights to each labor force region prevents the index from being skewed by variations in occupational mix across regions.

2. Median Annual Wage = median annual wage rate reported for each title in each labor force region and statewide.

A separate index was created for each labor force region based on a subset of 46 of the 63 titles. These 46 occupations represent those titles for which there were no missing data in any of the labor force regions. This index was then used to estimate the median annual wage of titles with missing data in any given labor force region. This was done by multiplying the statewide median annual wage for the title with missing data by the 46-title index for the specific labor force region for which the salary data was missing.

For the purpose of index construction, the New York City and Long Island labor force regions were treated as a single labor force region. The New York City/Long Island weighted median wage was calculated as follows:

NYC/LI Weighted Median Wage = The sum of (Title Weight * NYC/LI Median Annual Wage) for all 63 titles making up the index

1. Title Weight = same as above.

2. NYC/LI Median Annual Wage = for each title:

$$\frac{[(\# \text{ of emp LI} * \text{LI median annual wage}) + (\# \text{ of emp NYC} * \text{NYC median annual wage})]}{(\# \text{ of employees in LI} + \# \text{ of employees in NYC})}$$

Regional Cost Index
Counties in Labor Force Regions

Capital District

Albany
Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

Central New York

Cayuga
Cortland
Onondaga
Oswego

Finger Lakes

Genesee
Livingston
Monroe
Ontario
Orleans
Seneca
Wayne
Wyoming
Yates

Hudson Valley

Dutchess
Orange
Putnam
Rockland
Sullivan
Ulster
Westchester

Long Island/New York City

Nassau
New York City
Suffolk

Mohawk Valley

Fulton
Herkimer
Madison
Montgomery
Oneida
Schoharie

North Country

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

Southern Tier

Broome
Chemung
Chenango
Delaware
Otsego
Schuyler
Steuben
Tioga
Tompkins

Western New York

Allegany
Cattaraugus
Chautauqua
Erie
Niagara

SUMMARY OF AIDS AND GRANTS AS REQUESTED IN THE 2005-06 REGENTS PROPOSAL ON SCHOOL AID

Aid Category	2004-05	2005-06	Change	
	School Year	School Year	Amount	Percent
	(-----Amounts in Millions-----)			
I. Foundation Aid				
Operating Aid/Foundation Aid	\$6,964.80	\$12,666.69	\$5,701.89	81.87
Gifted & Talented	0.00	0.00	0.00	NA
Operating Standards	0.00	0.00	0.00	NA
Academic Support	0.00	0.00	0.00	NA
Tax Effort	0.00	0.00	0.00	NA
Tax Equalization	0.00	0.00	0.00	NA
Tax Limitation	47.99	0.00	-47.99	-100.00
Extraordinary Needs	1,090.87	0.00	-1,090.87	-100.00
Summer School	30.34	0.00	-30.34	-100.00
Early Grade Class Size Reduction	138.12	0.00	-138.12	-100.00
Minor Maintenance & Repair	49.98	0.00	-49.98	-100.00
Educationally Related Support Services	72.27	0.00	-72.27	-100.00
Computer Hardware	28.58	0.00	-28.58	-100.00
Operating Growth	22.09	0.00	-22.09	-100.00
Operating Reorganization Incentive	18.25	0.00	-18.25	-100.00
Full Day Kindergarten Conversion	4.52	0.00	-4.52	-100.00
Teacher Support	67.48	0.00	-67.48	-100.00
Small Cities	81.88	0.00	-81.88	-100.00
Improving Pupil Performance (IPP)	66.35	0.00	-66.35	-100.00
Categorical Reading	63.95	0.00	-63.95	-100.00
Magnet Schools	136.10	0.00	-136.10	-100.00
Fort Drum	2.63	0.00	-2.63	-100.00
Plus: Cap on Losses	0.00	689.40	689.40	NA
Less: Cap on Increases	0.00	-3,549.15	-3,549.15	NA
Sum	8,886.20	9,806.95	920.75	10.36
II. Support for Extra Time and Help				
Limited English Proficiency	104.14	141.32	37.18	35.70
Universal Prekindergarten	249.95	296.80	46.85	18.75
Sum	354.09	438.12	84.03	23.73
III. Support for Students with Disabilities				
Public Excess Cost Aid	2,266.20	2,436.96	170.77	7.54
Private Excess Cost Aid	210.76	220.36	9.60	4.56
Sum	2,476.96	2,657.32	180.37	7.28
IV. BOCES/Career and Technical Education Aid				
BOCES	507.24	550.62	43.38	8.55
Special Services Computer Administration	38.68	43.92	5.25	13.56
Special Services Career Education	96.72	117.66	20.94	21.65
Sum	642.64	712.20	69.56	10.82
V. Instructional Materials Aid				
Computer Software	46.64	46.41	-0.23	-0.48
Library Materials	19.27	19.54	0.27	1.42
Textbook	188.34	188.67	0.33	0.18
Sum	254.24	254.62	0.38	0.15
VI. Expense-Based Aids				
Building Aid	1,396.41	1,425.76	29.34	2.10
Building Reorganization Incentive	13.78	0.41	-13.37	-97.02
Building Grants	0.00	25.00	25.00	NA
Transportation *	1,078.51	1,237.93	159.41	14.78
Summer Transportation	4.64	8.95	4.31	92.75
Sum	2,493.34	2,698.04	204.70	8.21
Computerized Aids Subtotal	15,107.47	16,567.25	1,459.78	9.66
VII. All Other Aids				
Bilingual Education	11.20	11.20	0.00	0.00
Education of OMH/OMR Pupils	26.00	30.00	4.00	15.38

Homeless	5.68	6.25	0.58	10.13
DFY Transportation	0.23	0.23	0.00	0.00
Employment Preparation Edn. (EPE)	90.00	94.50	4.50	5.00
Incarcerated Youth	14.50	16.50	2.00	13.79
BOCES Spec Act, <8, contract	0.68	0.68	0.00	0.00
Bus Driver Safety Training Grants	0.40	0.40	0.00	0.00
Less: Local Contribution due for certain students	-18.00	-18.00	0.00	0.00
Comptroller Audits	0.25	0.25	0.00	0.00
Native American Building	2.00	2.00	0.00	0.00
Roosevelt	6.00	6.00	0.00	0.00
Special Act Districts	2.20	2.20	0.00	0.00
Mentor Teacher	6.00	6.00	0.00	0.00
Teacher Centers	31.00	31.00	0.00	0.00
Teachers for Tomorrow	20.00	108.00	88.00	440.00
School Improvement Implementation Grants	0.00	10.00	10.00	NA
County Vocational Ed. Extension Boards (CVEEB)	0.92	0.00	-0.92	-100.00
Learning Technology Grants	3.29	3.29	0.00	0.15
Shared Services Savings Incentive	0.20	0.20	0.00	0.00
Tuition Adjustment Aid	1.18	1.18	0.00	0.43
Urban-Suburban Transfer	1.13	1.13	0.00	0.00
G.E.D. Test Fees	0.00	2.10	2.10	NA
Prior Year Adjmts & Fiscal Stabilization Grants **	0.00	43.41	43.41	NA
Sum	204.84	358.51	153.67	75.02
Total General Support for Public Schools	15,312.31	16,925.76	1,613.45	10.54
Prior Year Adjmts & Fiscal Stabilization Grants	28.00	0.00	-28.00	-100.00
Transp Capital Expense Transition Grant	68.37	0.00	-68.37	-100.00
Grand Total	\$15,408.68	\$16,925.76	\$1,517.08	9.85

* The Regents proposal includes funding for transportation capital expenses which were funded outside General Support for Public Schools in 2004-05, and appears below for that year.

** The Regents proposal includes funding for prior year adjustments which were funded outside General Support for Public Schools in 2004-05, and appears below for that year.

ANALYSIS OF AID CHANGES UNDER THE 2005-06 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS *

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index Decile Range	2004-05 Enrollment	2005-06 AID	2004-05 BASE	Change	Percent Change	% of Total Increase	Change per pupil
1	0.000 - 0.044	186,032	384,189,322	362,041,217	22,148,105	6.12	1.59	119
2	0.045 - 0.157	233,272	684,735,792	657,638,888	27,096,904	4.12	1.95	116
3	0.158 - 0.369	264,249	1,078,001,114	1,048,818,772	29,182,342	2.78	2.10	110
4	0.370 - 0.687	235,472	1,097,799,617	1,053,356,754	44,442,863	4.22	3.19	189
5	0.688 - 1.064	192,801	1,020,772,199	975,339,468	45,432,731	4.66	3.27	236
6	1.065 - 1.515	125,817	812,957,619	762,212,739	50,744,880	6.66	3.65	403
7	1.516 - 1.966	141,237	1,033,244,560	953,574,868	79,669,692	8.35	5.73	564
8	1.967 - 2.542	117,336	972,990,759	881,262,706	91,728,053	10.41	6.59	782
9	2.543 - 3.252	91,580	795,930,169	726,921,652	69,008,517	9.49	4.96	754
10	3.253 - 10.553	103,978	997,556,007	899,431,881	98,124,126	10.91	7.05	944
STATE (Excl. BIG 5)		1,691,774	8,878,177,158	8,320,598,945	557,578,213	6.70	40.07	330
New York City		1,044,327	6,473,084,989	5,735,925,032	737,159,957	12.85	52.98	706
Big 4 Cities		127,936	1,215,992,512	1,119,320,166	96,672,346	8.64	6.95	756
STATE		2,864,037	16,567,254,659	15,175,844,143	1,391,410,516	9.17	100.00	486

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2004-05 Enrollment	2005-06 AID	2004-05 BASE	Change	Percent Change	% of Total Increase	Change per pupil	
NYC	1,044,327	6,473,084,989	5,735,925,032	737,159,957	12.85	52.98	706	
Big 4	127,936	1,215,992,512	1,119,320,166	96,672,346	8.64	6.95	756	
Urban/Suburban High Need	235,190	1,740,384,529	1,592,607,866	147,776,663	9.28	10.62	628	
Rural High Need	177,124	1,589,712,393	1,454,752,362	134,960,031	9.28	9.70	762	
Average Need	874,262	4,587,443,471	4,359,801,222	227,642,249	5.22	16.36	260	
Low Need	405,198	960,636,765	913,437,495	47,199,270	5.17	3.39	116	
STATE		2,864,037	16,567,254,659	15,175,844,143	1,391,410,516	9.17	100.00	486

* The 2004-05 Base includes the Transportation Capital Expense Transition Grant.

ANALYSIS OF AID CHANGES UNDER THE 2005-06 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS WITHOUT TRANSPORTATION, BUILDING AND BUILDING INCENTIVE

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2004-05 Enrollment	2005-06 AID	2004-05 BASE	Change	Percent Change	% of Total Increase	Change per pupil
	Decile Range								
1	0.000	0.044	186,032	303,825,243	294,720,992	9,104,251	3.09	0.73	49
2	0.045	0.157	233,272	528,378,176	513,770,884	14,607,292	2.84	1.16	63
3	0.158	0.369	264,249	841,211,609	816,450,967	24,760,642	3.03	1.97	94
4	0.370	0.687	235,472	860,796,087	823,446,436	37,349,651	4.54	2.98	159
5	0.688	1.064	192,801	807,239,999	773,857,618	33,382,381	4.31	2.66	173
6	1.065	1.515	125,817	665,280,936	615,542,286	49,738,650	8.08	3.96	395
7	1.516	1.966	141,237	848,847,728	768,309,231	80,538,497	10.48	6.42	570
8	1.967	2.542	117,336	807,783,632	722,552,702	85,230,930	11.80	6.79	726
9	2.543	3.252	91,580	668,655,834	602,431,822	66,224,012	10.99	5.28	723
10	3.253	10.553	103,978	834,594,362	738,224,285	96,370,077	13.05	7.68	927
STATE (Excl. BIG 5)			1,691,774	7,166,613,606	6,669,307,223	497,306,383	7.46	39.62	294
New York City			1,044,327	5,623,565,191	4,964,891,180	658,674,011	13.27	52.48	631
Big 4 Cities			127,936	1,079,035,531	979,935,034	99,100,497	10.11	7.90	775
STATE			2,864,037	13,869,214,328	12,614,133,437	1,255,080,891	9.95	100.00	438

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2004-05 Enrollment	2005-06 AID	2004-05 BASE	Change	Percent Change	% of Total Increase	Change per pupil	
NYC	1,044,327	5,623,565,191	4,964,891,180	658,674,011	13.27	52.48	631	
Big 4	127,936	1,079,035,531	979,935,034	99,100,497	10.11	7.90	775	
Urban/Suburban High Need	235,190	1,508,182,431	1,363,104,717	145,077,714	10.64	11.56	617	
Rural High Need	177,124	1,296,504,610	1,161,827,713	134,676,897	11.59	10.73	760	
Average Need	874,262	3,611,615,728	3,417,588,956	194,026,772	5.68	15.46	222	
Low Need	405,198	750,310,837	726,785,837	23,525,000	3.24	1.87	58	
STATE		2,864,037	13,869,214,328	12,614,133,437	1,255,080,891	9.95	100.00	438

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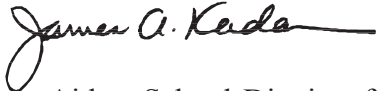
NOTE: w/o trans, summer trans, bldg, reblgd, \$25m NYC overcrowding grant.

ATTACHMENT D



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY,
NY 12234

TO: District Superintendents
Superintendents of Schools
New York City Department of Education
School Board Members
New York State Educational Associations
Nonpublic School Administrators
Administrators of Charter Schools
Other Interested Persons

FROM: James A. Kadamus 

SUBJECT: Regents Proposal on State Aid to School Districts for 2006-07

DATE: November 10, 2014

The Regents proposal for State Aid to school districts for school year 2006-07 represents the third year in a five-year proposal aimed at helping school districts close the gap in preparing all students to meet State learning standards. It includes:

- A proposed increase for school year 2006-07 of \$1.5 billion over 2005-06 aid. This amount has been updated to reflect the latest data available from school districts.
- A new Foundation Aid program to support general education instruction, consolidating 29 aids into a single aid that:
 - Is based on expenses of school districts that were successful in meeting State learning standards
 - Is adjusted for pupil need and regional cost
 - Includes an expected local contribution as a fair share from school districts
 - Includes a minimum increase of two percent and a maximum increase of from 10.5 to 11.25 percent
- A \$96 million increase for pre-kindergarten programs in a new grant program based on the Foundation Aid amount for each pupil.
- A simplified formula to help districts with the excess costs of educating students with disabilities, based on costs in successful school districts.

- Authority for the Large City school districts of Yonkers, Rochester, Syracuse and Buffalo to contract with BOCES for certain services.
- A simplified cost allowance for State Building Aid for school construction.

The following tables and charts illustrate the impact of the proposal. Exhibit A shows the dollar amounts the Regents propose in specific areas. Exhibit B shows that the Regents recommend that 80 percent of the proposed increase go to high need school districts around the State. Exhibits C and D show the distribution of the proposed increase to groups of school districts in the 2006-07 school year and at full implementation. Exhibit E shows that computerized State Aid per enrolled pupil increases for each group of districts, with the greatest increases going to high need school districts. The Technical Supplement beginning on page 13 describes the technical features of the proposal.

Attachment

Exhibit A

Regents State Aid Proposal

New York State

(all figures in millions)

Program	2005-06 School Year	2006-07 Regents Proposal	Regents " Proposal - Change from Base"
General Purpose Aid	<u>\$9,840</u>	<u>\$10,894</u>	<u>\$1,054</u>
FLEX Aid	\$8,460 ^(a)	N/A	
Sound Basic Education Grant	\$325	N/A	
Extraordinary Needs Aid	\$29	N/A	
All Other Programs	\$769	N/A	
Foundation Grant Subtotal	<u>\$9,583</u>	<u>\$10,414</u>	<u>\$831</u>
Limited English Proficiency Aid	\$5 ^(a)	\$132	\$127
Universal Prekindergarten Aid	\$252 ^(b)	\$348	\$96
Support for Pupils with Disabilities	<u>\$2,615</u>	<u>\$2,725</u>	<u>\$110</u>
Public Excess Cost Aid	\$2,397	\$2,496	\$99
Private Excess Cost Aid	\$218	\$229	\$11
BOCES\Career and Technical Ed.	<u>\$687</u>	<u>\$815</u>	<u>\$128</u>
BOCES Aid	\$546	\$603	\$57
Special Services - Career Education Aid	\$102	\$165	\$63
Special Services - Computer Admin. Aid	\$39	\$47	\$8
Instructional Materials Aids	<u>\$252</u>	<u>\$253</u>	<u>\$1</u>
Textbook Aid	\$187	\$187	\$0
Computer Software Aid	\$46	\$47	\$1
Library Materials Aid	\$19	\$19	\$0
Expense-Based Aids	<u>\$2,731</u>	<u>\$2,927</u>	<u>\$196</u>
Building Aid	\$1,506	\$1,587	\$81
Building Reorganization Incentive Aid	\$15	\$1	(\$14)
Transportation Aid	\$1,205	\$1,329	\$124
Summer Transportation Aid	\$5	\$10	\$5
Computerized Aids Subtotal	<u>\$16,125</u>	<u>\$17,614</u>	<u>\$1,489</u>
All Other Aids	<u>\$205</u>	<u>\$205</u>	<u>\$0</u>
Teachers of Tomorrow	\$20	\$20	\$0
Other Programs	\$185	\$185	\$0
Total General Support for Public Schools	<u>\$16,330</u>	<u>\$17,819</u>	<u>\$1,489</u>
Prior Year Adjustments and Fiscal Stabilization Grant	\$28 ^(b)	\$28 ^(b)	\$0
Grand Total	<u>\$16,358</u>	<u>\$17,847</u>	<u>\$1,489</u>

1 The base year estimate for Limited English Proficiency reflects the fact that LEP Aid was consolidated into FLEX aid.

2 The Regents proposal includes funding for targeted prekindergarten grants and prior year adjustments which were funded outside of General Support for Public Schools in 2005-06. They are included in the 2005-06 estimates for comparability.

Exhibit B

Computerized State Aid Increases

How They Are Distributed

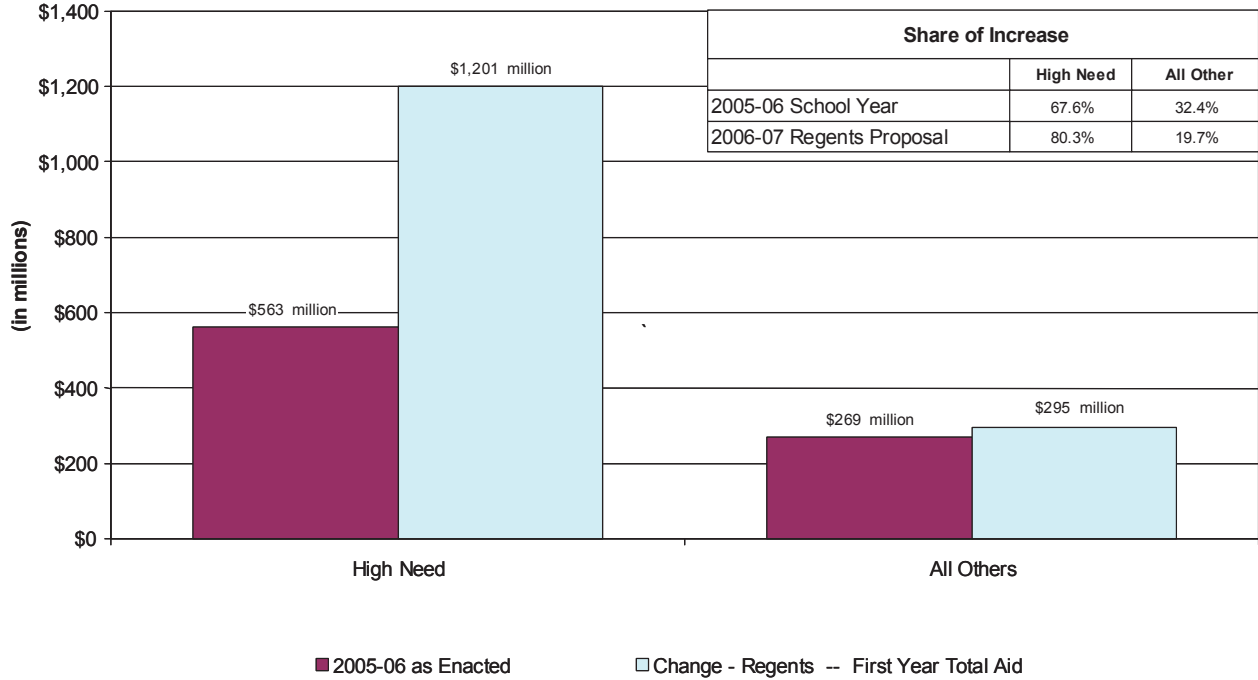


Exhibit C

Regents Proposal First Year Impact

Share of Overall Increase for 2006-07

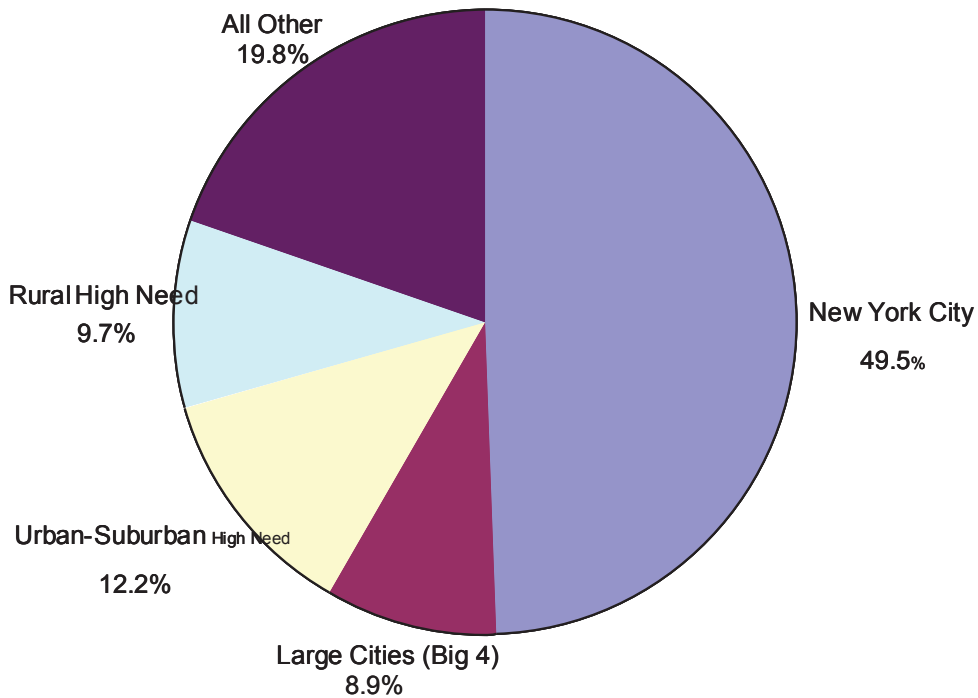


Exhibit D
Regents Proposal Fully Implemented
Share of Overall Increase for 2009-10

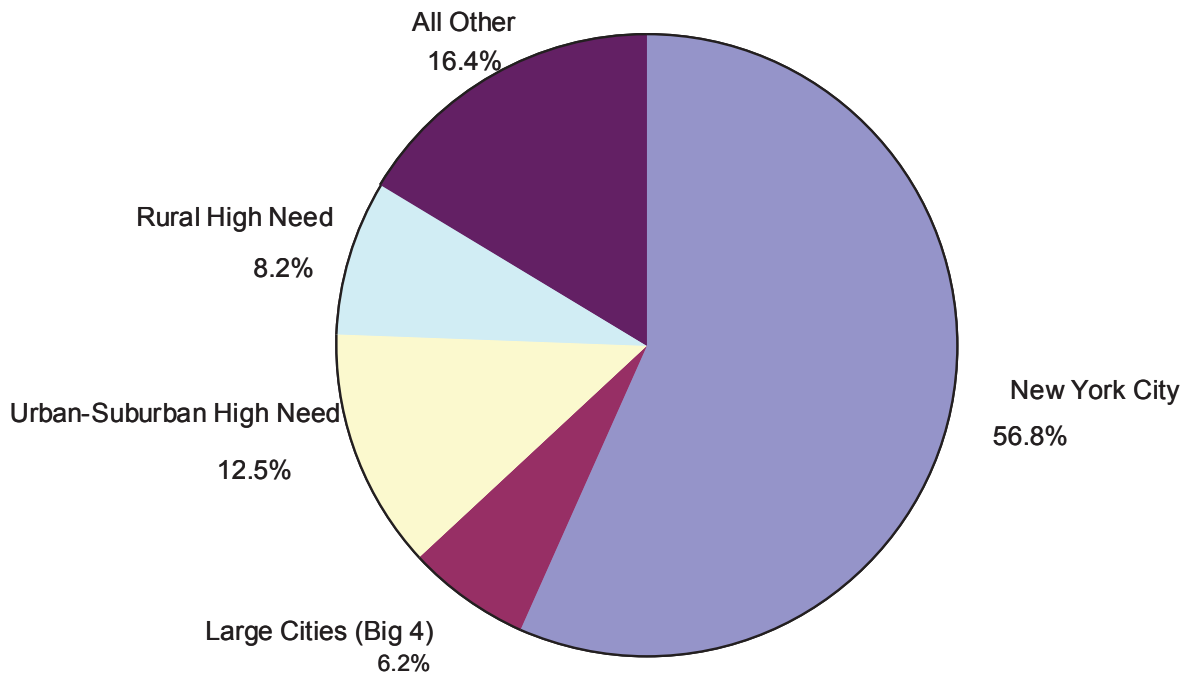
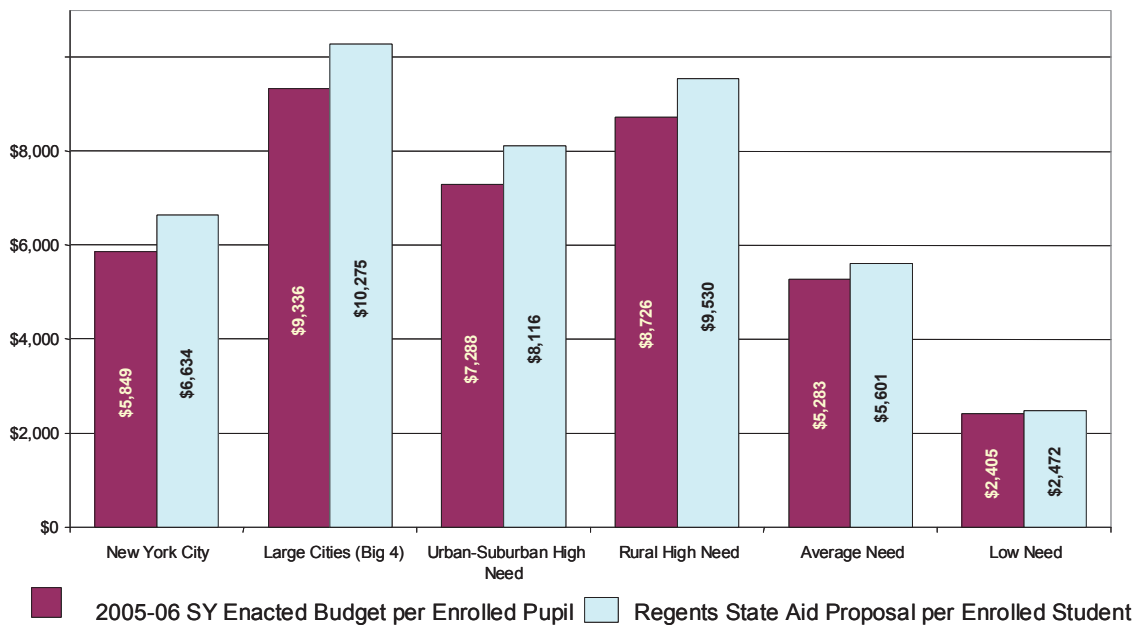


Exhibit E
Distribution of Computerized Aid per Enrolled Pupil



**Regents Proposal on State Aid
To School Districts for School Year 2006-07**

The University of the State of New York
The State Education Department
State Aid Work Group
Albany, New York
January 2006

**Regents Proposal on State Aid
To School Districts for School Year 2006-07**

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**Regents Proposal on State Aid to School Districts
For School Year 2006-07**

CONCEPTUAL PROPOSAL

The Regents State Aid proposal for 2006-07 will request the resources and funding system needed to provide adequate resources through a State and local partnership so that all students have the opportunity to achieve State learning standards. This is the third year of a multi-year proposal recommending transition to a foundation program based on the costs of successful educational programs.

Statement of Need

This proposal pursues two Regents goals: to close the gap between actual and desired student achievement; and to ensure that public education resources are adequate and used by school districts effectively and efficiently.

The Regents Annual Report to the Legislature and Governor on the Educational Status of the State's Schools (Chapter 655 Report) cites numerous examples of improvement in student achievement since 1996 when the Regents began to raise standards for all grade levels and imposed graduation requirements aligned with the new standards. For example, the report notes that there is progress to report¹:

- More eighth-graders are demonstrating that they have achieved the standards in mathematics.
- Between 1999 and 2003, the percentage of eighth-graders meeting the mathematics standard increased from 38 to 58 percent, in public schools statewide, and the percentage of Black students increased from 13 to 33 percent. The percentage of Hispanic students increased from 15 to 36 percent.
- The percentage of Black and Hispanic fourth-graders demonstrating proficiency increased by about 20 percentage points in both mathematics and English.
- The percentage of graduates earning Regents diplomas increased from 42 to 57 percent.
- Even in large urban districts that serve the largest percentages of poor and minority students, more students are earning Regents diplomas.
- Between 1996–97 and 2003–04, the number of students scoring 55 or higher on the Regents English exam increased from 113,000 to 171,000.

¹ The Chapter 655 Report. A Report to the Governor and the Legislature on the Educational Status of the State's Schools, New York State Education Department, Albany, NY, July 2005.

While there have been many positive changes in the last 17 years since the Regents have reported on the educational progress of the State's schools, one disturbing aspect of the report has remained the same. The report continues to document a pattern of high student need, limited resources, and poor performance in many districts. Generally, these districts can be described as having high student needs relative to their capacity to raise revenues. These high-need districts include the Big 5, 46 smaller districts with many of the characteristics of the Big 5, and 156 rural districts. Large gaps in performance exist between these high-need districts and low-need districts, those which both serve children from more affluent families and have generous local resources to draw on.

The results of the middle-level mathematics assessment illustrate these performance gaps between high and low-need districts. Test results for 2004 showed significant improvements in total public results and in results for each Need/Resource Capacity Category and racial/ethnic group. Nevertheless, the performance gap between low- and high-need districts, such as New York City, remains:

- While the percentage of New York City students who are proficient in middle-level mathematics increased to 42 percent, almost twice as many students in low-need districts were proficient.

We can relate this contrast to the resources available to schools in each group:

- Let's look first at the percentage of middle-level mathematics teachers who are not appropriately certified. In New York City, 18 percent of middle-level mathematics teachers are not appropriately certified, compared with 3 percent in the high-performing low-need districts.
- Besides having less qualified teachers than students in low-need districts, students in New York City attended school fewer days during the year: 161 compared with 172 days.

But the differences between New York City and the low-need districts do not stop there: The average expenditure per pupil in New York City was over \$2,000 less than that in low-need districts.

- \$12,896 per pupil in New York City, compared with \$15,076 on average in low-need districts in 2002-03.
- The median teacher salary in New York City was \$54,476 compared with \$66,638 in low-need districts.

Similar relationships among performance, resources, and student need can be seen in comparisons between the performance of White students and that of Black and Hispanic students. White students were about twice as likely as Black or Hispanic students to be proficient in middle-level mathematics.

- 71 percent of White students met the middle-level mathematics standards.

- 33 percent of Black students and 37 percent of Hispanic students met those standards.

The majority of Black and Hispanic students attend high-minority schools; the majority of White students attend low-minority schools. One reason that students in low-minority schools are more successful is that they spend more time in school.

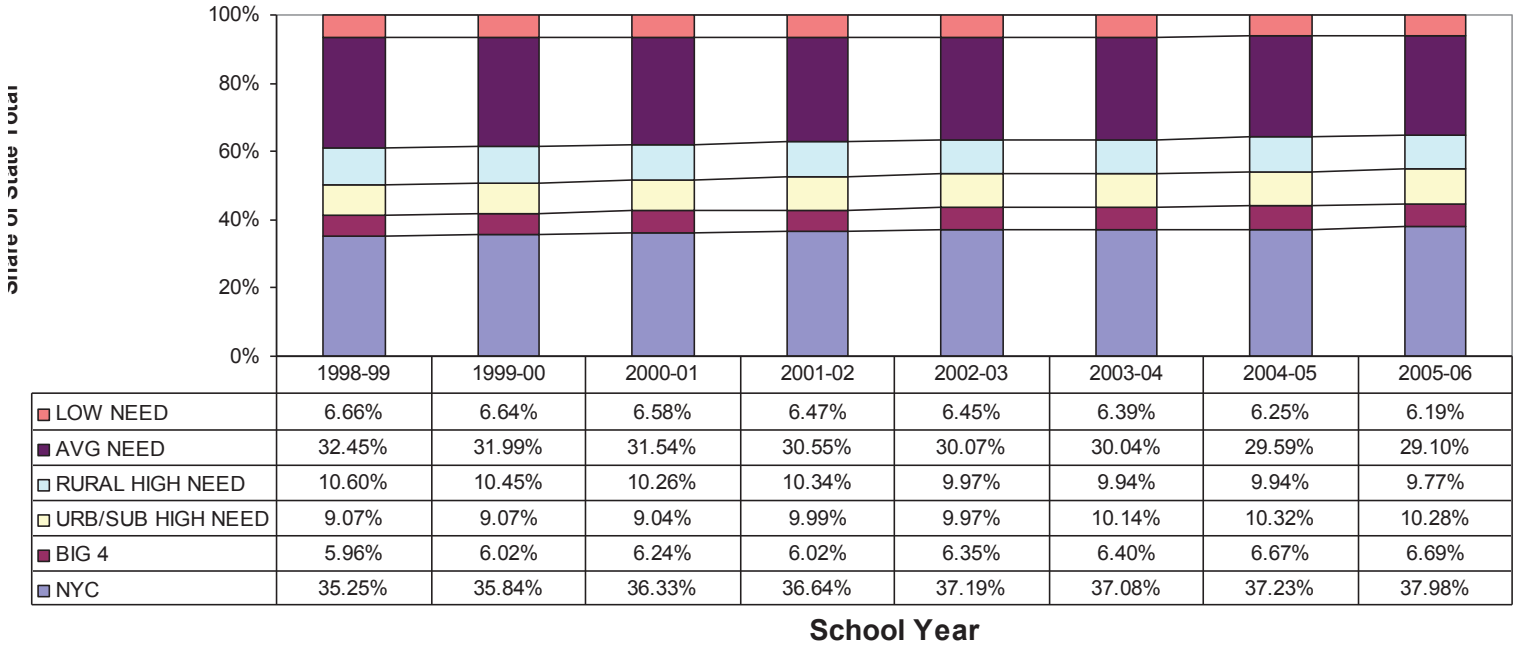
In addition, high-minority schools had a:

- Higher teacher turnover rate (26 vs. 15 percent), and
- Less experienced teachers (10 years vs. 12 years).

The significance of these gaps in performance and resources between high- and low-minority schools is heightened by the fact that, while overall public school enrollment decreased by nearly 3,000 students between Fall 1998 and Fall 2003, enrollment in high-minority schools increased by 47,000 students.

Figure 1 shows that the State Aid increase school districts have experienced has had a relatively small impact on the share of total State Aid that each district category receives. Even big changes of redistribution in an increase are unlikely to have a major short-term influence on overall shares. Thus, despite increases to high-need school districts, the relative share of education revenues received by high-need city school districts has increased by approximately one to three percentage points over the past eight years. The relative share declined for high-need rural school districts (almost one percentage point), average need school districts (approximately three and a half percentage points), and for low-need school districts (about half a percentage point).

Figure 1. Share of Computerized Aids as Enacted



Four principles guide this Regents proposal. They include:

1. Adequacy—Effective distribution across all districts will ensure adequate resources for acceptable student achievement.
2. Equity—School funding will equalize differences in school districts’ fiscal capacity, pupil need and regional costs to maintain comparable levels of local effort in school districts across the State.
3. Accountability—The education system will measure outcomes and use those measures to ensure that financial resources are used effectively. As part of the Regents goal that education resources will be used or maintained in the public interest, the Regents employ a two-prong strategy. The Department will give greater flexibility to districts with acceptable student achievement and will work closely with districts not yet meeting State standards to ensure the most efficient and effective use of resources.
4. Balance—The State should balance stability in funding and targeting aid to close student achievement gaps. It should drive aid based on current needs, and use hold-harmless provisions to provide stability.

The Regents recommend changes in the following focus areas for their 2006-07 proposal.

Enact a Foundation Program

The proposed foundation aid would consolidate approximately 30 existing aid programs and adjust for regional cost differences and pupil needs. It would identify an expected local contribution for each school district, based on ability to pay. The foundation level is based on the cost of educating students in successful school districts.

The proposal for a foundation program represents a dramatic simplification over the current system. It would replace 29 different aid programs, each with many different components or *aid drivers*, with one formula with four moving parts.

The foundation formula is based on the *cost of educating students* in successful school districts, adjusted for *regional cost differences* and differences in each district's concentration of *needy pupils*. An *expected local contribution* is calculated based on each district's actual value per pupil, adjusted by income per pupil. State Aid is calculated as the foundation cost less the expected local contribution. The proposal would hold school districts harmless against loss for the group of aids combined into foundation aid and would be phased in over five years.

The foundation formula approach has several advantages. It sets aid independent of any decisions by districts on how much to spend. It also provides certainty to districts regarding how much funding they will receive. And, most significantly, it explicitly links school funding to the cost of educating children and drives dollars where they are most needed.

Special Education Funding

The Regents explored options for improving the funding of special education in a series of meetings around the State with educators and the public. Participants considered how funding can best support program goals of improved student achievement and education of students with disabilities in the least restrictive environment. Three options were discussed that provide special education funding separate from the foundation program and respond to policy concerns voiced at public forums on special education funding.

Understanding a proposal requires understanding the existing system that is to be changed. Current laws provide school districts State Aid to help meet the excess costs of educating students with disabilities--that is, districts receive operating aid for each student including those with disabilities, and, in addition, excess cost aid for those costs that are above and beyond the costs of a non-disabled student. In addition, the laws provide:

- That excess cost aid be wealth-equalized but require a substantial local contribution;
- That excess cost aid be based on the average spending on all students in the district but provide more aid for higher levels of service to students with disabilities;
- A substantial minimum aid, regardless of wealth;
- Extra aid for high-cost students and students integrated with their nondisabled peers; and
- Aid for students with disabilities placed in approved nonpublic special education schools.

The proposed approach maintains a separate special education funding stream based on a count of students with disabilities. It aligns that funding with the Regents proposal for foundation aid for general education instruction.

The general direction of the proposal is this: Calculate the foundation amount for general education students (e.g., General Education Foundation Cost x Pupil Needs Index x Regional Cost Index). This would be divided into an expected local contribution and State Aid in order to provide support for general education instruction, as it was proposed in the 2004-05 and 2005-06 Regents State Aid proposals.

For Public Excess Cost Aid, that same foundation amount would be multiplied by a single weighting for all classified students with disabilities to determine an expense upon which to base excess cost aid per pupil. Thus, each student with a disability would generate operating aid based on a portion of the general education foundation amount and, separately, excess cost aid based on a portion of the special education weighted general education foundation amount. The excess cost aid would be tied to the cost of education in successful districts by basing it on the foundation amount from our original successful schools study. High-cost aid and private excess cost aid could be continued separately and the Regents proposal for a current-year aid for new high-cost students with disabilities would be carried forward.

The following is an example of this proposal in a hypothetical school district. The amounts used are made up and are intended to illustrate how the formula might work and not its specific details.

Calculate the foundation amount for general education students (e.g., \$1,000 x Pupil Needs Index x Regional Cost Index or by example a district with moderate pupil needs and moderate costs, $\$1,000 \times 1.5 \times 1.2 = \$1,800/\text{pupil}$). Divide this into State Aid and an expected local contribution to provide State support for general education instruction. For this hypothetical school district, assume the expected local contribution was \$1,000 per pupil and State Aid was \$800 per pupil.

Take the same foundation amount (\$1,800/pupil) multiplied by a single weighting for all classified students with disabilities to determine excess cost expense per pupil. (For example, $\$1,800 \times 1.1 = \$1,980$ of excess cost expense per special education pupil.) A State and local share of this expense can then be calculated. Thus, each student with a disability would generate foundation aid and excess cost aid.

Strengthen Accountability for the Use of Funds

The Regents have examined ways to strengthen the education system to be able to answer the question: How do we know if resources are well spent? They recommend continued support for state-of-the-art systems for processing State Aid and gathering and reporting information on students and resources. They recommend a strengthened State Education Department capacity to provide technical assistance to school districts in fiscal or programmatic crisis and to audit school districts. They have reviewed statutory and/or regulatory barriers to improving student

achievement and have made recommendations for removing them in a separate legislative proposal on streamlining school district planning and reporting.

Legislative action for 2005-06 has enacted two bills related to fiscal accountability of school districts. One requires six hours of training for all newly elected or appointed school board members in the fundamentals of school district fiscal oversight, audit committees for school boards, and all school districts to conduct a risk assessment and put in place internal controls as part of an internal audit review. The other provides the State Comptroller with funds to audit all school districts over a five-year period. The Regents applaud these actions to strengthen the fiscal accountability of school districts. The following recommendations address other key aspects of the financial accountability of school districts.

Specific recommendations are as follows:

Improve Data and Information Systems

- A. *Financial Condition Indicator System.* The State must also improve data and information systems to support school improvement. The State needs a school district financial indicator system (“FCIS”) that would ensure proper stewardship of dollars that pay for public education. The FCIS would include an early warning system for school districts to prevent financial distress; fiscal benchmarks and best financial practices; a public reporting tool providing information about the management of public funds to achieve educational goals; and a long-range financial planning tool for school districts.

Currently no such system exists. The Department’s Office of Audit Services collects data to assess the short-run financial condition of school districts, but this does not assess long-term financial condition and cannot be used as a tool for long-range planning by school districts. Only limited information on school district finances is readily available so the public lacks the necessary knowledge to analyze and interpret school districts’ fiscal data.

- B. *Student Data Information System.* A statewide student data system must be implemented to assess if reform is taking root. SED has already begun to build such a system, which will create greater capacity to track students, measure their progress, and thus raise the achievement of all students in New York. These efforts could be accelerated with additional funds. The current system can only analyze information for entire groups of students, but the tracking of individual students over time will allow us to follow individual students through the system and analyze the effectiveness of State strategies and programs. For example, we will be able to measure the benefit of using smaller class sizes with certain groups of students. Such programs often involve the allocation of billions of education dollars without reliable data on their impact on student achievement. An individual record system will also help us to better meet many federal reporting requirements, including those of NCLB.

- C. *State Aid and Grants Management Systems.* The Regents are implementing a unified State Aid management system to address the shortcomings of the current system. This improved system would provide a single point of access to all State Aid data, and be capable of analyzing districts' fiscal needs. It would enable SED to more effectively collect information from school districts across the State, and would streamline the method for distributing to districts State and federal funds. The proposed system would provide timely feedback to users in school districts and SED and would facilitate modeling of State Aid formulae for the Legislature and Executive Branch. The current system is a mix of older systems that are not efficient, flexible or as exacting as the proposed system.

An improved data system would include two final components: an update of the web-based system to improve the efficiency of the grant awards process and provide improved reporting capability, and the elimination of redundant State reporting requirements, freeing districts to engage in more comprehensive planning and reporting. Streamlining plans, applications and reports that school districts submit to SED will reduce administrative burden and increase the focus of planning and reporting to support real gains in student achievement.

Enhance Audit Capacity

A uniform system of State accountability must use accurate, consistent and trustworthy data on local finances, demographic information and indicators of student performance that can be validly compared across districts of the State. Such a system contributes to equal educational opportunity for all by ensuring that policy decisions are data-driven and equitably applied.

Approximately \$16 billion in State Aid is devoted to public schools in New York State, and that sum is primarily allocated on the basis of information provided by the districts themselves. If aid is to be distributed appropriately, that information must be accurate and verifiable. In order to ensure this, the State Education Department staff must implement a rigorous data quality assurance program.

The Regents Plan calls for enhanced State oversight of school district fiscal transactions to ensure the integrity of district finances. SED would significantly expand its current audit capacity to: focus more resources on districts with indications of poor student performance, fiscal stress, or inadequate management controls; conduct more frequent audits of school districts and review of school district financial statements; and conduct more random audits of districts that have no known problems or issues. State Education Department audits would complement those provided by the State Comptroller.

Regional Services for the Big Five City School Districts

This proposal recommends that the existing practice of excluding large city school districts from accessing BOCES services be discontinued. It recommends that the large four city

school districts (Yonkers, Rochester, Syracuse and Buffalo) be given the authority to contract with neighboring BOCES for services in critical service areas that are strong in BOCES and weak in the city district.

A program should be established authorizing the Big Four city school districts to participate in BOCES and purchase services from BOCES. A corresponding increase in aid should be provided to the New York City school district to allow it to fund similar programs within the city district. Such regional services can include:

- Arts and cultural programs for students;
- Career and technical programs for students;
- Alternative education for students, including those who are in secure and non-secure detention centers within the city boundaries;
- Staff development as part of a district-required professional development plan and annual professional performance review;
- Technology services provided through BOCES;
- Regional teacher certification; and
- For the 2006-07 school year, planning and development activities necessary to implement these programs in the following school year.

Strengthening Early Childhood Education

In the spring of 2005, the Board of Regents approved going forth with the development of a strong early education policy. Among other items, it is expected to call for full access to high-quality pre-kindergarten programs for all four-year-olds. A strong statewide pre-kindergarten program will be key to establishing a sound foundation for closing the achievement gap. Strong pre-kindergarten programs will provide advantages for preschool students with disabilities to get services integrated with their nondisabled peers. Establishing pre-kindergarten as a child's first year of public education is needed to ensure that all children attain skills necessary for a successful academic experience. In order for the Board of Regents to attain its goal of achieving a statewide pre-kindergarten program, school funding must be examined to establish the funding necessary for all districts. The Regents will recommend funding for districts in support of Regents policy. For a copy of the Regents policy see:

<http://www.regents.nysed.gov/2005Meetings/July2005/0705brd5.htm>.

Need For Statewide Pre-kindergarten Programs

The need for statewide pre-k programs is evident in the following facts:

- Currently only 73,500 (30 percent) of approximately 250,000 four-year-olds are in State-funded pre-kindergarten programs (BEDS data)
- Eighty percent of all four-year-olds are in placements outside of the home (Human Services Policy Center, 2004)

- Six hundred twenty-three of 680 school districts (92 percent) have full-day kindergarten or offer full-day kindergarten
- Early childhood investment pays off (Clive Belfield Study; NYS Experimental Pre-k Study; etc.)
- Early Education provided in Pre-k closes the gap (Rochester Children’s Institute)

Status of Regents Policy Paper

The Regents are currently revising their early childhood policy. Staff presented a draft policy to the Regents at their July meeting. The draft policy will be disseminated to the field (principals, pre-k directors); organizations (NYSUT, NYSSBA, NYSAEYC, SCAA, IHE); departments in SED (VESID, Higher Education, Teacher Certification, State Aid Work Group). The Regents will consider adoption of the policy in January 2006.

Policy Directions

The Regents draft paper on early childhood policy is expected to present the following policy directions for consideration by the Board.

- Require attendance in full-day kindergarten.
- Fully fund pre-kindergarten education with a separate foundation-like aid formula, separate from K-12 funding, that allows school districts to contract with private providers.

Early Childhood Education Funding Issues

In order to support the move to universal access to pre-k and quality early childhood education, the Regents support aligning funding for pre-kindergarten education programs with the Regents foundation aid proposal for elementary and secondary education programs.

Because the majority of pre-k programs are operated by private providers, including community-based organizations², and because attendance in pre-kindergarten is not mandatory, a consolidation of funding for pre-k programs and funding for elementary and secondary education programs is neither practical nor desirable.

² Approximately 65 percent in 2003-04.

Funding Directions

A more practical direction that is compatible with the Regents goal of providing a simplified and adequate funding stream for educational programs, while emphasizing the importance of early childhood education, is to propose two parallel funding programs: one to support pre-k programs and one to support K-12 elementary and secondary education.

For example, pre-k grants can be appropriated based on a State share of the general education foundation amount multiplied by a count of pre-k pupils. Grants between school districts and private providers would provide a portion of these funds to nonpublic program providers. This will help to ensure that districts can use the funds without a local match, thus alleviating any potential burden on school district's local funding.

The advantage of an early childhood education funding stream, compared with a pre-k-12 funding stream, is that it focuses public and school district attention on the importance of early childhood education. It targets funding for those programs, helping school districts to support these programs in times of fiscal stress. Enrollment trends and facility needs will be considered as pre-k programs grow. The Regents may amend their State Aid proposal following adoption of the Regents early childhood education policy in January 2006. In addition, the Regents will consider advancing a long-term funding approach to support universal pre-kindergarten programs in subsequent proposals.

There will be an added cost to requiring attendance of all five-year-olds in full-day kindergarten programs. In January 2006, the Regents approved a supplemental proposal concerning the funding of implementing full-day kindergarten programs around the State. In 2006-07, this proposal would provide \$2.8 million in planning grants for the additional classrooms needed by school districts to provide full-day kindergarten programs. This amount has been added to the Regents State Aid proposal for school year 2006-07.

The proposal further estimates that one-third of eligible children will be phased into full-day kindergarten programs in each of three years beginning in 2007-08. In addition, the Regents recommend that the list of eligible expenditures for Textbook Aid be expanded, for kindergarten only, to include educationally-based materials such as developmentally appropriate games and hands-on manipulatives that promote early learning. The Regents recommend that this change occur in 2006-07 and affect aid in 2007-08. The Regents will incorporate these subsequent-year changes in future aid proposals.

Simplified Cost Allowance for State Building Aid

The Regents recommend that the State simplify the maximum cost allowance formula for State Building Aid. The State sets a reasonable cost ceiling for all capital projects. The current system is an overly complex and inefficient process that, in some cases, forces a district to compromise the desired educational goal in order to achieve maximum reimbursement. It is proposed that the State calculate a cost allowance based on a certain allotment of space and cost per enrolled pupil, according to the following formula:

$$\text{Cost Allowance} = \text{Projected Pupil Enrollment} \times \text{Allowed Square Feet Per Pupil} \times \text{Allowed Cost per Square Foot} \times \text{Regional Cost Factor}$$

Allowable costs would be updated monthly by the current New York State Labor Department Cost Index. Unlike the Regents Regional Cost Index proposed for foundation aid, which is fundamentally a professional wage index, the New York State Labor Department cost index is based solely on the wages of three major occupational titles critical to the building industry. A simplified formula would offer greater educational flexibility, ease of understanding and transparency.

Emergency School Needs

Needs continue to be assessed related to energy costs of school districts, especially in light of significant recent increases in costs for diesel fuel and heating oil. The New York State Education Department will work with the New York State Energy Research and Development Authority (NYSERDA) to ensure that best practices for reducing energy consumption are shared with schools. In addition, the Department has acted affirmatively to ensure that any students displaced as a result of Hurricane Katrina are received by school districts without records or charge, as is done for homeless children. More than 400 students have relocated to New York State schools at the time of this writing. The needs of school districts in responding to these students will continue to be assessed.

**Regents Proposal on State Aid
To School Districts for 2006-07**

TECHNICAL SUPPLEMENT

1. Need/Resource Capacity Definitions
2. High Need School Districts 2005-06
School Year
3. Aids and Grants to be Consolidated Under
the Regents Proposal
4. Formula Components
5. Regional Cost Adjustment Based on
Professional Salaries
6. Summary of Aids and Grants as Requested
in the 2006-07 Regents State Aid Proposal
7. Analysis of Aid Changes Under the 2006-
07 Regents State Aid Proposal

Need/Resource Capacity Category Definitions

The need/resource capacity index, a measure of a district's ability to meet the needs of its students with local resources, is the ratio of the estimated poverty percentage³ (expressed in standard score form) to the Combined Wealth Ratio⁴ (expressed in standard score form). A district with both estimated poverty and Combined Wealth Ratio equal to the State average would have a need/resource capacity index of 1.0. Need/Resource Capacity (N/RC) categories are determined from this index using the definitions in the table below.

Need/Resource Capacity Category	Definition
High N/RC Districts	
New York City	New York City
Large City Districts	Buffalo, Rochester, Syracuse, Yonkers
Urban-Suburban	All districts at or above the 70th percentile (1.188) which meet one of the following conditions: 1) at least 100 students per square mile; or 2) have an enrollment greater than 2,500 and more than 50 students per square mile.
Rural	All districts at or above the 70th percentile (1.188) which meet one of two conditions: 1) fewer than 50 students per square mile; or 2) fewer than 100 students per square mile and an enrollment of less than 2,500.
Average N/RC Districts	All districts between the 20th (0.7706) and 70th (1.188) percentile on the index.
Low N/RC Districts	All districts below the 20th percentile (0.7706) on the index.

³ **Estimated Poverty Percentage:** A weighted average of the 2000-01 and 2001-02 kindergarten through grade 6 free-and-reduced-price-lunch percentage and the 2000 Census poverty percentage. (An average was used to mitigate errors in each measure.) The result is a measure that approximates the percentage of children eligible for free- or reduced-price lunches.

⁴ **Combined Wealth Ratio:** The ratio of district wealth per pupil to State average wealth per pupil, used for 2000-01 aid.

High Need School Districts 2005-06 School Year

Albany County

010100	ALBANY
010500	COHOES
011200	WATERVLIET

Allegany County

020601	ANDOVER
020702	GENESEE VALLEY
020801	BELFAST
021102	CANASERAGA
021601	FRIENDSHIP
022001	FILLMORE
022101	WHITESVILLE
022302	CUBA-RUSHFORD
022401	SCIO
022601	WELLSVILLE
022902	BOLIVAR-RICHBG

Broome County

030200	BINGHAMTON
030501	HARPURSVILLE
031301	DEPOSIT
031401	WHITNEY POINT
031502	JOHNSON CITY

Cattaraugus County

041101	FRANKLINVILLE
041401	HINSDALE
042302	CATTARAUGUS-LI
042400	OLEAN
042801	GOWANDA
043001	RANDOLPH
043200	SALAMANCA
043501	YORKSHIRE-PIONE

Chautauqua County

060401	CASSADAGA VALL
060601	PINE VALLEY
060701	CLYMER
060800	DUNKIRK
061501	SILVER CREEK
061503	FORESTVILLE
061700	JAMESTOWN
062301	BROCTON
062401	RIPLEY
062601	SHERMAN
062901	WESTFIELD

Chemung County

070600	ELMIRA
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Chenango County

080101	AFTON
080601	GREENE
081003	UNADILLA
081200	NORWICH
081401	GRGETWN-SO-OTS
081501	OXFORD
082001	SHERBURNE-EARL

Clinton County

090201	AUSABLE VALLEY
090301	BEEKMANTOWN
090901	NORTHRN ADIRON
091200	PLATTSBURGH

Columbia County

101300	HUDSON
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Cortland County

110101	CINCINNATUS
110200	CORTLAND
110304	MCGRAW
110901	MARATHON

Delaware County

120401	CHARLOTTE VALL
120701	FRANKLIN
120906	HANCOCK
121401	MARGARETVILLE
121601	SIDNEY
121701	STAMFORD
121702	S. KORTRIGHT
121901	WALTON

Dutchess County

130200	BEACON
131500	POUGHKEEPSIE

Erie County

140600	BUFFALO
141800	LACKAWANNA

Essex County

150203	CROWN POINT
150901	MORIAH
151501	TICONDEROGA

Franklin County

160801	CHATEAUGAY
161201	SALMON RIVER
161501	MALONE
161601	BRUSHTON MOIRA
161801	ST REGIS FALLS

Fulton County	
170500	GLOVERSVILLE
170600	JOHNSTOWN
171001	OPPENHEIM EPHR
Genesee County	
180300	BATAVIA
Greene County	
190401	CATSKILL
Herkimer County	
210302	WEST CANADA VA
210501	ILION
210502	MOHAWK
210601	HERKIMER
210800	LITTLE FALLS
211003	DOLGEVILLE
211103	POLAND
211701	VAN HORNSVILLE
212001	BRIDGEWATER-W
Jefferson County	
220301	INDIAN RIVER
220909	BELLEVILLE-HEN
221301	LYME
221401	LA FARGEVILLE
222000	WATERTOWN
222201	CARTHAGE
Lewis County	
230201	COPENHAGEN
230901	LOWVILLE
231101	SOUTH LEWIS
Livingston County	
240901	MOUNT MORRIS
241101	DALTON-NUNDA
Madison County	
250109	BROOKFIELD
250301	DE RUYTER
250401	MORRISVILLE EA
251501	STOCKBRIDGE VA
Monroe County	
261600	ROCHESTER
Montgomery County	
270100	AMSTERDAM
270301	CANAJOHARIE
270701	FORT PLAIN
271102	ST JOHNSVILLE

Nassau County	
280201	HEMPSTEAD
280208	ROOSEVELT
280209	FREEPORT
280401	WESTBURY
New York City	
300000	NEW YORK CITY
Niagara County	
400800	NIAGARA FALLS
Oneida County	
410401	ADIRONDACK
410601	CAMDEN
411800	ROME
412300	UTICA
Onondaga County	
421800	SYRACUSE
Ontario County	
430700	GENEVA
Orange County	
441000	MIDDLETOWN
441202	KIRYAS JOEL
441600	NEWBURGH
441800	PORT JERVIS
Orleans County	
450101	ALBION
450801	MEDINA
Oswego County	
460102	ALTMAR PARISH
460500	FULTON
460701	HANNIBAL
461801	PULASKI
461901	SANDY CREEK
Otsego County	
470202	GLBTSVLLE-MT U
470501	EDMESTON
470801	LAURENS
470901	SCHENEVUS
471101	MILFORD
471201	MORRIS
471601	OTEGO-UNADILLA
472001	RICHFIELD SPRI
472202	CHERRY VLY-SPR
472506	WORCESTER

Rensselaer County

490601 LANSINGBURGH
491200 RENSSELAER
491700 TROY

Rockland County

500402 EAST RAMAPO

St. Lawrence County

510101 BRASHER FALLS
510401 CLIFTON FINE
511101 GOUVERNEUR
511201 HAMMOND
511301 HERMON DEKALB
511602 LISBON
511901 MADRID WADDING
512001 MASSENA
512101 MORRISTOWN
512201 NORWOOD NORFOL
512300 OGDENSBURG
512404 HEUVELTON
512501 PARISHVILLE
513102 EDWARDS-KNOX

Schenectady County

530600 SCHENECTADY

Schoharie County

540901 JEFFERSON
541001 MIDDLEBURGH
541401 SHARON SPRINGS

Schuyler County

550101 ODESSA MONTOUR

Seneca County

560501 SOUTH SENECA
561006 WATERLOO CENT

Steuben County

570101 ADDISON
570201 AVOCA
570302 BATH
570401 BRADFORD
570603 CAMPBELL-SAVON
571502 CANISTEO-GREEN
571800 HORNELL
572301 PRATTSBURG
572702 JASPER-TRPSBRG

Suffolk County	
580105	COPIAGUE
580106	AMITYVILLE
580109	WYANDANCH
580232	WILLIAM FLOYD
580512	BRENTWOOD
580513	CENTRAL ISLIP
Sullivan County	
590501	FALLSBURGH
590901	LIBERTY
591302	LIVINGSTON MAN
591401	MONTICELLO
Tioga County	
600101	WAVERLY
600903	TIOGA
Tompkins County	
610901	NEWFIELD
Ulster County	
620600	KINGSTON
622002	ELLENVILLE
Warren County	
630918	GLENS FALLS CO
631201	WARRENSBURG
Washington County	
640601	FORT EDWARD
640701	GRANVILLE
641301	HUDSON FALLS
Wayne County	
650101	NEWARK
650301	CLYDE-SAVANNAH
650501	LYONS
651201	SODUS
651501	N. ROSE-WOLCOT
651503	RED CREEK
Westchester County	
660900	MOUNT VERNON
661500	PEEKSKILL
661904	PORT CHESTER
662300	YONKERS
Yates County	
680801	DUNDEE

**Aids and Grants to be Consolidated and Other Aids
Under the Regents Proposal
On State Aid to School Districts
For School Year 2006-07**

**Aids and Grants Replaced by the
Proposed Regents Foundation Formula**

2005-06 Aids and Grants

Computerized Aids

Flex Aid
Comprehensive Operating Aid
Operating Aid
Tax Effort Aid
Tax Equalization Aid
Transition Adjustment/Adj. Factor
Teacher Support Aid
Computer Hardware Aid
Early Grade Class Size Reduction
Educationally Related Support Services Aid
Extraordinary Needs Aid
Full Day Kindergarten Conversion Aid
Gifted and Talented Aid
Minor Maintenance and Repair Aid
Operating Growth Aid
Operating Standards Aid
Operating Reorganization Incentive Aid
Small City Aid
Sound Basic Education Aid
Summer School Aid
Tax Limitation Aid

Other Aids and Grants

Categorical Reading Programs
CVEEB
Fort Drum Aid
Improving Pupil Performance Grants
Magnet Schools Aid
Shared Services Savings Incentive
Tuition Adjustment Aid
Urban-Suburban Transfer Aid

Regents Proposal for 2006-07



Foundation Aid
(Replaces all aids
to the left)

Other Aids

Other Aids and Grants

BOCES Aid
Building Aid
Grants for Overcrowded Schools
Building Reorganization Incentive Aid
Limited English Proficiency Aid
Private Excess Cost Aid
Public Excess Cost Aid
Textbook Aid
Learning Technology Grants
Library Materials Aid
Computer Software Aid
Special Services – Career Education
Special Services – Computer Administration
Universal Pre-Kindergarten Aid
Bilingual Education Grants
BOCES Spec Act, <8, Contract Aid
Transportation Aid
Bus Driver Safety Training Grants
Chargebacks
Comptroller Audits
Division for Youth Transportation
Education of OMH/OMR
Education of Homeless Youth
Employment Preparation Education Aid
Incarcerated Youth
Native American Building Aid
Prior Year Adjustments
Roosevelt
Special Act Districts Aid
Teacher Centers
Teacher-Mentor Intern

2006-07 Regents Proposal

Formula Components

Foundation Aid

Foundation: Foundation Operating Aid is the greater of \$500 or Formula Foundation Aid multiplied by Selected Total Aidable Pupil Units (TAPU). The Foundation Aid is the product of \$4,731, the Regional Cost Index (see explanation following) and a Pupil Need Index, less the Expected Local Contribution. The Pupil Needs Index, which ranges from 1.0 to 2.0, is the sum of 1.0 plus the product of the Extraordinary Needs percent (changed to exclude a Limited English Proficiency count) multiplied by the concentration factor. The concentration factor (maximum of 0.855) is $0.4275 + (0.4275 \times [(EN \text{ percent} - 10 \text{ percent})/70 \text{ percent}])$. The Expected Local Contribution is the product of 0.015 multiplied by the Alternate Pupil Wealth Ratio multiplied by the Selected Actual Value (AV) per 2003-04 TWPU. Selected AV is the lesser of the 2003 AV or the average of 2002 AV and 2003 AV. Selected TAPU, Total Wealth Pupil Units (TWPU), and TAPU for Expense have been changed to be based on average daily membership (instead of average daily attendance), eliminate the 0.25 additional weightings for Pupils with Special Educational Needs and secondary pupils and continue the 0.12 weighting for summer school pupils (in TAPU). TWPU excludes weightings for students with disabilities. TAPU for Expense applies a single 1.32 weighting for students with disabilities. Aid for New York City is on a citywide basis. Resident Weighted Average Daily Attendance (RWADA) is used only for Building Aid.

The following aids and grants are eliminated, as well as four aids and grants that do not appear on the computerized aid estimates, Tuition Adjustment Aid, Urban-Suburban Transfer Aid, County Vocational Education Extension Board (CVEEB) and Shared Services Savings Incentive:

- Flex Aid
- Comprehensive Operating
- Operating Aid
- Transition Adjustment
- Sound Basic Education
- Tax Effort
- Tax Equalization
- Tax Limitation
- Gifted & Talented
- Minor Maintenance and Repair
- Operating Standards
- Extraordinary Needs
- Summer School
- Early Grade Class Size Reduction
- Educationally Related Support Services
- Computer Hardware
- Operating Growth

Operating Reorganization Incentive
Full Day Kindergarten Conversion
Teacher Support
Small Cities
Improving Pupil Performance
Categorical Reading
Magnet Schools
Fort Drum

Transition Adjustment: The base includes the 2005-06 aids listed above which appear in the computerized aid estimates. All districts are guaranteed a 2 percent increase over their 2005-06 consolidated base aids. A district's Foundation Aid is capped at a need-adjusted 10.50 percent over 2005-06 aids. The cap is: $0.1050 \times (\text{Need/Resource Index, but not less than } 1.0)$ with a minimum of 0.1050 and a maximum of 0.1125. The Need/Resource Index is the district's Extraordinary Needs Ratio (i.e., district Extraordinary Needs percent divided by the State average of 52.6 percent) divided by its Combined Wealth Ratio (CWR).

Support for Extra Time and Help

Limited English Proficiency: Aid is based on the 2005-06 LEP pupils multiplied by Foundation Operating Aid per pupil multiplied by 0.152.

Universal Pre-Kindergarten: The grant per pupil for unserved four-year olds is based on 0.50 multiplied by the 2006-07 Foundation Operating Aid per pupil. The unserved count is phased-in at the product of the unserved four-year olds multiplied by 67 percent. If the resulting count is at least 1.0, the district receives aid. No district receives less than the sum of its 2005-06 Universal Pre-kindergarten grant and the 2005-06 allocations for Targeted Pre-Kindergarten (including summer).

Support for Students with Disabilities

Excess Cost - Public: Basic Public Excess Cost Aid equals the foundation operating aid per pupil multiplied by weighted students with disabilities. A single 1.32 weighting is provided for pupils who require special services or programs, consistent with an Individualized Education Program (IEP), for: 60 percent or more of the school day; at least 20 percent of the school week but less than 60 percent of the school day; and, direct or indirect consultant services at least 2 hours per week. Pupils are aided by district of attendance. Declassification Aid is included based on 50 percent of the basic Public Excess Cost Aid per pupil. All districts are guaranteed a 2 percent increase over their 2005-06 aid per pupil, excluding high cost aid. A district's basic and declassification aids are capped at a need-adjusted 10.50 percent over 2005-06 aid per pupil, excluding high cost aid. Aidable high cost expense per pupil must exceed 2.32 times the greater of

district 2004-05 Approved Operating Expense/TAPU for Expense or the foundation expense per pupil. Tier 1 high cost aid per pupil is the product of: (a) tier 1 ratio (i.e., district foundation aid per pupil divided by district foundation expense per pupil) and (b) tier 1 expense (i.e., the lesser of district aidable high cost expense per pupil or the State average aidable high cost expense per pupil). Tier 2 high cost aid per pupil is the product of: (a) aidable high cost expense per pupil in excess of tier 1 expense per pupil and (b) tier 2 ratio, with a minimum of .25 and maximum of .90 (i.e., $[1 + (\text{aidable high cost expense per pupil} / \text{State average aidable high cost expense per pupil})] \times \text{tier 1 ratio}$). High Cost Aid is the sum of tier 1 and tier 2 high cost aids per pupil. No additional aid is provided for students in integrated settings (i.e., pupils who receive special education services or programs by qualified personnel, consistent with an IEP, for 60 percent or more of the school day in a general education classroom with non-disabled students).

The calculation of the additional 1.32 weighting for students with disabilities used in the Excess Cost Aid formula is based on the set of 316 districts meeting the Regents criteria for successful school districts identified in the Regents state aid proposal for 2004-05. That proposal established a foundation amount based on the average cost per pupil for general education among those 316 districts. For the 2006-07 proposal, the ratio of special education expenditure per pupil to general education expenditure per pupil for these 316 districts was calculated, yielding an additional 1.32 weighting per student receiving special education services. That is, a pupil with a disability will be counted as 1.0 for Foundation Aid and 1.32 for Excess Cost Aid, resulting in a total pupil count for aid purposes equal to 2.32.

Excess Cost - Private: Aid is for public school students attending private schools for students with disabilities. Net tuition expense is multiplied by the Aid Ratio ($1 - (.15 * \text{CWR})$, with a .5 minimum).

BOCES/Career and Technical Education

BOCES: BOCES Aid is included for administrative, shared services, rental and capital expenses. Save-harmless is continued. Approved expense for BOCES Administrative and Shared Services Aids is based on a salary limit of \$30,000. Aid is based on approved 2005-06 administrative and service expenses and the higher of the millage ratio or the AV/2004-05 TWPU Aid Ratio: $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum and .90 maximum. The millage ratio factor remains 8 mills. Rent and Capital Aids are based on 2006-07 expenses multiplied by the AV/2004-05 TWPU Aid Ratio with a .00 minimum and a .90 maximum. Payable aid is the sum of these aids.

Special Services Computer Administration: Computer Administration Aid equals the higher of the millage ratio or the AV/2004-05 TWPU Aid Ratio $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum multiplied by approved expenses not to exceed the maximum of \$67.30 multiplied by the Fall 2005 public school enrollment with half-day kindergarten weighted at 1.0.

Special Services Career Education: Career Education Aid equals the higher of the millage ratio or the Aid Ratio ($1 - (.51 * PWR)$) with a .36 minimum multiplied by \$4,731, multiplied by the 2005-06 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16.

Instructional Materials Aids

Textbook: Aid is based on 2005-06 approved textbook expenses up to the product of \$57.30 multiplied by the 2005-06 resident public and nonpublic enrollment.

Computer Software: Aid is based on 2005-06 approved computer software expenses up to the product of \$14.98 multiplied by the 2005-06 public and nonpublic enrollment.

Library Materials: Aid is based on 2005-06 approved library materials expenses up to the product of \$6.00 multiplied by the 2005-06 public and nonpublic enrollment.

Expensed-Based Aids

Building: Aid is equal to the product of the estimated approved building expenses multiplied by the highest of the 1981-82 through the 2003-04 AV/RWADA Aid Ratios or the Current AV/RWADA Aid Ratio. For projects approved by voters on or after July 1, 2000, expenses are multiplied by the higher of the Building Aid Ratio used for 1999-00 aid less .10 or the Current AV/RWADA Aid Ratio. Up to 10 percent of additional building aid is provided for projects approved by voters on or after July 1, 1998. Building expenses include certain capital outlay expenses, lease expenses, and an assumed debt service payment based on the useful life of the project and a statewide average interest rate. The low income aid ratio option is discontinued, however the high need supplemental building aid ratio option is continued. Aid is not estimated for those prospective and deferred projects that had not fully met all eligibility requirements as of the fall 2005 database.

Simplified Building Aid Calculations: The Regents propose to simplify the calculation of the maximum cost allowance that is used to determine Building Aid. The changes described below will allow school administrators to accurately predict Building Aid prior to building design. The new formula would be:

$$\text{Maximum Cost Allowance} = \text{Projected Enrollment} \times \text{Allowed Square Feet per Student} \times \text{Allowed Cost per Square Foot} \times \text{Regional Cost Factor}$$

1. The projected enrollment would continue to be the enrollment projected five years out for grades PreK-6, seven years for grades 7-9 and ten years for high school.
2. The “allowed per square feet per pupil” is based on the median values of New York State school buildings constructed in the last five years. The values are:
 - Grades PreK – 6 = 130 square feet per pupil

- Grades 7-9 = 160 square feet per pupil
 - Grades 7-12 = 180 square feet per pupil
3. The “allowed cost per square foot” is set at a level to ensure reasonable construction costs for instructional facilities will be fully covered – the average maximum cost allowance for new buildings will not change under the new simplified formula. The values are:
- Grades PreK – 6 = \$138 per square foot
 - Grades 7-9 = \$145 per square foot
 - Grades 7-12 = \$151 per square foot

The allowed cost per square foot would be adjusted monthly by the change in the construction cost index. The construction cost index can be found at: <http://www.nysed.gov/fmis/facplan/projects/costind.htm>.

4. The current regional cost factor methodology would remain unchanged. The construction cost regional cost factors can be found at: <http://www.emsc.nysed.gov/facplan/articles/rci03-04.html>.

Recognition of Extraordinary Construction Costs: the formula would include adjustments to recognize the increased costs of building in extremely dense urban areas. Extraordinary costs related to multi-story construction, site security, increased costs due to constricted traffic flows and limited staging areas, and the site acquisition and environmental remediation of sites in high-density urban areas will be eligible for aid even when such costs are in excess of the maximum cost allowance.

Building Reorganization Incentive: Building Reorganization Incentive Aid on capital outlay, lease and debt service is subjected to the same requirements as regular Building Aid. Aid is provided for reorganization projects that have been approved by voters within five years of district consolidation and where the project is contained in the five-year capital reorganization plan.

Transportation: Non-capital aid is based upon estimated approved transportation operating expense plus capital expenses multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid for capital expenses (regular and summer) is computed as above but based on the assumed amortization of purchase, lease and equipment costs over five years, at a statewide average interest rate. The selected Aid Ratio is the highest of 1.263 multiplied by the State Sharing Ratio or 1.01 - (.46 * Pupil Wealth Ratio) or 1.01 - (.46 * Enrollment Wealth Ratio), plus a sparsity adjustment. The sparsity adjustment is the positive result of 21 minus the district’s 2004-05 enrollment per square mile, divided by 317.88. The State Sharing Ratio is the greater of: 1.33 - (1.085 * Combined Wealth Ratio) or .915 - (0.56 * Combined Wealth Ratio) or 0.53 - (0.238 * Combined Wealth Ratio), with a maximum of 1.00.

Summer School Transportation: Transportation Aid for summer school programs is based on estimated approved transportation operating expense multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid is no longer prorated to remain within a \$5.0 million appropriation. This proposal combines summer school and regular transportation aid. Aid is shown separately in a subsequent table for the purpose of comparison to the base year.

Regional Cost Adjustment Based on Professional Salaries

2006-07 Regents Proposal

A regional cost index was generated using an approach first developed by education finance researchers in the state of Oregon. Their method recognized that school districts are often the dominant purchasers of college-educated labor in a community. As such, they exercise unusual market influence over the price they pay for such services, so that differences in cost may be the result of choices school districts make. For this reason, teacher salaries were specifically *excluded* from the construction of the index, and selected professional salaries used as a proxy for the purpose of determining regional cost differentials.

The index includes 63 titles for which employment at the entry level typically requires a bachelor's degree, and excludes teachers and categories that tend to be restricted to federal and state government. The wage data are provided by the Bureau of Labor Statistics and are drawn from the 2001 Occupational Employment Statistics (OES) Survey. The OES survey is an *establishment* survey and according to U.S. Department of Labor analysts, "wages and earnings tend to be more accurately reported in establishment surveys as they are based upon administrative records rather than recall by respondents."⁵ Additionally, the survey is administered on a three-year cycle where each year one third of the establishments are surveyed and wage data are aggregated using a technique known as wage updating. Thus, the approximations of wages become increasingly accurate and are most precise in the third year. Unchanged from the 2004-05 Regents proposal, the RCI calculations are based on the third and most accurate data-year in the cycle. The triennial nature of the data means that the RCI need only be updated in those years in which the most accurate data in the cycle are available.⁶ The next scheduled update of the data would occur in 2006.

Method of Calculation

The index was calculated as the weighted median annual wage for a given labor force region divided by the weighted median annual wage for New York State (\$65,189). The index was truncated to three decimal places then divided by the North Country value of .731. Index values range from 1.000 for the North Country to 1.496 for the Long Island/New York City Region. The accompanying table lists the counties included in each labor force region. The weighted median wage for New York State and for each labor force region was calculated as follows:

⁵ "Inter-area Comparisons of Compensation and Prices," *Report on the American Workforce, 1997*, p. 73.

⁶ For a detailed discussion of regional cost and the construction of the Regents Cost Index see, *Recognizing High Cost Factors in the Financing of Public Education: A Discussion Paper and Update Prepared for the New York State Board of Regents SA (D) 1.1* (Sept., 2000) and the technical supplement entitled *Recognizing High Cost Factors in the Financing of Public Education: The Calculation of a Regional Cost Index* (Nov., 2000). Copies can be obtained by contacting the Fiscal Analysis and Research Unit at (518) 474-5213 or visiting their web site at <http://www.oms.nysed.gov/faru/articles.html>.

Weighted Median Hourly Wage = The sum of: (Title Weight * Median Annual Wage) for all 63 titles making up the index.

1. Title Weight = the number of employees in a given title statewide divided by the number of employees in the 63 titles statewide. Applying title weights to each labor force region prevents the index from being skewed by variations in occupational mix across regions.

2. Median Annual Wage = median annual wage rate reported for each title in each labor force region and statewide.

A separate index was created for each labor force region based on a subset of 46 of the 63 titles. These 46 occupations represent those titles for which there were no missing data in any of the labor force regions. This index was then used to estimate the median annual wage of titles with missing data in any given labor force region. This was done by multiplying the statewide median annual wage for the title with missing data by the 46-title index for the specific labor force region for which the salary data was missing.

For the purpose of index construction, the New York City and Long Island labor force regions were treated as a single labor force region. The New York City/Long Island weighted median wage was calculated as follows:

NYC/LI Weighted Median Wage = The sum of (Title Weight * NYC/LI Median Annual Wage) for all 63 titles making up the index

1. Title Weight = same as above.

2. NYC/LI Median Annual Wage = for each title:

$$\frac{[(\# \text{ of emp LI} * \text{LI median annual wage}) + (\# \text{ of emp NYC} * \text{NYC median annual wage})]}{(\# \text{ of employees in LI} + \# \text{ of employees in NYC})}$$

Regional Cost Index

Counties in Labor Force Regions

Capital District

Albany
Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

Central New York

Cayuga
Cortland
Onondaga
Oswego

Finger Lakes

Genesee
Livingston
Monroe
Ontario
Orleans
Seneca
Wayne
Wyoming
Yates

Hudson Valley

Dutchess
Orange
Putnam
Rockland
Sullivan
Ulster
Westchester

Long Island/New York City

Nassau
New York City
Suffolk

Mohawk Valley

Fulton
Herkimer
Madison
Montgomery
Oneida
Schoharie

North Country

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

Southern Tier

Broome
Chemung
Chenango
Delaware
Otsego
Schuyler
Steuben
Tioga
Tompkins

Western New York

Allegany
Cattaraugus
Chautauqua
Erie
Niagara

**SUMMARY OF AIDS AND GRANTS AS REQUESTED IN
THE 2006-07 REGENTS PROPOSAL ON SCHOOL AID**

Aid Category	2005-06	2006-07	Change	
	School Year	School Year	Amount	Percent
	(------Amounts in Millions-----)			
I. General Purpose Aid				
Flex Aid/Foundation Aid *	\$8,460.24	\$11,266.58	\$2,806.34	33.17
Gifted & Talented	0.00	0.00	0.00	NA
Operating Standards	0.00	0.00	0.00	NA
Academic Support	0.00	0.00	0.00	NA
Tax Effort	0.00	0.00	0.00	NA
Tax Equalization	0.00	0.00	0.00	NA
Tax Limitation	135.06	0.00	-135.06	-100.00
Extraordinary Needs	28.95	0.00	-28.95	-100.00
Summer School	0.75	0.00	-0.75	-100.00
Early Grade Class Size Reduction	139.39	0.00	-139.39	-100.00
Minor Maintenance & Repair	2.70	0.00	-2.70	-100.00
Educationally Related Support Services	1.64	0.00	-1.64	-100.00
Computer Hardware	28.84	0.00	-28.84	-100.00
Operating Growth	16.60	0.00	-16.60	-100.00
Operating Reorganization Incentive	15.88	0.00	-15.88	-100.00
Full Day Kindergarten Conversion	3.82	0.00	-3.82	-100.00
Teacher Support	67.48	0.00	-67.48	-100.00
Small Cities	81.88	0.00	-81.88	-100.00
Improving Pupil Performance (IPP)	66.35	0.00	-66.35	-100.00
Categorical Reading	63.95	0.00	-63.95	-100.00
Magnet Schools	137.60	0.00	-137.60	-100.00
Fort Drum	3.00	0.00	-3.00	-100.00
Sound Basic Education	324.87	0.00	-324.87	-100.00
Plus: Cap on Losses/Minimum Increase	0.00	996.05	996.05	NA
Less: Cap on Increases	0.00	-1,848.57	-1,848.57	NA
Foundation Grant Subtotal	9,578.99	10,414.06	835.08	8.72
Limited English Proficiency *	5.41	132.01	126.60	2339.08
Universal Prekindergarten **	249.11	348.21	99.10	39.78
Sum	9,833.51	10,894.28	1,060.78	10.79
II. Support for Students with Disabilities				
Public Excess Cost Aid	2,397.11	2,495.91	98.79	4.12
Private Excess Cost Aid	218.03	229.32	11.29	5.18
Sum	2,615.14	2,725.22	110.08	4.21
III. BOCES/Career and Technical Education Aid				
BOCES	546.37	602.81	56.45	10.33
Special Services Computer Administration	39.21	46.71	7.50	19.13
Special Services Career Education	102.29	165.18	62.89	61.48
Sum	687.87	814.70	126.84	18.44
IV. Instructional Materials Aids				
Computer Software	46.00	46.73	0.73	1.58
Library Materials	19.27	19.31	0.04	0.23
Textbook	186.29	186.51	0.22	0.12
Sum	251.56	252.55	0.99	0.39

V. Expense-Based Aids

Building Aid	1,505.94	1,586.96	81.02	5.38
Building Reorganization Incentive	14.86	0.40	-14.47	-97.34
Transportation	1,204.57	1,329.86	125.28	10.40
Summer Transportation	5.00	10.39	5.39	107.76
Sum	2,730.38	2,927.60	197.22	7.22
Computerized Aids Subtotal	16,118.46	17,614.36	1,495.90	9.28

VI. All Other Aids**Replaced by Foundation Formula:**

County Vocational Ed. Extension Boards (CVEEB)	0.92	0.00	-0.92	-100.00
Shared Services Savings Incentive	0.20	0.00	-0.20	-100.00
Tuition Adjustment Aid	1.18	0.00	-1.18	-100.00
Urban-Suburban Transfer	1.13	0.00	-1.13	-100.00
Additional Pre-K and Class Size	3.26	0.00	-3.26	NA

Remaining Aids and Grants:

Bilingual Education	11.20	11.20	0.00	0.00
Education of OMH/OMR Pupils	34.00	34.00	0.00	0.00
Homeless	6.25	6.25	0.00	0.00
DFY Transportation	0.23	0.23	0.00	0.00
Employment Preparation Edn. (EPE)	96.00	96.00	0.00	0.00
Incarcerated Youth	16.50	16.50	0.00	0.00
BOCES Spec Act, <8, contract	0.68	0.68	0.00	0.00
Bus Driver Safety Training Grants	0.40	0.40	0.00	0.00
Less: Local Contribution due for certain students	-31.00	-31.00	0.00	0.00
Comptroller Audits	0.00	0.00	0.00	NA
Native American Building	2.50	2.50	0.00	0.00
Roosevelt	6.00	6.00	0.00	0.00
Special Act Districts	2.20	2.20	0.00	0.00
Mentor Teacher	6.00	6.00	0.00	0.00
Teacher Centers	31.00	31.00	0.00	0.00
Teachers for Tomorrow	20.00	20.00	0.00	0.00
Learning Technology Grants	3.29	3.29	0.00	0.00
Sum	211.93	205.24	-6.69	-3.16
Total General Support for Public Schools	16,330.38	17,819.60	1,489.21	9.12
Prior Year Adjmts & Fiscal Stabilization Grants **	28.00	28.00	0.00	0.00

Grand Total	\$16,358.38	\$17,847.60	\$1,489.21	9.10
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* The base year estimate for Limited English Proficiency reflects the fact that LEP Aid was consolidated into Flex Aid.

** The Regents proposal includes funding for targeted prekindergarten grants and prior year adjustments which were funded outside of General Support for Public Schools in 2005-06. They are included in the 2005-06 estimates for comparability.

ATTACHMENT E



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY,
NY 12234

Interim Deputy Commissioner for Elementary, Middle, Secondary
And Continuing Education
Jean C. Stevens

To: District Superintendents of Schools
Superintendents of Schools
New York City Department of Education
School Board Members
New York State Educational Associations
Nonpublic School Administrators
Administrators of Charter Schools
Other Interested Persons

Date: November 2006

From: Jean C. Stevens

Subject: Regents Proposal on State Aid to School Districts for 2007-08

The Regents State Aid proposal requests the resources and funding system needed to provide adequate resources through a State and local partnership so all students will have the opportunity to meet State learning standards. This is the fourth year the Regents have refined and advanced a multi-year proposal recommending transition to a foundation aid program based on costs of successful educational programs.

The Regents recommend an increase of \$1.7 billion for school year 2007-08, with 80 percent of the increase targeted to high need school districts. The Regents recommend the New York City School District receive 49 percent of the increase in the first year and 52 percent four years out at full implementation.

Foundation Aid consolidates approximately 30 aid formulas into a simple, transparent formula. It is based on the cost of general education in successful school districts, reflects differences in pupil needs and regional costs and provides predictability to all school districts with a two percent guaranteed minimum increase.

The Regents proposal also includes the following recommendations:

- Strengthen early childhood education by consolidating funding streams for pre-kindergarten education and providing an increase of \$106 million to move to universal access for all four-year olds.
- Improve special education funding by aligning it with *Foundation Aid* and making it more responsive to actual special education costs.
- Strengthen regional services in the Big Five city school districts by giving the Big Four city districts the authority to contract with BOCES and by enriching *Special Services Aid* for New York City.

- Consolidate and make more flexible aids for textbooks and software with a new *Instructional Materials Aid*.
- Increase aid for library materials from \$6 to \$10 per pupil to provide more access to reading materials to students in high need communities.
- Improve transparency and flexibility in aid for school construction by simplifying the calculation of the cost allowance for Building Aid.
- Accelerate progress in student performance accountability by implementing proposals included in the Department's budget request.

The following attachments provide the details. Please join the Regents and Department in advocating for funding reform to ensure all students in New York State have the opportunity to meet State learning standards.

Attachments

**Regents Proposal on State Aid
To School Districts for School Year 2007-08**

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Highlights of the Regents 2007-08 State Aid Proposal

The Regents Proposal

- Requests the resources and funding system needed to provide adequate resources through a State and local partnership so that all students have the opportunity to achieve State learning standards.
- Focuses increases in aid to those districts with the lowest fiscal capacity and the greatest concentration of pupils in need of extra help.

Foundation Aid

- Provides a more transparent approach to apportioning unrestricted State Aid among school districts.
- Consolidates approximately 30 existing formulas and grant programs.
- Is based on the cost of providing general education services in successful school districts throughout New York State.
- Reflects differences in school district pupil needs and regional costs.
- Provides predictability for all districts through a 2 percent due minimum.

District Foundation Aid per Pupil = [Foundation Cost X Pupil Need Index X Regional Cost Index] – Expected Local Contribution.

- *The Foundation Cost* is the cost of providing general education services, measured by determining instructional costs of districts that are performing well. Updated for the 2007-08 proposal.
- *The Pupil Needs Index* recognizes the added costs of providing extra time and extra help for students to succeed.
- *The Regional Cost Index* recognizes regional variations in purchasing power around the State, based on wages of non-school professionals. Updated for the 2007-08 proposal.
- *The Expected Local Contribution* is an amount districts are expected to spend as their fair share of the total cost of general education. Updated for the 2007-08 proposal.

Keep Funding for Specific Purposes Separate from Foundation Aid

- Limited English Proficiency Aid/ Bilingual Education Grants
- Universal Pre-kindergarten
- Special Education
- BOCES/Special Services
- Instructional Materials
- Building and Building Incentive

- Transportation
- Other miscellaneous aids and grants not serving as general purpose aid to all school districts

Strengthen Early Childhood Education

- Consolidate funding for pre-k and phase in universal access to pre-k for all four year olds over four years. Provide an increase of \$108 million in 2007-08.
- Provide planning grants of \$2.8 million in 2007-08 to phase in full-day kindergarten programs in all school districts over three years beginning in 2008-09.

Improve Support for Pupils with Disabilities

- Provide *Public Excess Cost Aid* on based on the foundation cost and costs in successful schools to make it more responsive to actual costs and to articulate it with Foundation Aid.
- Provide *Public Excess Cost Aid* save-harmless on a per pupil basis
- Level up aid for high cost students with disabilities to better correspond with *Private Excess Cost Aid*.

Other Proposals

- Give the Large Four city school districts authority to contract with BOCES for services including career education and technology services and enrich aid to the New York City school district for similar services.
- Consolidate *Textbook Aid* and *Software Aid* into a new Instructional Materials Aid and include as an allowable expense kits and other hands on manipulatives useful in instruction in mathematics and science and kindergarten.
- Increase *Library Materials Aid* from \$6 to \$10 per pupil to enable school libraries in high need communities to provide a comparable level of collections to their students as those in successful school districts.
- Simplify the calculation of the cost allowance for *Building Aid* for school construction.

Impact of the Regents Proposal

The following series of charts and tables illustrate the impact of the Regents proposal.

Exhibit A summarizes the increase the Regents recommend for school year 2007-08 for New York State school districts: \$1.695 billion in seven general aid categories. Of this, the Regents recommend that the Legislature and Governor appropriate a \$977 million increase for a new, simplified Foundation Aid to help school districts raise student achievement and accelerate gap closing.

Exhibit B shows the share of the increase for high need school districts versus all others under the Regents proposal compared with State Aid for the current school year. The Regents proposal would direct 80 percent of the increase to high need school districts compared with approximately 70 percent currently. This change would ensure all school districts have the resources needed to provide all students with an opportunity to meet State learning standards.

Exhibits C and D show the distribution of the Regents proposal in the first year (2007-08) and at full implementation for need-resource categories of school districts. For example, New York City would receive approximately 49 percent of the overall increase in 2007-08 and approximately 52 percent at full implementation.

Exhibit E shows the proposed distribution of computerized aid per pupil for school year 2007-08 compared with 2006-07 for school districts grouped by need-resource capacity category. The four high need school district categories would have the greatest increase under the Regents proposal while average and low need school districts would experience more modest increases.

Exhibit A. Regents State Aid Proposal

NEW YORK STATE

(all figures in millions)

Program	2006-07 School Year	2007-2008 Regents State Aid Proposal	Regents Proposal - Change from Base
General Purpose Aid	<u>\$10,641</u>	<u>\$11,852</u>	<u>\$1,211</u>
FLEX Aid/Foundation Aid	\$8,587 ^(a)	\$11,298	
Sound Basic Education Grant	\$700	\$0	
Supplemental Extraordinary Needs Aid	\$136	\$0	
All Other Programs	\$898	\$0	
Foundation Grant Subtotal	<u>\$10,321</u>	<u>\$11,298</u>	<u>\$977</u>
Limited English Proficiency Aid	\$21 ^(a)	\$149	\$128
Aid for Early Childhood Education	\$299 ^(b)	\$405	\$106
Support for Pupils with Disabilities	<u>\$2,780</u>	<u>\$2,976</u>	<u>\$196</u>
Public Excess Cost Aid	\$2,566	\$2,744	\$178
Private Excess Cost Aid	\$214	\$232	\$18
BOCES\Career and Technical Ed.	<u>\$728</u>	<u>\$854</u>	<u>\$126</u>
BOCES Aid	\$585	\$629	\$44
Special Services - Career Education Aid	\$104	\$179	\$75
Special Services - Computer Admin. Aid	\$39	\$46	\$7
Instructional Materials Aids	<u>\$250</u>	<u>\$261</u>	<u>\$11</u>
Instructional Materials Aid	\$231	\$233	\$2
Library Materials Aid	\$19	\$28	\$9
Expense-Based Aids	<u>\$2,998</u>	<u>\$3,154</u>	<u>\$156</u>
Building Aids	\$1,662	\$1,680	\$18
Transportation Aids	\$1,336	\$1,474	\$138
Computerized Aids Subtotal	<u>\$17,397</u>	<u>\$19,097</u>	<u>\$1,700</u>
All Other Aids	<u>\$345</u>	<u>\$340</u>	<u>(\$5)</u>
Full-Day Kindergarten Planning Grants	\$0	\$3	\$3
Other Programs	\$345	\$337	(\$8)
Grand Total	<u>\$17,742</u>	<u>\$19,437</u>	<u>\$1,695</u>

(a) The base year estimate for Limited English Proficiency reflects the fact that LEP Aid was consolidated into FLEX aid.

(b) The Regents proposal includes funds for targeted prekindergarten grants that were appropriated outside of General Support for Public Schools in 2006-07. They are included in the 2006-07 estimates for comparability.

Exhibit B. Regents State Aid Proposal First Year Impact
Share of Overall Increase for 2007-08

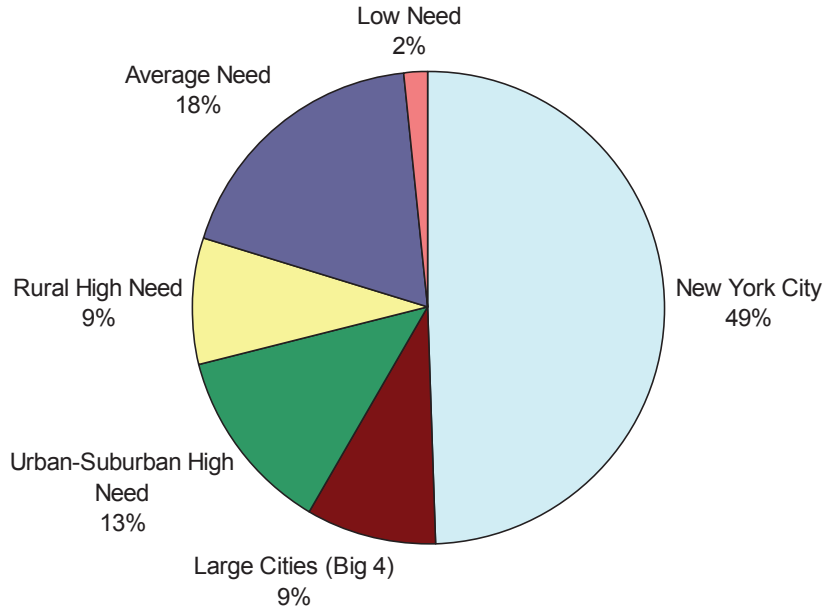


Exhibit C. Regents State Aid Proposal Fully Implemented
Share of Overall Increase for 2010-11

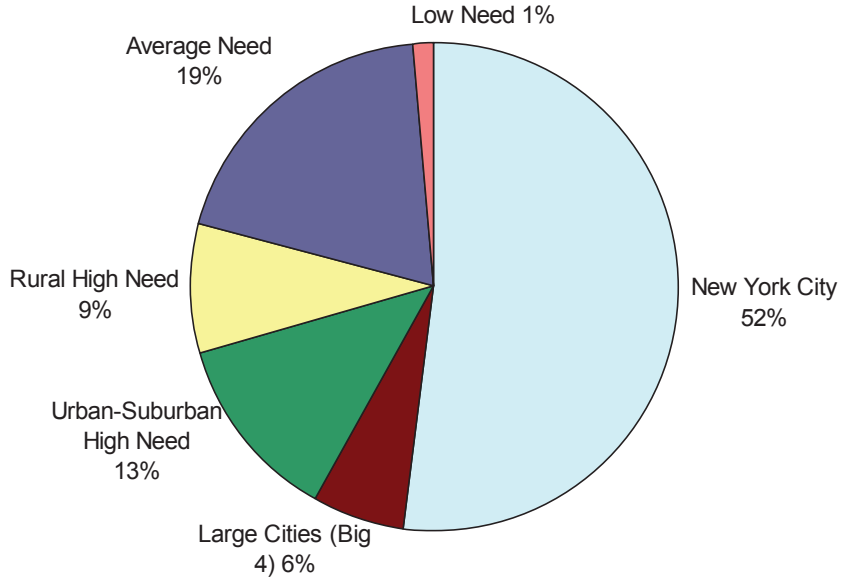


Exhibit D. Distribution of Computerized Aid per Enrolled Pupil

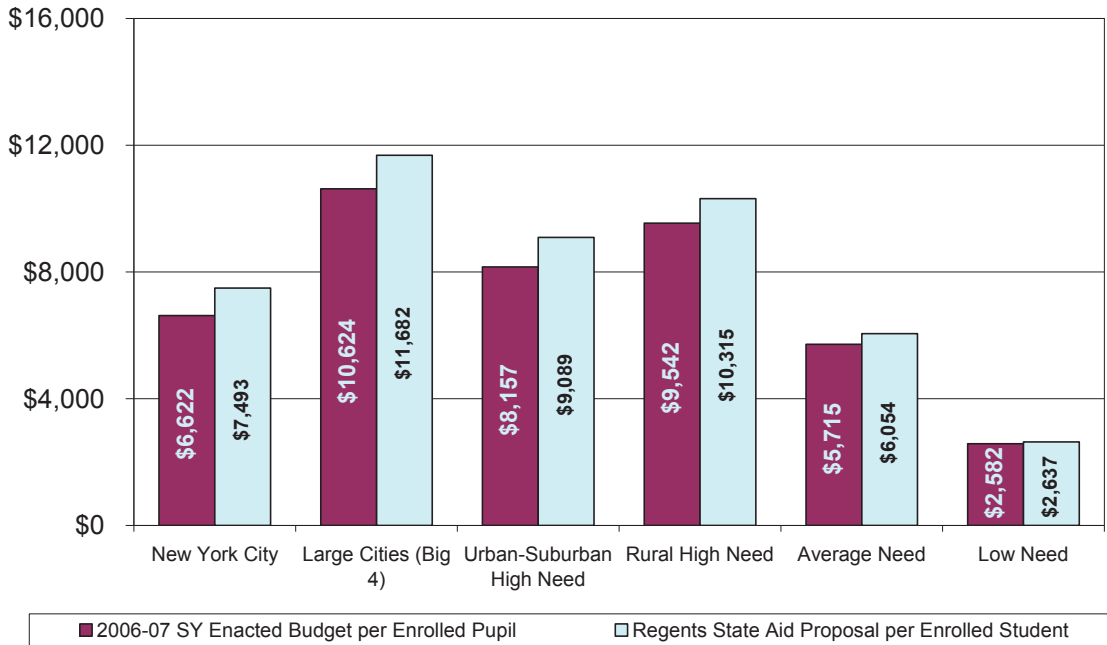
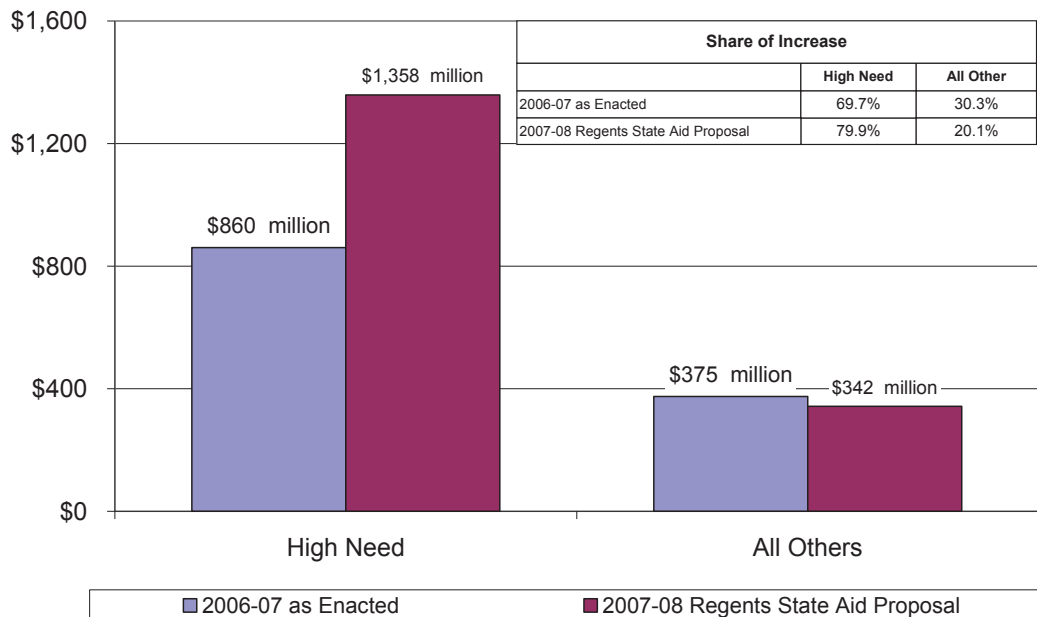


Exhibit E. Computerized State Aid Increases

How They Are Distributed



REGENTS PROPOSAL ON STATE AID FOR SCHOOL YEAR 2007-08

The Regents State Aid proposal for 2007-08 will request the resources and funding system needed to provide adequate resources through a State and local partnership so that all students have the opportunity to achieve State learning standards. This is the fourth year the Regents have refined and advanced a multi-year proposal recommending transition to a foundation program based on the costs of successful educational programs.

Statement of Need

This proposal pursues two Regents goals: to close the gap between actual and desired student achievement; and to ensure that public education resources are adequate and used by school districts effectively and efficiently.

The Regents Annual Report to the Legislature and Governor on the Educational Status of the State's Schools (Chapter 655 Report) cites numerous examples of improvement in student achievement since 1996 when the Regents began to raise standards for all grade levels and imposed graduation requirements aligned with the new standards. For example, the report notes¹:

- More eighth-graders are demonstrating that they have achieved the standards in mathematics.
- The percentage of Black and Hispanic fourth-graders demonstrating proficiency increased by about 20 percentage points in both mathematics and English.
- The percentage of graduates earning Regents diplomas increased from 42 to 57 percent.
- Even in large urban districts that serve the largest percentages of poor and minority students, more students are earning Regents diplomas.
- Between 1996–97 and 2003–04, the number of students scoring 55 or higher on the Regents English exam increased from 113,000 to 171,000.

While there have been many positive changes in the last 18 years since the Regents have reported on the educational progress of the State's schools, one disturbing aspect of the report has remained the same. The report continues to document a pattern of high student need, limited resources, and poor performance in many districts. Generally, these districts can be described as having high student needs relative to their capacity to raise revenues. These high need districts include the Big 5, 46 smaller districts with many of the characteristics of the Big 5, and 156 rural districts. Large gaps in performance exist between these high need districts and low-need districts, those which both serve children from more affluent families and have generous local resources to draw on.

The results of the 2004 middle-level mathematics assessment illustrate these performance gaps between high and low-need districts. There were significant improvements in total public school results and in results for each Need/Resource Capacity Category of school districts and for each racial/ethnic group. Nevertheless, the performance gap between low- and high need districts, such as New York City, remains.

- While the percentage of New York City students who are proficient in middle-level mathematics increased to 42 percent, almost twice as many students in low-need districts were proficient.

We can relate this contrast to the resources available to schools in each group:

- Let's look first at the proportion of middle-level mathematics teachers who are not appropriately certified: 18 percent in New York City compared with 3 percent in the high-performing low-need districts.
- In addition to having fewer qualified teachers than students in low-need districts, students in New York City attended school fewer days on average during the year: 161 compared with 172 days.

But the differences between New York City and the low-need districts do not stop there. The average expenditure per pupil in New York City was over \$2,000 less than that in low-need districts.

- \$12,896 per pupil in New York City compared with \$15,076 on average in low-need districts in 2002-03.
- The median teacher salary in New York City was \$54,476 compared with \$66,638 in low-need districts.

Similar relationships among performance, resources, and student need can be seen in comparisons between the performance of White students and that of Black and Hispanic students. White students were about twice as likely as Black or Hispanic students to be proficient in middle-level mathematics.

- 71 percent of White students met the middle-level mathematics standards.
- 33 percent of Black students and 37 percent of Hispanic students met those standards.

The majority of Black and Hispanic students attend high-minority schools; the majority of White students attend low-minority schools. One reason that students in low-minority schools are more successful is that they spend more time in school.

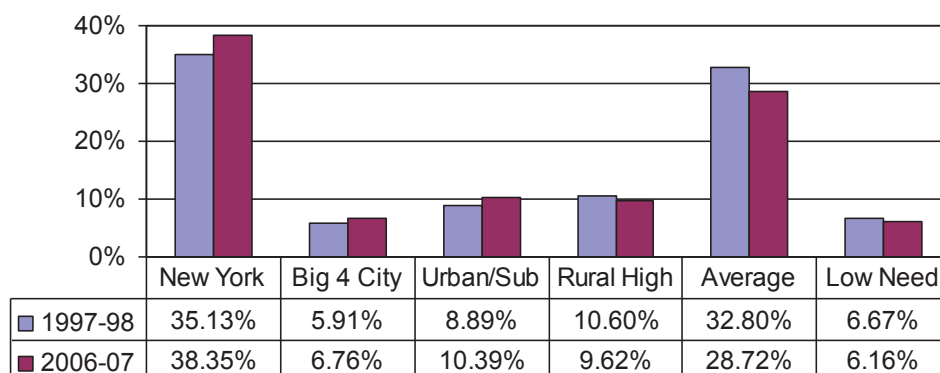
In addition, high-minority schools had a:

- Higher teacher turnover rate (26 vs. 15 percent); and
- Less experienced teachers (10 years vs. 12 years).

The significance of these gaps in performance and resources between high- and low-minority schools is heightened by the fact that, while overall public school enrollment decreased by nearly 3,000 students between Fall 1998 and Fall 2003, enrollment in high-minority schools increased by 47,000 students.

Figure 1 shows that the State Aid increase school districts have experienced has had a relatively small impact on the share of total State Aid that each district category receives. Despite increases to many high need school districts, the relative share of education revenues received by groups of high need city school districts has increased by approximately one to three percentage points over the past nine years. The relative share declined for high need rural school districts (almost one percentage point), average need school districts (approximately four percentage points), and for low-need school districts (about half a percentage point).

Figure 1. Share of Computerized Aids as Enacted



Four principles guide this Regents proposal.

Adequacy—Effective distribution across all districts will ensure adequate resources for acceptable student achievement.

Fairness—The funding system must be fair for students and taxpayers. State resources should be allocated on the basis of fiscal capacity, cost and student needs. The emphasis is placed on providing a set of inputs to educate students.

Accountability—The education system will measure outcomes and use those measures to ensure that financial resources are used effectively. As part of the Regents goal that education resources will be used or maintained in the public interest, the Regents employ a two-prong strategy. The Department will give greater flexibility to districts with acceptable student achievement and will work closely with districts not yet meeting State standards to ensure the most efficient and effective use of resources.

Balance—The State should balance stability in funding and targeting aid to close student achievement gaps. It should drive aid based on current needs, and use hold-harmless provisions that provide stability.

Enact a Foundation Program

The proposed *Foundation Aid* would consolidate approximately 30 existing aid programs and adjust the consolidated aid for regional cost differences and pupil needs. It would identify an expected local contribution for each school district, based on ability to pay. The foundation level is based on the cost of educating students in successful school districts. An expected local contribution is calculated based on each district's actual value per pupil, adjusted by income per pupil. State Aid is calculated as the foundation cost less the expected local contribution. The proposal would hold school districts harmless against loss for the group of aids combined into *Foundation Aid* and would be phased in over five years.

The foundation formula approach has several advantages. It sets aid independent of any decisions by districts on how much to spend. It also provides certainty to districts regarding how much funding they will receive. And, most significantly, it explicitly links school funding to the cost of educating children and drives dollars where they are most needed.

The foundation formula has four components:

- A foundation amount which assesses the cost of an adequate education;
- A regional cost index that measures relative purchasing power of regions around the State;
- A pupil needs index to assess the amount of pupil need in each district; and
- An expected local contribution to represent a fair local share from each district.

Two components of the foundation equation have been updated with more recent data.

The Regional Cost Index

In order to adjust for geographic variations in the cost of educational resources, the Regional Cost Index was generated following a methodology similar to one developed by Rothstein and Smithⁱⁱ for the state of Oregon. This involved the use of a statewide index based on median salaries in professional occupations that require similar credentials to that of positions in the education field. In particular, these titles represented categories for which employment at the entry level typically requires a bachelor's degree. The Regents original Regional Cost Index was based on 63 occupational titles. Fifty-nine titles were used for this edition of the Regional Cost Index. Education-related titles were excluded in order to ensure that this index be entirely a measure of labor market costs, and not be subject to the tastes or control of districts. Therefore, we sought to measure genuine labor market costs, not the results of districts' decisions to hire especially high-quality teachers, or to influence the index value in later years by choosing to pay more for staff. By basing the index on the wages earned in the labor market by non-educational professionals with

similar skills, we have created a measure of costs in the sector of the labor market in which districts compete for teachers and staff, in each region of the State. Since personnel salaries and benefits make up the vast majority of costs faced by school districts, the Regional Cost Index allows for an individual to compare the buying power of the educational dollar in different labor force regions of the State.

The Foundation Amount

The Regents propose a *Foundation Aid* program, with a foundation amount based on the average per pupil cost of general education instruction in successful school districts. Empirical estimates of the cost of an adequate education typically begin by investigating districts that are already achieving a desired state of academic performance; 465 districts were identified in the current update of the successful districts study. These districts had, on average, 80 percent or more of their students passing seven State examinations, two at the elementary level and five at the high school level, for three years in a row.

Special Education Funding

The Regents explored options for improving the funding of special education in a series of meetings around the State with educators and the public. Participants considered how funding can best support program goals of improved student achievement and education of students with disabilities in the least restrictive environment. Three options were discussed that provide special education funding separate from the foundation program and respond to policy concerns voiced at public forums on special education funding.

Current laws provide school districts State Aid to help meet the excess costs of educating students with disabilities--that is, districts receive *Operating Aid* for each student including those with disabilities, and, in addition, *Excess Cost Aid* for those costs that are above and beyond the costs of a non-disabled student. In addition, the laws provide:

- That *Excess Cost Aid* varies with differences in school district wealth and requires a substantial local contribution;
- That *Excess Cost Aid* is based on the average spending on all students in the district but provide more aid for higher levels of service to students with disabilities;
- A substantial minimum aid, regardless of wealth;
- Extra aid for high-cost students and students integrated with their nondisabled peers; and
- Aid for students with disabilities placed in approved nonpublic special education schools.

The proposed approach maintains a separate special education funding stream based on a count of students with disabilities. It aligns that funding with the Regents proposal for foundation aid for general education instruction.

The general direction of the proposal is this: Calculate the foundation amount for general education students (e.g., General Education Foundation Cost x Pupil Needs Index x Regional Cost Index). This would be divided into an expected local contribution and State Aid to provide support for general education instruction, as it was proposed in the 2004-05, 2005-06 and 2006-07 Regents State Aid proposals.

For *Public Excess Cost Aid*, that same foundation amount would be multiplied by a single weighting for all classified students with disabilities to determine an expense upon which to base excess cost aid per pupil. Thus, each student with a disability would generate operating aid based on a portion of the general education foundation amount and, separately, excess cost aid based on a portion of the special education weighted general education foundation amount. The *Excess Cost Aid* would be tied to the cost of education in successful districts by basing it on the foundation amount from our updated successful school district study. *High-Cost Aid* and *Private Excess Cost Aid* would be continued separately. The Regents recommend current-year aid for new high-cost students with disabilities.

The following is an example of this proposal in a hypothetical school district. The amounts used are made up and are intended to illustrate how the formula might work and not its specific details.

Foundation Aid. Calculate the foundation amount for general education students (e.g., \$1,000 x Pupil Needs Index x Regional Cost Index or for example a district with moderate pupil needs and moderate costs, $\$1,000 \times 1.5 \times 1.2 = \$1,800/\text{pupil}$). Divide this into State Aid and an expected local contribution to provide State support for general education instruction. For this hypothetical school district, assume the expected local contribution was \$1,000 per pupil and State Aid was \$800 per pupil.

Excess Cost Aid. Take the same foundation amount (\$1,800/pupil) multiplied by a single weighting for all classified students with disabilities to determine excess cost expense per pupil. (For example, $\$1,800 \times 1.1 = \$1,980$ of excess cost expense per special education pupil.) A State and local share of this expense can then be calculated. Thus, each student with a disability would generate *Foundation Aid* and *Excess Cost Aid*.

Regional Services for the Big Five City School Districts

This proposal recommends that the existing practice of excluding large city school districts from accessing BOCES services be discontinued. It recommends that the Big Four city school districts (Yonkers, Rochester, Syracuse and Buffalo) be given the authority to contract with neighboring BOCES for services in critical service areas that are strong in BOCES and weak in the city district.

A program should be established authorizing the Big Four city school districts to participate in BOCES and purchase services from BOCES. A corresponding increase in aid should

be provided to the New York City school district to allow it to fund similar programs within the city district without BOCES. Such regional services can include:

- Arts and cultural programs for students;
- Career and technical programs for students;
- Alternative education for students, including those who are in secure and non-secure detention centers within the city boundaries;
- Staff development as part of a district required professional development plan and annual professional performance review;
- Technology services provided through BOCES;
- Regional teacher certification; and
- For the 2007-08 school year, planning and development activities necessary to implement these programs in the following school year.

Funding Early Childhood Education

The Benefits of Quality Early Childhood Education

The use of pre-kindergarten as a cornerstone program to building strong statewide early childhood programs is a high priority for the Board of Regents and school districts. It is a well-researched and effective educational strategy for closing the achievement gap. Research has shown that children who participate in quality pre-kindergarten programs have less need for special education and remediation throughout schooling and earn more and are incarcerated less in adulthood. The investment in pre-kindergarten is a cost-effective strategy that pays dividends to society and to the children who participate. The New York State Governor and Legislature made the decision to move toward the provision of universal pre-kindergarten education in 1997.

While much of the focus on strengthening early childhood has concerned the education of three and four-year olds, the provision of full-day programs to kindergarten pupils is also a statewide policy concern. Estimates are that approximately 20,000 students are in half-day programs and 14,000 pupils are not enrolled in full-day kindergarten. If quality early childhood education is to be successful, its provision must continue beyond pre-kindergarten, into full-day kindergarten and successfully transition students into quality elementary school programs.

The Regents Goal

The Regents recommend that all young children have access to quality early childhood programs from age three on and that the Governor and Legislature continue to phase in State support for such programs.

Regents Policy

In January 2006, the Regents adopted a policy on early childhood education. It recommends:

- Statutory authorization for voluntary, statewide universal pre-kindergarten for three- and four-year olds.
- Local education agencies continued collaboration with community-based programs as required by current law.
- Combined funding streams for universal pre-kindergarten, targeted pre-kindergarten and supplemental pre-kindergarten programs.
- A consistent funding stream for universal pre-kindergarten through a foundation State Aid approach similar to the Regents proposal for funding kindergarten through grade 12.

Funding Issues

The Governor and Legislature must ensure that the program is available to all districts and three and four-year-olds. For pre-kindergarten to become an integral part of a pre-kindergarten through grade 12 public school system, action regarding the funding mechanism is as important as the level of funding. The Regents have grappled with two important issues.

First, there is a need to streamline and focus funding to make the most of public resources. The Targeted Pre-K program has been implemented as an experimental grant program for decades. In 1997, the Governor and Legislature added a second grant program known as Universal Pre-kindergarten. In 2006, the Governor and Legislature added a third grant program in addition to the first two. Now with three separate grant programs, each with their own funding components and distribution, the Regents recognize that the grant process, although it has been a successful way to phase in the program, may not be the most effective way to sustain the program for the future.

Second, how should the Governor and Legislature phase in quality early childhood education from age three on? Specifically, the Regents considered whether to phase in this program as a program targeted to at-risk children or to all children. Programs designed to serve all children ensure access. Research shows that targeted programs do not close the achievement gap as at-risk children cross many socio-economic groups (Garcia, 2005). Programs targeted for at-risk students are also more likely to be frozen, cut or eliminated. Another disadvantage is that programs targeted for at-risk children often lack the participation of other children that may be crucial to the educational process.

The advantage of phasing in quality early childhood education for all students regardless of risk status is that the program will have the support and participation of all. The disadvantage is that programs for all are more costly. Further Regents discussion of these and other policy issues is planned to occur in the near future.

Regents Recommendations for 2007-08

The Regents goal is to make funding available to allow school districts to adopt programs to make pre-kindergarten programs universally available. The Regents recommend that funding for early childhood education be streamlined into one funding stream and that the distribution of funding be equalized on the basis of school district fiscal capacity and the level of student need. Funding for early childhood education should be separate from but aligned with funding for kindergarten through grade 12. Funding for pre-kindergarten through grade 12 should provide school districts with the resources needed to give all students the opportunity to meet State learning standards.

Pending further discussion of outstanding policy issues by the Regents, funding should be phased in over time to provide *Early Childhood Foundation Aid* for all three- and four-year olds. In addition, the Regents recommend that aid for instructional materials be revised to allow aid for those that promote early learning, as provided for in the following section.

To address the need for full-day kindergarten programs, the Regents recommend planning grants for the additional classrooms needed. Beginning in 2008-09, the Regents will advance recommendations to phase in the funding for all kindergarteners to participate in full-day programs over a three-year period.

Provide Flexibility in Aid for Instructional Materials

Although the Governor and Legislature have provided support for instructional materials in the form of *Textbook Aid* and *Software Aid*, changes in education suggest the need for commensurate changes in State Aid.

First, instructional materials are increasingly available electronically so *Textbook Aid* was recently amended to allow textbooks in electronic format to be eligible for aid. This change blurs the distinction between *Textbook Aid* and *Software Aid*.

Second, schools throughout the State are designing science and mathematics curricula to provide an inquiry-centered instructional approach that involves the use of relevant equipment, professional materials, supplies and science kits or mathematics manipulatives, rather than textbooks. Such experiential learning has helped students master State standards and has supported State and national efforts to strengthen student preparation in mathematics and science.

Textbooks may not be the most appropriate instructional materials for kindergarteners. Instead of textbooks, early childhood educators use developmentally appropriate educational games and hands-on manipulatives that promote early literacy, numeracy, scientific inquiry, and social learning.

The Regents recommend that the Governor and Legislature consolidate *Textbook Aid* and *Software Aid* into a new *Instructional Materials Aid*. The definition of eligible instructional materials should include equipment, materials, supplies, kits and other manipulatives used

in the instruction of K-12 mathematics and science, and for kindergarten only, educationally-based materials such as developmentally appropriate games and hands-on manipulatives that promote early learning.

Increase Library Materials Aid to Close the Gap in Student Achievement

The Benefits of Strong School Library Collections

The impact of school libraries with strong print collections on raising student performance levels is well researched. Studies of more than 3,300 schools across the country demonstrate that, while there are many characteristics that define a strong school library, the number of books per student is one very significant factor. ⁱⁱⁱ

Additional research has found that access to educational resources outside of school varies considerably by socio-economic background and contributes to lasting achievement differences of children.^{iv} Some of these studies focused on the access of children to library books and found “dramatic disparities in three communities, ranging from high to low income.”^v The high income community had significantly more library books for children to interact with.

High-performing schools have school libraries with significantly more resources per student than low-performing schools. The investment in school library materials is a cost-effective strategy for addressing the persistent pattern of high student need, limited resources, and poor performance in many districts.

New York State School Library Funding Issues

The State funds school library collections in part with *Library Materials Aid* which has been \$6.00 per pupil since 1998, despite a 30 percent increase in the cost of the average library book since 1999 to \$21.60. Currently, school districts in New York State spend^{vi} on average approximately \$13 per pupil on school library materials. However individual district expenditures vary greatly, with high need districts spending the least. Successful school districts, identified for the development of the Regents State Aid Foundation Proposal, which have an average of 80 percent of their students passing seven State tests over three years, spend on average \$17 per pupil for school library materials. Large gaps in performance between high need and low-need districts are well documented^{vii}. The result is that students who would most benefit from a strong school library with adequate collections are the least likely to have access to such resources.

The recent Court of Appeals decision in the Campaign for Fiscal Equity case regarding State funding of public schools determined adequate school libraries to be part of a “sound, basic education.” The Court urged the Governor and Legislature to provide funding for up-to-date school libraries as one important means of achieving equitable access to a basic education for students in low-income communities.

The Regents have made closing the gap in achievement a priority. The Governor and Legislature must ensure that youngsters in high need districts, which are most dependent upon *Library Materials Aid*, have access to school libraries with adequate collections.

Funding Recommendation

The Regents recommend that *Library Materials Aid* be increased to enable school libraries in high need communities to provide a comparable level of collections to their students as those in successful school districts.

Enact a Simplified Cost Allowance for State *Building Aid*

The Regents recommend that the Governor and Legislature simplify the maximum cost allowance formula for *State Building Aid*. The law sets a reasonable cost ceiling for all capital projects. However, the current system is an overly complex and inefficient process that, in some cases, forces a district to compromise the desired educational goal in order to achieve maximum reimbursement. The Regents propose that the State calculate a cost allowance based on a certain allotment of space and cost per enrolled pupil, according to the following formula:

Cost Allowance = Projected Pupil Enrollment x Allowed Square Feet

Per Pupil x Allowed Cost per Square Foot x Regional Cost Factor

The current New York State Labor Department Cost Index would be used to update allowable costs on a monthly basis. Unlike the Regents Regional Cost Index proposed for *Foundation Aid*, which is fundamentally a professional wage index, the New York State Labor Department cost index is based solely on the wages of three major occupational titles critical to the building industry. A simplified formula would offer greater educational flexibility, ease of understanding and transparency.

Strengthen Accountability for the Use of Funds

Since 1996 when State learning standards were implemented, the number of high school graduates has increased by more than 16,000 students. During that time, school expenditures have increased by more than 60 percent. How do we know if resources are well spent? How can we accelerate the progress that is occurring?

The New York State Education Department has developed a school accountability system which is a nationally recognized model for student performance accountability. Approximately 70 percent of New York State schools are making adequate yearly progress. The other 30 percent of schools need varying levels of support and assistance to close the gaps. These low-performing schools are the focus of intensive State efforts.

As schools have improved or closed, the system has resulted in fewer schools identified for improvement. The progress that has occurred can be accelerated and improved with more

State oversight, support for school-by-school reform and tools that process student achievement data and school district claims for aid and help school districts monitor their financial condition. The Technical Supplement describes the current accountability system and the details for making a good system an excellent one. The Regents have requested the funds to implement the proposals that follow as part of the Department's budget request.

**Regents Proposal on State Aid
To School Districts for 2007-08
TECHNICAL SUPPLEMENT**

1. Accountability for Student Success
2. Need/Resource Capacity Definitions
3. High Need School Districts 2006-07 School Year
4. Aids and Grants to be Consolidated Under the Regents Proposal
5. Formula Components
6. Update to Successful School District Study
7. Assessing an Adequate Education
8. Update to the Regents Regional Cost Index
9. Summary of Aids and Grants as Requested in the 2007-08 Regents State Aid Proposal
10. Analysis of Aid Changes Under the 2007-08 Regents State Aid Proposal

Accountability for Student Success

The Current System

New York State's public reporting and accountability system establishes a framework that recognizes the dual responsibility of local districts and the State to ensure that public dollars are spent effectively to provide all students the opportunity for a sound basic education. New York's public reporting and accountability system is comprehensive, rigorous and successful. The system has resulted, for example, in improvements in English language arts and mathematics achievement since 1999 and in a decline of the number of extremely low-performing schools in the State. In 2005-06, 84 percent of New York State schools were in good standing under the accountability system. The system responsible for this progress identifies low-performing schools and districts and imposes a series of graduated actions at the local level and interventions at the State level to improve student achievement. Where results do not improve, consequences follow.

The Commissioner determines annually whether every public school and district is making Adequate Yearly Progress (AYP) in English language arts, mathematics, elementary-middle level science and graduation rates. When a school fails to make AYP for two consecutive years on the same accountability measure, the school is identified as a School Requiring Academic Progress (SRAP) and, if the school receives Title I, Part A funds, as a School in Need of Improvement (SINI). Among other things, these schools must develop a two-year school improvement plan that is annually updated. In addition, all schools in improvement status under Title 1 are required to offer parents the option to transfer their children to other public schools within the district. If a school is not identified as requiring academic progress or as in need of improvement but fails to achieve the State standards in English language arts or mathematics, the district must develop a Local Assistance Plan for the school.

Once the Commissioner identifies schools as needing improvement, a series of increasingly rigorous sanctions is triggered. In each subsequent year that the school does not make AYP on the accountability measure for which it was identified, it advances to the next accountability level. Schools in need of improvement that subsequently fail to make AYP in their area(s) of identification must offer eligible students supplemental educational services. School districts are required to initiate one of several corrective actions for schools that fail for two years subsequent to identification to make AYP in their area(s) of identification. The Commissioner requires the district to restructure or close schools that have failed to make AYP for four years following identification.

The Commissioner also identifies for registration review schools that are farthest from State standards and most in need of improvement. Once identified for registration review, the Commissioner assigns the school performance targets that it is expected to achieve within a specified time or risk having its registration revoked. After being placed under registration review, the school is visited by an external team that audits planning, resources and

programs. The school uses the report of the external team to develop a comprehensive education plan, and the district uses this report to develop a corrective action plan.

Local school districts, regional school support centers, distinguished educators, and SED staff provide schools that are identified for improvement with additional assistance and support. In general, the State Education Department itself focuses its efforts on Schools Under Registration Review (“SURR schools”). Regional school support centers and distinguished educators provide critical support to schools designated as SURR and SINI.

In addition to individual school accountability, the State Education Department is also responsible for determining whether each school district achieves AYP. As in the case of schools, school districts that fail to make AYP for two consecutive years are designated as Districts In Need of Improvement (DINI) and must develop district-wide improvement plans. Pursuant to the NCLB, the Commissioner must take corrective action against a district that receives Title I funds if it fails to make AYP for two years after being designated as needing improvement.

As part of the Department’s process of determining the performance status of schools and school districts, the Commissioner began, after the 2003-04 school year, to designate schools and districts that meet specific criteria as high-performing. Starting with the 2004-05 school year, certain schools and districts were designated as rapidly improving.

Strengthening Accountability

The Regents have advanced a budget request to strengthen accountability. Its goals are to accelerate progress in increasing high school completions, eliminate the student achievement gap and ensure that resources are well spent. The State should:

- Engage schools in efforts to increase graduation rates;
- Hold schools accountable through monitoring, oversight and audits
- Improve tools for school oversight; and
- Prevent fraud, waste and abuse of school resources;

Increase Graduation Rates

- **Increase student performance growth with academic intervention teams and distinguished educators (\$13 million, first year; \$39 million full implementation).**

The Commissioner will assign an academic intervention team to each school and district in the State that is identified for corrective action. The purpose of the intervention teams is to build capacity of local educational agencies to successfully undertake corrective actions that result in improved student achievement consistent

with State standards. Teams made up of administrators and content experts will provide targeted technical assistance in at-risk schools.

Hold Schools Accountable

- **Provide program staff to meet monitoring requirements for federal and State funding and to drive improvement (\$3.1 million).**

In May 2006, U.S. Education Secretary Spellings issued a policy letter expressing concern that state education agencies are not sufficiently monitoring schools to ensure compliance with Supplemental Education Services (SES) and School Choice requirements of the No Child Left Behind Act. This policy letter followed federal audit exceptions concerning Title I funds. The federal government expects states to significantly increase their monitoring of schools to ensure both fiscal and program compliance. In order to meet new federal program monitoring expectations and ensure the flow of federal education funds, the SED will need to increase staff to conduct on-site program and fiscal monitoring of schools each year. This in turn will leverage State funding in support of school improvement.

Improving Tools for School Oversight

- **Develop an Early Warning System to prevent fiscal stress (\$300,000 first year; \$2.7 million full implementation).**

An *Early Warning System* will help the public to know their school's financial status, will help school boards engage in long-range financial planning and will allow State Education Department staff to anticipate and help prevent school district fiscal stress.

- **Develop a State Aid Management System to streamline school funding (\$5 million, first year; \$15 million full implementation).**

The development of a unified State Aid Management System will address shortcomings of the current system by providing: a single point of access to State Aid data; the means for enabling the Department to collect information from school districts across the State more effectively; the capability to analyze districts' fiscal needs; a streamlined method for distributing funds to school districts; and modeling capability during the annual State budget process to inform and assist the Executive and the State Legislature as they address State education funding.

Prevent Fraud, Waste and Abuse

- **Assist school district officials with implementing internal controls to prevent fraud, waste and abuse of district resources (\$1.0 million).**

Additional staff are requested to provide expert support and monitoring for fiscally stressed school districts. They will help the State ensure that fiscally stressed

school districts implement a plan to restore themselves to sound financial condition, that districts maximize revenues they are entitled to, and that they use resources in a manner to maximize student achievement gains. Staff will also ensure that school districts have in place procedures that comply with laws concerning the fiscal oversight of school districts.

■ **Provide audit staff to help ensure resources are used effectively and that data are accurate and reliable (\$2.6 million).**

The Department will use a risk-based system to focus additional audits on districts with indicators of poor student performance and fiscal stress, or those where concerns have been expressed. Such audits will complement audits conducted by the Office of the State Comptroller of school districts, BOCES and charter schools. In addition, some of the audit resources will be devoted to conducting random audits of school districts that have no known problems or issues. Audits will assess the adequacy of the school district's management and focus on seven key areas: governance and planning, accounting and reporting, revenue and cash management, purchasing and expenditures, facilities and equipment, student services, and student-related data.

Resources requested to strengthen school accountability will be presented in the State Education Department's budget request, rather than in the Regents State Aid proposal. Requested resources are \$25 million in 2007-08, \$25.6 million in 2008-09, \$26.2 million in 2009-10. Over these three years, the total of \$76.8 million will provide the tools and oversight to substantially strengthen school accountability in New York State.

Need/Resource Capacity Category Definitions

The need/resource capacity index, a measure of a district's ability to meet the needs of its students with local resources, is the ratio of the estimated poverty percentage¹ (expressed in standard score form) to the Combined Wealth Ratio² (expressed in standard score form). A district with both estimated poverty and Combined Wealth Ratio equal to the State average would have a need/resource capacity index of 1.0. Need/Resource Capacity (N/RC) categories are determined from this index using the definitions in the table below.

Need/Resource Capacity Category	Definition
High N/RC Districts	
New York City	New York City
Large City Districts	Buffalo, Rochester, Syracuse, Yonkers
Urban-Suburban	All districts at or above the 70th percentile (1.188) which meet one of the following conditions: 1) at least 100 students per square mile; or 2) have an enrollment greater than 2,500 and more than 50 students per square mile.
Rural	All districts at or above the 70th percentile (1.188) which meet one of two conditions: 1) fewer than 50 students per square mile; or 2) fewer than 100 students per square mile and an enrollment of less than 2,500.
Average N/RC Districts	All districts between the 20th (0.7706) and 70th (1.188) percentile on the index.
Low N/RC Districts	All districts below the 20th percentile (0.7706) on the index.

¹ **Estimated Poverty Percentage:** A weighted average of the 2000-01 and 2001-02 kindergarten through grade 6 free-and-reduced-price-lunch percentage and the 2000 Census poverty percentage. (An average was used to mitigate errors in each measure.) The result is a measure that approximates the percentage of children eligible for free- or reduced-price lunches.

² **Combined Wealth Ratio:** The ratio of district wealth per pupil to State average wealth per pupil, used for 2000-01 aid.

**High Need School Districts
2006-07 School Year**

Albany County

010100	ALBANY
010500	COHOES
011200	WATERVLIET

Allegany County

020601	ANDOVER
020702	GENESEE VALLEY
020801	BELFAST
021102	CANASERAGA
021601	FRIENDSHIP
022001	FILLMORE
022101	WHITESVILLE
022302	CUBA-RUSHFORD
022401	SCIO
022601	WELLSVILLE
022902	BOLIVAR-RICHBG

Broome County

030200	BINGHAMTON
030501	HARPURSVILLE
031301	DEPOSIT
031401	WHITNEY POINT
031502	JOHNSON CITY

Cattaraugus County

041101	FRANKLINVILLE
041401	HINSDALE
042302	CATTARAUGUS-LI
042400	OLEAN
042801	GOWANDA
043001	RANDOLPH
043200	SALAMANCA
043501	YORKSHIRE-PIONE

Chautauqua County

060401	CASSADAGA VALL
060601	PINE VALLEY

060701	CLYMER
060800	DUNKIRK
061501	SILVER CREEK
061503	FORESTVILLE
061700	JAMESTOWN
062301	BROCTON
062401	RIPLEY
062601	SHERMAN
062901	WESTFIELD

Chemung County

070600	ELMIRA
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Chenango County

080101	AFTON
080601	GREENE
081003	UNADILLA
081200	NORWICH
081401	GRGETWN-SO-OTS
081501	OXFORD
082001	SHERBURNE-EARL

Clinton County

090201	AUSABLE VALLEY
090301	BEEKMANTOWN
090901	NORTHRN ADIRON
091200	PLATTSBURGH

Columbia County

101300	HUDSON
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Cortland County

110101	CINCINNATUS
110200	CORTLAND
110304	MCGRAW
110901	MARATHON

Delaware County

120401	CHARLOTTE VALL
120701	FRANKLIN
120906	HANCOCK

121401	MARGARETVILLE
121601	SIDNEY
121701	STAMFORD
121702	S. KORTRIGHT
121901	WALTON
Dutchess County	
130200	BEACON
131500	POUGHKEEPSIE
Erie County	
140600	BUFFALO
141800	LACKAWANNA
Essex County	
150203	CROWN POINT
150901	MORIAH
151501	TICONDEROGA
Franklin County	
160801	CHATEAUGAY
161201	SALMON RIVER
161501	MALONE
161601	BRUSHTON MOIRA
161801	ST REGIS FALLS
Fulton County	
170500	GLOVERSVILLE
170600	JOHNSTOWN
171001	OPPENHEIM EPHR
Genesee County	
180300	BATAVIA
Greene County	
190401	CATSKILL
Herkimer County	
210302	WEST CANADA VA
210501	ILION
210502	MOHAWK
210601	HERKIMER
210800	LITTLE FALLS
211003	DOLGEVILLE
211103	POLAND
211701	VAN HORNSVILLE
212001	BRIDGEWATER-W
Jefferson County	
220301	INDIAN RIVER
220909	BELLEVILLE-HEN
221301	LYME
221401	LA FARGEVILLE
222000	WATERTOWN
222201	CARTHAGE

Lewis County	
230201	COPENHAGEN
230901	LOWVILLE
231101	SOUTH LEWIS
Livingston County	
240901	MOUNT MORRIS
241101	DALTON-NUNDA
Madison County	
250109	BROOKFIELD
250301	DE RUYTER
250401	MORRISVILLE EA
251501	STOCKBRIDGE VA
Monroe County	
261600	ROCHESTER
Montgomery County	
270100	AMSTERDAM
270301	CANAJOHARIE
270701	FORT PLAIN
271102	ST JOHNSVILLE
Nassau County	
280201	HEMPSTEAD
280208	ROOSEVELT
280209	FREEPORT
280401	WESTBURY
New York City	
300000	NEW YORK CITY
Niagara County	
400800	NIAGARA FALLS
Oneida County	
410401	ADIRONDACK
410601	CAMDEN
411800	ROME
412300	UTICA
Onondaga County	
421800	SYRACUSE
Ontario County	
430700	GENEVA
Orange County	
441000	MIDDLETOWN
441202	KIRYAS JOEL
441600	NEWBURGH
441800	PORT JERVIS

Orleans County

450101 ALBION
450801 MEDINA

Oswego County

460102 ALTMAR PARISH
460500 FULTON
460701 HANNIBAL
461801 PULASKI
461901 SANDY CREEK

Otsego County

470202 GLBTSVLE-MT U
470501 EDMESTON
470801 LAURENS
470901 SCHENEVUS
471101 MILFORD
471201 MORRIS
471601 OTEGO-UNADILLA
472001 RICHFIELD SPRI
472202 CHERRY VLY-SPR
472506 WORCESTER

Rensselaer County

490601 LANSINGBURGH
491200 RENSSELAER
491700 TROY

Rockland County

500402 EAST RAMAPO

St. Lawrence County

510101 BRASHER FALLS
510401 CLIFTON FINE
511101 GOUVERNEUR
511201 HAMMOND
511301 HERMON DEKALB
511602 LISBON
511901 MADRID WADDING
512001 MASSENA
512101 MORRISTOWN
512201 NORWOOD NORFOL
512300 OGDENSBURG
512404 HEUVELTON
512501 PARISHVILLE
513102 EDWARDS-KNOX

Schenectady County

530600 SCHENECTADY

Schoharie County

540901 JEFFERSON
541001 MIDDLEBURGH

541401	SHARON SPRINGS
Schuyler County	
550101	ODESSA MONTOUR
Seneca County	
560501	SOUTH SENECA
561006	WATERLOO CENT
Steuben County	
570101	ADDISON
570201	AVOCA
570302	BATH
570401	BRADFORD
570603	CAMPBELL-SAVON
571502	CANISTEO-GREEN
571800	HORNELL
572301	PRATTSBURG
572702	JASPER-TRPSBRG
Suffolk County	
580105	COPIAGUE
580106	AMITYVILLE
580109	WYANDANCH
580232	WILLIAM FLOYD
580512	BRENTWOOD
580513	CENTRAL ISLIP
Sullivan County	
590501	FALLSBURGH
590901	LIBERTY
591302	LIVINGSTON MAN
591401	MONTICELLO
Tioga County	
600101	WAVERLY
600903	TIOGA
Tompkins County	
610901	NEWFIELD
Ulster County	
620600	KINGSTON
622002	ELLENVILLE
Warren County	
630918	GLENS FALLS CO
631201	WARRENSBURG
Washington County	
640601	FORT EDWARD
640701	GRANVILLE
641301	HUDSON FALLS

Wayne County

650101	NEWARK
650301	CLYDE-SAVANNAH
650501	LYONS
651201	SODUS
651501	N. ROSE-WOLCOT
651503	RED CREEK

Westchester County

660900	MOUNT VERNON
661500	PEEKSKILL
661904	PORT CHESTER
662300	YONKERS

Yates County

680801	DUNDEE
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Aids and Grants to be Consolidated and Other Aids
Under the Regents Proposal
on State Aid to School Districts
for School Year 2007-08

**Aids and Grants Replaced by the
Proposed Regents Foundation Formula**

2006-07 Aids and Grants

Computerized Aids

Comprehensive Operating Aid
Computer Hardware Aid
Early Grade Class Size Reduction
Educationally Related Support Services Aid
Enrollment Adjustment Aid
Extraordinary Needs Aid
Flex Aid
Gifted and Talented Aid
High Tax Aid
Minor Maintenance and Repair Aid
Operating Aid
Operating Growth Aid
Operating Standards Aid
Operating Reorganization Incentive Aid
Small City Aid
Sound Basic Education Aid
Summer School Aid
Supplemental Extraordinary Needs Aid
Tax Effort Aid
Tax Equalization Aid
Tax Limitation Aid
Teacher Support Aid
Transition Adjustment/Adj. Factor

Other Aids and Grants

Categorical Reading Programs
CVEEB
Fort Drum Aid
Improving Pupil Performance Grants
Magnet Schools Aid
Shared Services Savings Incentive
Tuition Adjustment Aid
Urban-Suburban Transfer Aid

Regents Proposal for 2007-08



Foundation
Aid

Other Aids Separate from Foundation Aid

Other Aids and Grants

Bilingual Education Grants
BOCES Aid
BOCES Spec Act, <8, Contract Aid
Building Aid
Building Reorganization Incentive Aid
Computer Software Aid/Textbook Aid
Bus Driver Safety Training Grants
Chargebacks
Division for Youth Transportation
Education of OMH/OMR
Education of Homeless Youth
Employment Preparation Education Aid
Engineers of the Future
Fiscal Stabilization Grants
Full Day Kindergarten Conversion Aid
Full Day Kindergarten Planning Grants
Incarcerated Youth
Institutes of Mathematics and Science
Learning Technology Grants
Library Materials Aid
Limited English Proficiency Aid
Native American Education
Native American Building Aid
Prior Year Adjustments
Private Excess Cost Aid
Public Excess Cost Aid
Roosevelt
Special Act Districts Aid
Special Services – Career Education
Special Services – Computer Administration
Student Health Services
Teacher Centers
Teacher-Mentor Intern
Teachers of Tomorrow Grants
Transportation Aid
Universal Pre-Kindergarten Aid

2007-08 Regents Proposal

Formula Components

Foundation Aid

Foundation: Foundation Operating Aid is the greater of \$500 or Formula Foundation Aid multiplied by Selected Total Aidable Pupil Units (TAPU). The Foundation Aid is the product of \$5,258, the Regional Cost Index (see explanation following) and a Pupil Need Index, less the Expected Local Contribution. The Pupil Needs Index, which ranges from 1.0 to 2.0, is the sum of 1.0 plus the product of the Extraordinary Needs percent (changed to exclude a Limited English Proficiency count) multiplied by the concentration factor. The concentration factor (maximum of 85.5 percent) is 42.75 percent + (42.75 percent x [(EN percent - 10 percent)/70 percent]). The Expected Local Contribution is the product of 0.013 multiplied by the Alternate Pupil Wealth Ratio multiplied by the Selected Actual Value (AV) per 2005-06 TWPU. Selected AV is the lesser of the 2004 AV or the average of 2003 AV and 2004 AV. Selected TAPU, Total Wealth Pupil Units (TWPU), and TAPU for Expense have been changed to be based on average daily membership (instead of average daily attendance), eliminate the 0.25 additional weightings for Pupils with Special Educational Needs and secondary pupils and continue the 0.12 weighting for summer school pupils (in TAPU). TWPU excludes weightings for students with disabilities. TAPU for Expense applies a single 1.41 weighting for students with disabilities. Aid for New York City is on a citywide basis. Resident Weighted Average Daily Attendance (RWADA) is used only for Building Aid.

The following aids and grants are eliminated, as well as four aids and grants that do not appear on the computerized aid estimates, Tuition Adjustment Aid, Urban-Suburban Transfer Aid, County Vocational Education Extension Board (CVEEB) and Shared Services Savings Incentive:

- Categorical Reading Programs
- Comprehensive Operating Aid
- Computer Hardware Aid
- Early Grade Class Size Reduction
- Educationally Related Support Services Aid
- Enrollment Adjustment Aid
- Extraordinary Needs Aid
- Flex Aid
- Fort Drum Aid
- Gifted and Talented Aid
- High Tax Aid
- Improving Pupil Performance Grants
- Magnet Schools Aid
- Minor Maintenance and Repair Aid
- Operating Aid
- Operating Growth Aid

Operating Reorganization Incentive Aid
Operating Standards Aid
Small City Aid
Sound Basic Education Aid
Summer School Aid
Supplemental Extraordinary Needs Aid
Tax Effort Aid
Tax Equalization Aid
Tax Limitation Aid
Teacher Support Aid
Transition Adjustment/Adj. Factor

Transition Adjustment: The base includes the 2006-07 aids listed above which appear in the computerized aid estimates. All districts are guaranteed a 2 percent increase over their 2006-07 consolidated base aids. A district's Foundation Aid is capped at a need-adjusted 10.50 percent over 2006-07 aids. The cap is: $0.1050 \times (\text{Need/Resource Index, but not less than } 1.0)$ with a minimum of 0.1050 and a maximum of 0.1125. The Need/Resource Index is the district's Extraordinary Needs Ratio (i.e., district Extraordinary Needs percent divided by the State average of 51.8 percent) divided by its Combined Wealth Ratio (CWR).

Support for Extra Time and Help

Limited English Proficiency: Aid is based on the 2006-07 LEP pupils multiplied by Foundation Operating Aid per pupil multiplied by 0.152.

Full Day Kindergarten Conversion: For eligible districts, aid is based on Foundation Operating Aid per pupil multiplied by the increase in full day kindergarten enrollment from the base year to the current year.

Universal Pre-Kindergarten: The grant per pupil for unserved four-year olds is based on 0.50 multiplied by the 2007-08 Foundation Operating Aid per pupil. The unserved count is phased-in at the product of the unserved four-year olds multiplied by a variable phase-in percent. The variable phase-in percent ranges from 35 percent for districts with a Free and Reduced-Price Lunch percent (FRPL) of 35 percent or less, to 85 percent for a district with a FRPL percent of 80 percent or more. The phase-in percent (minimum of 35 percent) is $35 \text{ percent} + (111.1 \text{ percent} \times [\text{FRPL percent} - 35 \text{ percent}])$. If the resulting count is at least 1.0, the district is eligible to receive aid. No district receives less than the sum of its 2006-07 Universal Pre-kindergarten and Supplemental Universal Pre-kindergarten grants and the 2006-07 allocations for Targeted Pre-Kindergarten (including summer).

Support for Students with Disabilities

Excess Cost - Public: Basic Public Excess Cost Aid equals the foundation operating aid per pupil multiplied by weighted students with disabilities. A single 1.41 weighting is provided for pupils who require special services or programs, consistent with an Individualized Education Program (IEP), for: 60 percent or more of the school day; at least 20 percent of the school week but less than 60 percent of the school day; and, direct or indirect consultant services at least 2 hours per week. Pupils are aided by district of attendance. Declassification Aid is included based on 50 percent of the basic Public Excess Cost Aid per pupil. All districts are guaranteed a 2 percent increase over their 2006-07 aid per pupil, excluding high cost aid. A district's basic and declassification aids are capped at a need-adjusted 10.50 percent over 2006-07 aid per pupil, excluding high cost aid. Aidable high cost expense per pupil must exceed 2.41 times the greater of district 2005-06 Approved Operating Expense/TAPU for Expense or the foundation expense per pupil. Tier 1 high cost aid per pupil is the product of: (a) tier 1 ratio (i.e., district foundation aid per pupil divided by district foundation expense per pupil) and (b) tier 1 expense (i.e., the lesser of district aidable high cost expense per pupil or the State average aidable high cost expense per pupil). Tier 2 high cost aid per pupil is the product of: (a) aidable high cost expense per pupil in excess of tier 1 expense per pupil and (b) tier 2 ratio, with a minimum of .25 and maximum of .90 (i.e., $[1 + (\text{aidable high cost expense per pupil} / \text{State average aidable high cost expense per pupil})] \times \text{tier 1 ratio}$). High Cost Aid is the sum of tier 1 and tier 2 high cost aids per pupil. No additional aid is provided for students in integrated settings (i.e., pupils who receive special education services or programs by qualified personnel, consistent with an IEP, for 60 percent or more of the school day in a general education classroom with non-disabled students).

The calculation of the additional 1.41 weighting for students with disabilities used in the Excess Cost Aid formula is based on the set of 465 districts meeting the Regents criteria for successful school districts identified in the Regents state aid proposal for 2007-08. That proposal established a foundation amount based on the average cost per pupil for general education among those 465 districts. For the 2007-08 proposal, the ratio of special education expenditure per pupil to general education expenditure per pupil for these 465 districts was calculated, yielding an additional 1.41 weighting per student receiving special education services. That is, a pupil with a disability will be counted as 1.0 for Foundation Aid and 1.41 for Excess Cost Aid, resulting in a total pupil count for aid purposes equal to 2.41.

Excess Cost - Private: Aid is for public school students attending private schools for students with disabilities. Net tuition expense is multiplied by the Aid Ratio ($1 - (.15 * \text{CWR})$, with a .5 minimum).

BOCES/Career and Technical Education

BOCES: BOCES Aid is included for administrative, shared services, rental and capital expenses. Save-harmless is continued. Approved expense for BOCES Administrative and Shared Services Aids is based on a salary limit of \$30,000. Aid is based on approved 2006-07 administrative and service expenses and the higher of the millage ratio or the AV/2005-06 TWPU Aid Ratio: $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum and .90 maximum. The millage ratio factor remains 8 mills. Rent and Capital Aids are based on 2007-08 expenses multiplied by the AV/2005-06 TWPU Aid Ratio with a .00 minimum and a .90 maximum. Payable aid is the sum of these aids.

Special Services Computer Administration: Computer Administration Aid equals the higher of the millage ratio or the AV/2005-06 TWPU Aid Ratio $(1 - (.51 * \text{Pupil Wealth Ratio}))$ with a .36 minimum multiplied by approved expenses not to exceed the maximum of \$67.30 multiplied by the Fall 2006 public school enrollment with half-day kindergarten weighted at 1.0.

Special Services Career Education: Career Education Aid equals the higher of the millage ratio or the Aid Ratio $(1 - (.51 * \text{PWR}))$ with a .36 minimum multiplied by \$5,258, multiplied by the 2006-07 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16.

Instructional Materials Aids

Instructional Materials: Aid is based on 2006-07 approved textbook and computer software expenses up to the product of \$72.28 multiplied by the 2006-07 public and nonpublic enrollment.

Library Materials: Aid is based on 2006-07 approved library materials expenses up to the product of \$10.00 multiplied by the 2006-07 public and nonpublic enrollment.

Expensed-Based Aids

Building: Aid is equal to the product of the estimated approved building expenses multiplied by the highest of the 1981-82 through the 2006-07 AV/RWADA Aid Ratios or the Current AV/RWADA Aid Ratio. For projects approved by voters on or after July 1, 2000, expenses are multiplied by the higher of the Building Aid Ratio used for 1999-00 aid less .10 or the Current AV/RWADA Aid Ratio. Up to 10 percent of additional building aid is provided for projects approved by voters on or after July 1, 1998. Building expenses include certain capital outlay expenses, lease expenses, and an assumed debt service payment based on the useful life of the project and a statewide average interest rate. The low income aid ratio

option is discontinued, however the high need supplemental building aid ratio option is continued. Aid is not estimated for those prospective and deferred projects that had not fully met all eligibility requirements as of the fall 2006 database.

Simplified Building Aid Calculations: The Regents propose to simplify the calculation of the maximum cost allowance that is used to determine Building Aid. The changes described below will allow school administrators to accurately predict Building Aid prior to building design. The new formula would be:

$$\text{Maximum Cost Allowance} = \text{Projected Enrollment} \times \text{Allowed Square Feet per Student} \times \text{Allowed Cost per Square Foot} \times \text{Regional Cost Factor}$$

1. The projected enrollment would continue to be the enrollment projected five years out for grades PreK-6, seven years for grades 7-9 and ten years for high school.
2. The “allowed per square feet per pupil” is based on the median values of New York State school buildings constructed in the last five years. The values are:
 - Grades PreK – 6 = 130 square feet per pupil
 - Grades 7-9 = 160 square feet per pupil
 - Grades 7-12 = 180 square feet per pupil
3. The “allowed cost per square foot” is set at a level to ensure reasonable construction costs for instructional facilities will be fully covered – the average maximum cost allowance for new buildings will not change under the new simplified formula. The values are:
 - Grades PreK – 6 = \$138 per square foot
 - Grades 7-9 = \$145 per square foot
 - Grades 7-12 = \$151 per square foot

The allowed cost per square foot would be adjusted monthly by the change in the construction cost index. The construction cost index can be found at: <http://www.nysed.gov/fmis/facplan/projects/costind.htm>.

4. The current regional cost factor methodology would remain unchanged. The construction cost regional cost factors can be found at: <http://www.emsc.nysed.gov/facplan/articles/rci03-04.html>.

Recognition of Extraordinary Construction Costs: the formula would include adjustments to recognize the increased costs of building in extremely dense urban areas. Extraordinary costs related to multi-story construction, site security, increased costs due to constricted traffic flows and limited staging areas, and the site acquisition and environmental

remediation of sites in high-density urban areas will be eligible for aid even when such costs are in excess of the maximum cost allowance.

Building Reorganization Incentive: Building Reorganization Incentive Aid on capital outlay, lease and debt service is subjected to the same requirements as regular Building Aid. Aid is provided for reorganization projects that have been approved by voters within five years of district consolidation and where the project is contained in the five-year capital reorganization plan.

Transportation: Non-capital aid is based upon estimated approved transportation operating expense plus capital expenses multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid for capital expenses (regular and summer) is computed as above but based on the assumed amortization of purchase, lease and equipment costs over five years, at a statewide average interest rate. The selected Aid Ratio is the highest of 1.263 multiplied by the State Sharing Ratio or $1.01 - (.46 * \text{Pupil Wealth Ratio})$ or $1.01 - (.46 * \text{Enrollment Wealth Ratio})$, plus a sparsity adjustment. The sparsity adjustment is the positive result of 21 minus the district's 2005-06 enrollment per square mile, divided by 317.88. The State Sharing Ratio is the greater of: $1.33 - (1.085 * \text{Combined Wealth Ratio})$ or $.915 - (0.56 * \text{Combined Wealth Ratio})$ or $0.53 - (0.238 * \text{Combined Wealth Ratio})$, with a maximum of 1.00.

Summer School Transportation: Transportation Aid for summer school programs is based on estimated approved transportation operating expense multiplied by the selected Transportation Aid Ratio with a .9 maximum and a .065 minimum. Aid is no longer prorated to remain within a \$5.0 million appropriation. This proposal combines summer school and regular transportation aid. Aid is shown separately in a subsequent table for the purpose of comparison to the base year.

Estimating the Additional Cost of Providing an Adequate Education

One of the traditional principles in school finance which has guided Regents Proposal development in past years has been a wealth and need equalization principle. This principle was designed to drive greater amounts of aid per pupil to school districts with limited fiscal capacity and high concentrations of pupils in need. The focus of school finance, particularly in New York State, has shifted from equity to the provision of an adequate education³. By the term adequate education is meant the greater equalization of academic outcomes (not resource inputs) so that all children are provided the opportunity to receive an education, which will subsequently allow them to lead meaningful and productive adult lives.

Purpose

The purpose of this report is to describe the methodology that was used to estimate the likely additional expenditures needed by districts with lower academic performance to achieve educational outcomes that demonstrate that an adequate education is being provided.

Methodology

The Empirical Approach: Empirical estimates of the cost of an adequate education typically begin by identifying districts that are already achieving a desired state of academic performance. The most straightforward application of the empirical method starts with an examination of the spending patterns among all such districts to determine the average expenditure per pupil of the successfully performing districts. Since districts that perform at high levels often enjoy a very substantial wealth base, and therefore can choose to spend at very high per pupil levels, concerns about spending levels well beyond what is strictly necessary are characteristic of this method.

A traditional response to this concern is to constrain the selection of districts to be analyzed. For example, the districts for which the average expenditure per pupil of successful school districts that would be established could be restricted to the lowest spending 50 percent of such adequately performing districts.

³ The shift from equity to adequacy in school finance is a shift that has been driven by an emerging consensus around high minimum outcomes as the orienting goal of both policy and finance. This has been well described by William H. Clune. *The Shift From Equity to Adequacy in School Finance*. June 1993. See also the Report on Funding Equity and Adequacy, The State Aid Work Group (July, 1999), SA (D) 1.1. and Attachment

Three Critical Methodological Questions

As the methodology was developed, researchers answered three questions involving very specific operational definitions of major concepts. The questions were:

1. How should academic performance be measured?
2. How should pupil need be addressed? and,
3. Should there be a regional cost adjustment?

Measurement of Academic Performance

A critical methodological issue addressed by the study concerned the measurement of academic performance. New York State is presently utilizing a series of tests designed to measure academic performance at various grade levels. Examples of such examinations include:

- English Language Arts and Mathematics (fourth grade)
- English Language Arts and Mathematics (eighth grade)
- High School Regents examinations (e.g., English, mathematics Social Studies), students are likely to take in order to graduate.

Use of Fourth Grade Tests. Fourth grade test results can be grouped into four categories or performance levels. These performance categories are:

- Level 1---Does not meet the standards
- Level 2---Meets some of the standards but not all.
- Level 3---Meets all standards and
- Level 4---demonstrates proficiency.

High School Regents Examinations. Several important issues had to be addressed in using the results of high school examinations as components in the operational definition of an adequate education. First, results on Regents exams are given as a numerical score only. Scores are not automatically translated into levels of performance. However, it is clear that a score of 65 on a Regents exam meets the standard. Therefore, tests scores of 65 and above were treated as the equivalent of Level 3 or above.

Data on Regents High School examinations were collected for five tests. The tests were:

- Mathematics A;
- Global History;
- U.S. History;
- English; and
- Earth Science.

A potential problem with using single-year test results, of course, is that academic outcomes in any one year may be atypical and more reflective of a one-time phenomena rather than representative of academic outcomes over a multi-year period. This traditional critique was addressed for this study by using a three-year average of test results. Test results used in the study were from the 2002-03, 2003-04 and 2004-05 school years.

Upon reaching this decision, the study still had to address three questions. The questions were:

1. What level of achievement should be reached?
2. What percent of students should attain the specified outcome? And,
3. What tests should be used?

If a district is providing the opportunity for an adequate education, it would seem that the vast majority of its students should be capable of achieving the Regents standards. This means, on whatever tests one uses for defining academic outcomes, the vast preponderance of students should be scoring at the equivalent of level 3 or level 4. So for this study, it was determined that if a district had on average 80 percent of its students scoring at level 3 or higher on the specified tests, the district would be providing an adequate education.

Finally, the study had to determine which specific examinations would be used in developing the cost estimate. It was decided:

- To use both fourth grade tests in the definition of an adequate education. This decision was made primarily because only the central high districts do not have a fourth grade. Only one district was lacking fourth grade data. Thus almost every district would have fourth grade data, which would be a strong indicator of whether students had or had not acquired a sufficiently strong educational foundation to insure that high school graduation requirements were likely to be met; and,
- To use the test results of the five high school examinations previously listed, since passing of these or similar tests is required for high school graduation.

Missing Data. An important issue from a methodological perspective was how to treat a district if it were missing data. Missing data could occur because of several factors. These factors include:

1. Grade configuration of a district. A K-6 district would not have eighth grade or high school results. Conversely, a central high school district would not have any fourth grade results. In a sense, the district wasn't missing data as much as the data were non-existent for the district. Grade configuration was a major factor in missing data. For example, of the five districts without any data for either of the fourth grade tests, four were central high schools.
2. Data were truly missing. No test data exists for one district. Other data may be missing due to administrative error or a particular test was not given in a district for one or more years.

Based on these circumstances, the following decisions were made:

- If absolutely no test data existed for a district on any of the tests used, it would not be included in the study. Kiryas Joel was the only district not included in the study for this reason.
- If a district had some test data, the determination concerning provision of an adequate education would be based on existing data.

Operational Definition of an Adequate Education

Based on all of the considerations described above, an adequate education was operationally defined as a district:

With a simple, unweighted average of 80 percent of its test takers scoring at Level 3 or above on seven examinations (Fourth Grade English Language Arts, Fourth Grade Mathematics, high school Mathematics A, Global History, U.S. History, English and Earth Science) in 2002-03, 2003-04 and 2004-05. Note that, given this operational definition, a district could have less than 80 percent of its test takers with a score at Level 3 on one or more of the tests and still be providing an adequate education.

465 school districts met this standard, including: 7 High Need Urban/Suburban districts, 67 High Need Rural districts, 259 Average Need districts and 132 Low Need districts.

Student Need

If student need is believed to be an important issue in understanding academic performance two methodological questions concerning the quantification of need must be addressed. The questions are:

- What measure (pupil count) is available to best reflect student need?
- What is the appropriate additional weighting(s) to give students so as to quantify the additional educational services such students require if they are to succeed?

What Pupil Count Should be Used to Measure Need? An assortment of measures could be used to estimate student need. Each of the possible counts possesses strengths and weaknesses. A common measure used to identify student need among the 50 states is the percent of students eligible for a free and reduced price lunch. Indeed, in New York State, the K-6 percent of students eligible for a free or reduced price lunch is one of the pupil counts used to allocate a supplement to Flex Aid to help districts meet the needs of at risk students, known as Sound Basic Education Aid. For these reasons, the study concluded student need could best be measured by the percent of K-6 pupils eligible for a free and reduced price lunch.

The count of K-6 students eligible for a free or reduced price lunch, however, is subject to wide variation in some districts. For this reason, average counts reflecting three school years were used. Such an average would minimize the possibility of grossly misidentifying a district's poverty rate due to a unique circumstance. K-12 districts that did not provide a school lunch program in 2002-03, 2003-04 and 2004-05 were given a K-6 free and reduced percent of zero. Central high school districts were given the average count of their components.

What Should Be the Additional Weighting for Need? To incorporate "need" into a student count requires the development of an additional weighting. In school finance, the term additional weighting is usually associated with the quantification of the extra costs associated with providing a specified service. These extra costs are then translated into an additional weighting. The additional weighting selected is extremely critical in determining the cost of an adequate education.

Although a wide range exists in the research literature in terms of the appropriate additional weighting for student need, most of the literature suggests an additional weighting of at least 1.0. While other weightings and pupil counts were considered, both separately and in combination, the use of an additional 1.0 weighting for the free and reduced price lunch proportion of the student population was continued.

Cost Adjustment

For a number of years, the Board of Regents in its State Aid proposal has also endorsed the concept of adjusting State Aid to reflect the variation in regional cost found to exist in New York State. It has done so due to the dramatically different costs associated with educating students in various geographic regions of the State. This supplement describes the method for incorporating regional costs into cost estimates for an adequate education in the section titled Update of the Regents Regional Cost Index on page 55.

Expenditures Per Need-Adjusted Pupil

The final approach was to develop an "expenditure per need-adjusted pupil" model, which compared the expenditure pattern of districts with acceptable academic performance to districts with educational performance below the stated standard. Expenditures were defined as general education instructional expenditures⁴ (including an estimated amount for fringe benefits) as adjusted by the Regents Regional Cost Index calculated in 2006. The pupil count used was the same count used for general education instruction as defined in statute for the Fiscal Supplement to the School Report Card.³ This count was then adjusted to reflect student need by weighting the K-6 free and reduced price lunch count at an additional 1.0.

A graph of this prototype is shown in Figure 1. Under this approach, the first step was to identify districts providing an adequate education. As noted earlier, such districts were defined as districts in which an average of 80 percent of the students taking the seven previously identified examinations had a score that was at Level 3 or above. Districts in which on average 80 percent of the students tested did not score at levels 3 or 4 were identified as districts which may need to increase instructional expenditures in order to improve academic performance.

The next step in the methodology was to calculate the mean need and cost adjusted instructional expenditure per pupil for all districts classified as providing an adequate education. These districts were then ranked from high to low on need and cost-adjusted instructional expenditures per pupil. The mean expenditure per pupil was calculated for the lower half of these districts.

The selection of the lower-spending 50 percent of performing districts is designed to serve as an "adequacy filter." The filter is meant to distinguish between those districts offering an adequate education and those districts offering an enriched educational program. There is

⁴ Instructional expenditures include teacher salaries, other instructional salaries, BOCES, tuition, equipment and other expenditures.

³ Average daily membership plus resident students attending other districts plus resident students attending charter schools plus incarcerated youth, as applicable.

no intention to discourage districts from offering enriched programs. However, it is necessary, for the purpose of determining a foundation amount, to distinguish somehow between what is necessary and what goes beyond.

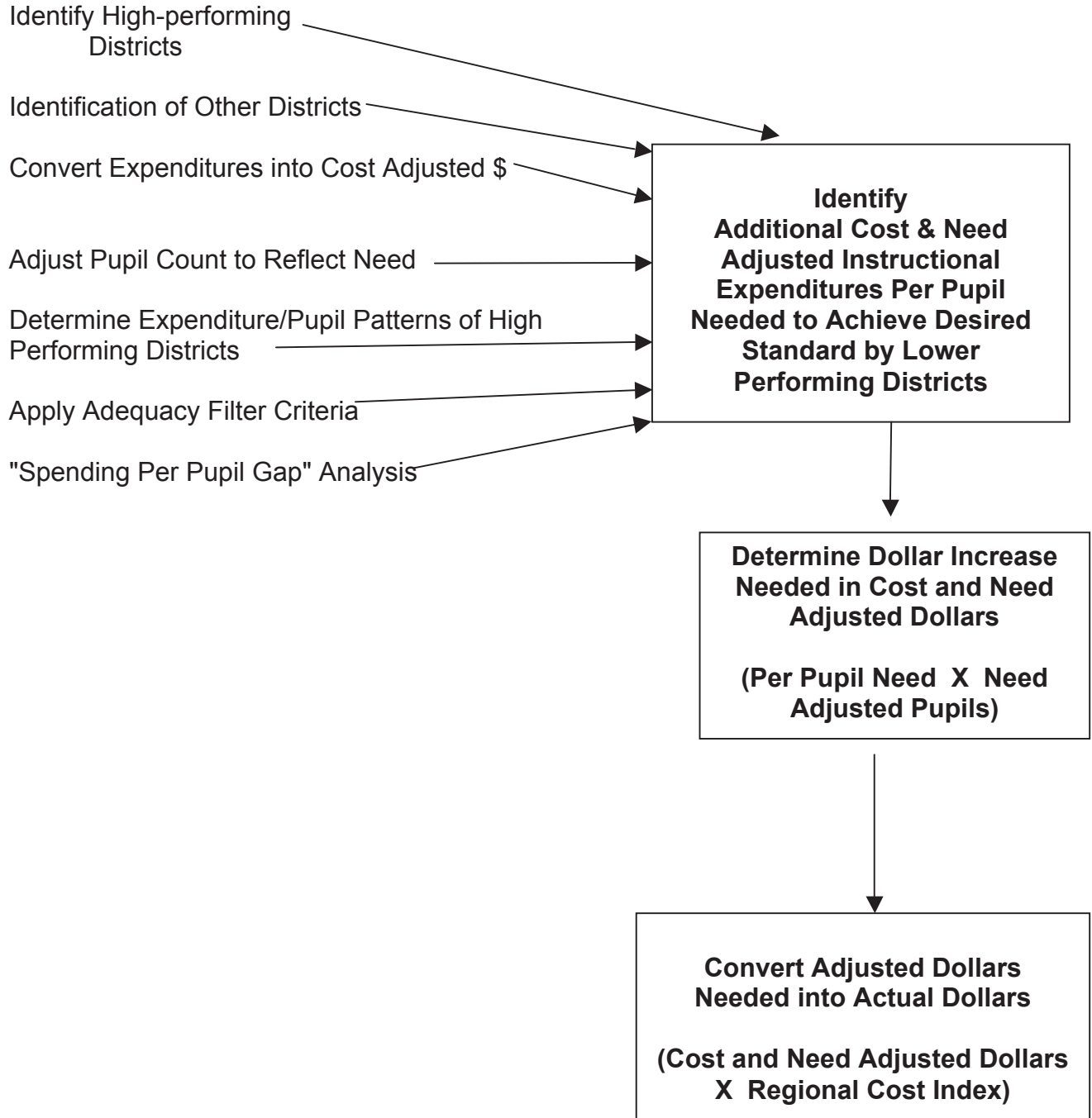
For each district with less than 80 percent of its students scoring at Level 3 or Level 4, a spending-per-pupil analysis was conducted. The need and cost-adjusted instructional expenditure per pupil of a district was compared to the mean expenditure per pupil of districts classified as providing an adequate education described above.

If a district had a need and cost-adjusted instructional expenditure per pupil that was greater than the per pupil expenditure of lower spending, performing districts, it was assumed that the district was spending sufficient funds to achieve the standard. No estimate of needed *additional* expenditure increases would be calculated. However, if a district had a need and cost-adjusted instructional expenditure per pupil that was less than the per-pupil expenditure of the lower spending, performing districts, the additional expenditures needed by a district would then be estimated. This difference in per-pupil expenditures was viewed as a “spending gap.” The calculation of the additional adequacy cost estimate required three steps. The steps for each of the districts with academic outcomes below the desired standard were the following:

1. First, the “spending-per-pupil gap” (i.e., the difference required to achieve adequacy) was multiplied by the number of estimated need-weighted pupils in the district; and,
2. The above result was then multiplied by the Regional Cost Index so that the result could be expressed in actual, purchasing-equivalent dollar terms; and,
3. The actual purchasing-equivalent dollars needed by districts with academic outcomes below the desired level were then summed in order to calculate the statewide additional cost total.

Thus, the procedures followed by the study to estimate the amount of additional instructional expenditures required to achieve adequacy can be figuratively expressed as shown in Figure 1.

Figure 1: Estimating the Increase in Instructional Expenditures Needed So That the Opportunity for an adequate Education is Provided by All Districts



The Adequacy Filter

The notion of an adequate education implies one that provides all students with the opportunity for a sound basic education, not one that goes beyond this particular standard. As Justice DeGrasse explains in his decision, “the Education Article requires a sound basic education, not one that is state of the art.” He further explains that “the Court repeatedly used the terms “adequate,” “basic,” and “minimally adequate” to describe the education to be provided to the State’s public school students (State Supreme Court Decision, 719 N.Y.S.2d 475, January 9, 2001, p.15).”

In reality, successful school districts may provide a sound basic education or they may provide more. Many people agree that some successful school districts, that is districts that have the vast majority of students meeting State learning standards, provide more than an adequate education. This is the result of a funding system that allows communities to spend beyond a required minimum.

There is some direction in the research literature about how to target adequate spending to districts. Staff have used this knowledge in formulating the Regents cost study. John Augenblick conducted a study⁵ for the State of Ohio in which they attempted to establish instructionally adequate spending levels. “Once having identified a pool of districts which did not exhibit extremes of wealth or spending and in which students had met state measure performance criteria, a weighted per pupil revenue amount was constructed from among these eligible districts.” One hundred two of 607 Ohio school districts were used for this adequacy standard. In the Regents study a larger sample was used: 232 of 677 school districts.

A 1996 cost study⁶ conducted for Illinois Governor James Edwards and his Commission of Education Funding by Professor Bruce Cooper calculated a foundation level for Illinois school districts. He performed a series of *filters*: for poverty groups of school districts, for student performance, and for districts whose per-pupil expenditures were below the State average. In the Regents cost study, the filters used were performance and per-pupil expenditures in relation to the average for successful school districts.

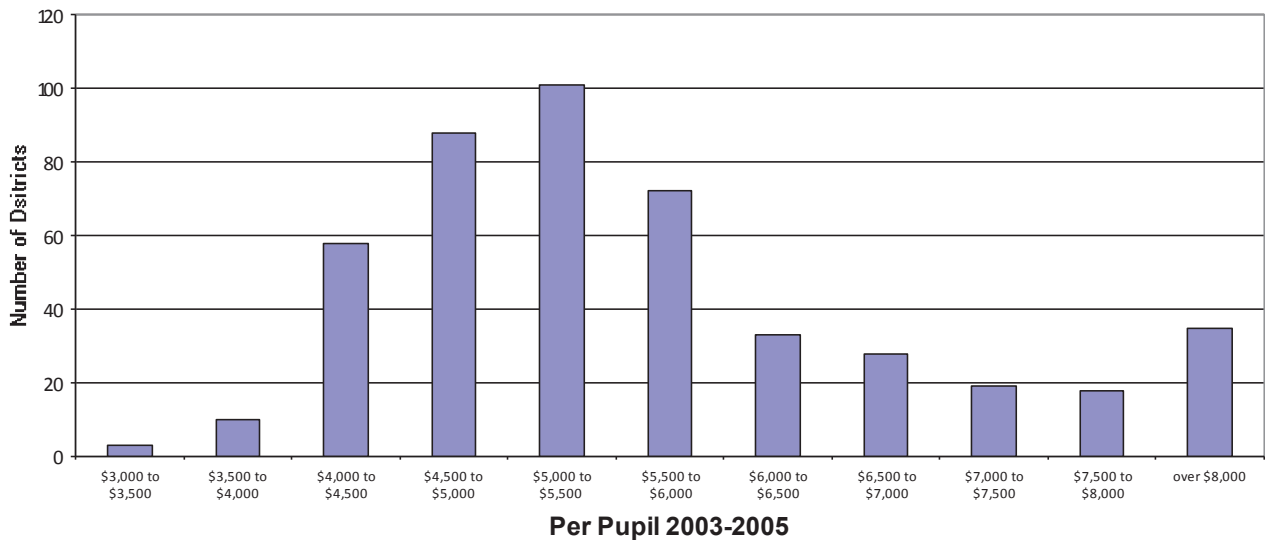
The Regents incorporated a measure in their cost study to identify those districts that are providing a sound basic education with few enrichments. The Regents 2004-05 school aid proposal assessed spending in the 50 percent lowest spending successful districts, after applying regional cost and pupil need adjustments, rather than in all successful school districts. This is continued in the Regents 2007-08 proposal.

In order to better assess whether the higher spending group of school districts was providing more than a sound basic education, we compared resource allocation and programs between the two groups of successful school districts.

⁵ See a description of Augenblick’s study in J. Guthrie and R. Rothstein, Enabling ‘Adequacy’ to Achieve Reality.

⁶ See a description of Cooper’s study in J. Guthrie and R. Rothstein, Enabling ‘Adequacy’ to Achieve Reality.

Expenditures of Successful School Districts



The first factor we examined was spending levels. Successful school districts in the top half of the spending distribution spent an average of 50 percent more per pupil on general education instruction than successful school districts in the lower half. This is a substantial difference. Examining the range of spending shows further that spending of the full group of successful districts varied substantially: from a low of \$3,100 per pupil to a high of \$21,000 per pupil. In addition, as Figure X shows, the distribution of spending of the 465 successful districts is not a normal distribution but one that is skewed to the high end. This led us to hypothesize that many of these districts were providing programs and services that went beyond the provision of a sound basic education, and to examine other programmatic and teacher characteristics to sort this out. In this review, we found that the two groups of districts were similar on some characteristics and different on others.

The two groups of school districts were similar with respect to the following teacher quality characteristics:

- Years of experience
- Percent that failed the first certification exam
- Percent teaching outside of certification area
- Permanent certification in all subjects
- Percent with BA or less
- Barron's ranking of colleges attended

The two groups of districts were different with respect to the following characteristics:

Factor	Amount of Difference
Teacher salaries	Regionally cost-adjusted salaries in the higher spending group were 16 percent more
Pupil-Teacher Ratio	Lower spending group had 10 percent more pupils to teachers
Percent of teachers with a Master's Degree and 30 credits or more	Proportion of teachers with this level of education was twice as high in the higher spending group
Enriched course offerings, including Advanced Placement	Higher spending districts had more than 50 percent of enriched course offerings per pupil

After a careful examination of characteristics of these two groups of successful school districts, we conclude that there is a meaningful difference between the two groups. The higher spending group has chosen to spend more by having lower pupil-teacher ratios, paying higher teacher salaries for coursework taken, and offering more Advanced Placement courses. We conclude that these districts have likewise chosen to offer more than a sound basic education and should be excluded from the sample of school districts whose spending is used to estimate the cost of an adequate education. Our sample remains the 232 school districts that meet the Regents performance criteria while spending below the median of spending for all successful school districts.

Update of the Regents Regional Cost Index

The Regional Cost Index was developed in recognition of the geographic cost variations in different areas of New York State. The index, which is based on the work of researchers for the state of Oregon, uses median salaries in professional occupations that require similar credentials to that of positions in the education field. These occupational titles typically require a bachelor's degree for employment at the entry level. The cost index was created from the wages of 59 professional, non-education occupations. Education-related titles were excluded to ensure that the index measured labor market costs and not the tastes or control of school districts.

Professional Cost Index for New York State by Labor Force Region (2006)		
Labor Force Region	Index Value	Purchasing Power of \$1,000 by Region
Capital Distict	1.124	\$889
Southern Tier	1.045	\$956
Western New York	1.091	\$917
Hudson Valley	1.314	\$761
Long Island/NYC	1.425	\$702
Finger Lakes	1.141	\$876
Central New York	1.103	\$906
Mohawk Valley	1.000	\$1,000
North Country	1.000	\$1,000

Methodology

Construction of the Index

In order to adjust for geographic variations in the cost of educational resources, the regional cost index (RCI) was generated following a methodology similar to one developed by

Rothstein and Smith⁷ for the state of Oregon. This involved the use of a statewide index based on median salaries in professional occupations that require similar credentials to that of positions in the education field. In particular, these titles represented categories for which employment at the entry level typically requires a bachelor's degree. The professional occupations selected for use in this index are based on a list of 94 occupational titles developed for use in the state of Oregon.

The previous RCI was based on 63 of the 94 occupational titles used in the Oregon study.⁸ However, due to a lack of employment data within many of New York State's ten Labor Force Regions, 59 titles were used for this edition of the RCI. The titles used appear in Appendix A. In addition to those titles with missing data, the final list excluded teachers, other educational positions and categories that tended to be restricted to federal and state government, since the markets for teachers and for many government positions tend not to be fully competitive. Education-related titles were also excluded in order to ensure that this index be entirely a measure of labor market costs, and not be subject to the tastes or control of districts. Therefore, we sought to measure genuine labor market costs, not the results of districts' decisions to hire especially high quality teachers, or to influence the index value in later years by choosing to pay more for staff. By basing the index on the wages earned in the labor market by professionals with similar skills, we have created a measure of costs in the sector of the labor market in which districts compete for teachers and staff, in each region of the State. Since personnel salaries and benefits make up the vast majority of the costs faced by school districts, the RCI allows for an individual to compare the buying power of the educational dollar in the different labor force regions of the State

Selection of Occupational Titles

The data on which the RCI is based was made available through the New York State Department of Labor. Since the original edition of the RCI, the structure of the occupational title system has been revised. This has resulted in the expansion of a number of titles. However, due to a lack of employment data, a fair amount of the titles were eliminated. In the end, 50 titles had both employment and wage data, seven were plugged with wage data, and an additional two employment titles were plugged where data was available statewide and for nine of the ten labor force regions. In all, 59 occupational titles were used for this analysis.

Statewide Median Wage

The first step in generating a regional cost adjustment from the list of 59 titles was to establish a statewide median wage figure for which median wages in each labor force region could be compared for indexing purposes. The statewide median wage was calculated by taking the total number of employees in each of the 59 titles for the state as a whole (for

⁷ This methodology is described in Rothstein, R., & Smith (1997). *Adjusting Oregon Education Expenditures for Regional Cost Differences: A Feasibility Study*. Sacramento, CA: Management Analysis & Planning Associates, L.L.C

⁸ See <http://www.oms.nysed.gov/faru> for a discussion of alternate methods.

example, the total number of people working in the title “pharmacist” across the state), and multiplying that amount by the median annual wage for that title (13,410 pharmacists * \$86,841). This result was then summed for all titles, and then divided by the total number of employees in all 59 occupational titles (1,026,769). This produced a weighted annual median wage of \$69,975 for the professional titles making up the index.

Title Weightings

It was important to avoid the possibility that the index could be skewed due to compositional differences in the percentage distribution or mix of the individuals occupying the 59 selected titles. Therefore, if professional wages in the titles selected were found to be identical in two labor force regions, but 60 percent of the employees in region A occupied the 10 lowest salaries titles (vs. a 10 percent employee representation in these lower salary titles in region B), a simple summation of wages could lead to the erroneous conclusion that professional service costs were far higher in region A than in region B. In short, “apparent” cost differences would be due totally to differences in the title composition of the workforce, not to true wage differences in those titles.

This problem was avoided by weighting the wage for each title based on the relative importance of that title in the group of 59 titles statewide. Thus, in determining the regional differences in median wage, we assume that the “mix” of jobs in each region is the same as the “mix” in the state as a whole. These title weights were then applied to each region, therefore making the distribution or service “mix” of titles a constant across the state. For example, if sales managers made up 10% of the total number of employees statewide in the 59 titles, then a 0.10 compositional weighting was assigned to sales managers in every region. This title weighting procedure thus imputes to every labor force region precisely the same mix of employees across the 59 titles in every region.

Title weights were generated by dividing the statewide number of employees in a given title by the total number of employees in the 59 titles of the index. For example, the number of pharmacists statewide was 13,410, which was then divided by 1,026,769 (the total number of workers in the state in these 59 titles.) This yielded a title weight of 0.0130. (Since this was performed for all the titles in the list, the sum of all title weightings equals one.)

Final Calculation of the Regional Index

Once the title weights were determined, they were incorporated into the data set for each of the ten labor force regions. The median annual wage for each title was multiplied by the title weight. This result was summed for all 59 titles, yielding a regional median wage. This regional median was divided by the statewide weighted median professional service wage to yield the final professional service wage index for each region. These results were then normed on the North Country.

When median wage data were missing for a title in a given region, the solution was based on the creation of a similar regional cost index, using a smaller set of occupational titles (those

titles, in which data was not missing in any region of the State, n=50). The smaller index, in conjunction with the statewide median salary information for any occupational title that was lacking salary information in a specific region, was used to estimate the missing regional salary item.

Data

While the list of professional occupations used to create the RCI was based on the work of Rothstein and Smith in Oregon, the Bureau of Labor Statistics provided the wage data used in the index. The wage data was obtained from the 2004 Occupational Employment Statistics (OES) Survey, which allows employers to report the number of employees and wages for each title they employ. The United States Department of Labor has noted, “Establishment surveys have little information on the demographics of their employees, but...wages and earnings tend to be more accurately reported in establishment surveys as they are based upon administrative records rather than recall by respondents...These factors make establishment data the natural choice...”⁹

The data from the 2004 Occupational Employment Survey for New York State was made available to the staff of the New York State Education Department through the New York State Department of Labor. Therefore, data was provided for all of the 671 occupational titles in each of the ten labor force regions in New York State, as well as a statewide total for all titles. The wage data obtained from the OES is based on “straight-time, gross pay, exclusive of premium pay. Base rate, cost-of-living allowances, guaranteed pay, hazardous-duty pay, incentive pay including commissions and production bonuses, tips, and on-call pay are included. Excluded are back pay, jury duty pay, overtime pay, severance pay, shift differentials, nonproduction bonuses, employer cost of supplementary benefits, and tuition reimbursements.”¹⁰

The Bureau of Labor Statistics develops its estimates through the use of an annual mail survey of about one-third of the establishments state- (and nation-) wide in occupational groups such as: business and financial operations; transportation and material moving; personal care and service; architecture and engineering; office and administrative support; and management.¹¹ The survey is repeated in a three-year cycle, whereas the cycle continues, data from the third of establishments surveyed in current years builds on previous years’ data, in a process called wage updating. This results in detailed and precise estimates of wage levels even in small job categories or geographic regions. In the fourth year, the survey cycle starts over.

⁹ See U.S. Department of Labor, “Interarea Comparison of Compensation and Prices”, Report on the American Workforce, 1997, pp.69-97.

¹⁰ United States Department of Labor’s Bureau of Labor Statistics Website. Technical Notes for 2001 OES Estimates. (http://www.stats.bls.gov/oes/2001/oes_tec.htm)

¹¹ Ibid

Since wage data is built-up over a three-year period, the approximations of wages become increasingly accurate and most precise in the third year. This year's index calculations are based on the most accurate data-year in the cycle, and thus inspire confidence that the results are a good representation of the variation in professional service costs around the state. The triennial nature of the data suggests that the RCI need only be updated in those years for which the most accurate data in the cycle are available.

It should be noted that the index results for New York City and Long Island were combined. A single median wage was calculated for this labor force area, because there is evidence that these two areas actually function as a single labor market region. With professionals, especially those in the education professions, moving to jobs across the lines between New York City and Long Island, it is necessary to consider this entire region as a single area, with similar wage costs.

Occupational Titles Used for the Regional Cost Index

1. Chief Executives
2. General and Operations Managers
3. Advertising and Promotions Managers
4. Marketing Managers
5. Sales Managers
6. Public Relations Managers
7. Administrative Services Managers
8. Computer and Information Systems Managers
9. Financial Managers
10. Human Resources Managers
11. Industrial Production Managers
12. Purchasing Managers
13. Transportation, Storage, and Distribution Managers
14. Construction Managers
15. Engineering Managers
16. Medical and Health Services Managers
17. Property, Real Estate, and Community Association Managers
18. Social and Community Service Managers
19. Purchasing Agents, Except Wholesale, Retail, and Farm Products
20. Cost Estimators
21. Employment, Recruitment, and Placement Specialists
22. Training and Development Specialists
23. Management Analysts
24. Accountants and Auditors
25. Budget Analysts
26. Financial Analysts

27. Loan Officers
28. Computer Programmers
29. Computer Systems Analysts
30. Network and Computer Systems Administrators
31. Civil Engineers
32. Electrical Engineers
33. Industrial Engineers
34. Mechanical Engineers
35. Civil Engineering Technicians
36. Electrical and Electronic Engineering Technicians
37. Environmental Scientists and Specialists, Including Health
38. Market Research Analysts
39. Clinical, Counseling, and School Psychologists
40. Substance Abuse and Behavioral Disorder Counselors
41. Child, Family, and School Social Workers
42. Medical and Public Health Social Workers
43. Mental Health and Substance Abuse Social Workers
44. Librarians
45. Graphic Designers
46. Public Relations Specialists
47. Writers and Authors
48. Dietitians and Nutritionists
49. Pharmacists
50. Physician Assistants
51. Physical Therapists
52. Recreational Therapists
53. Speech-Language Pathologists
54. Medical and Clinical Laboratory Technologists
55. Medical and Clinical Laboratory Technicians
56. Police and Sheriff's Patrol Officers
57. Recreation Workers
58. Residential Advisors
59. Interviewers, Except Eligibility and Loan

**SUMMARY OF AIDS AND GRANTS AS REQUESTED IN
THE 2007-08 REGENTS PROPOSAL ON SCHOOL AID**

Aid Category	2006-07	2007-08	Change	
	School Year	School Year	Amount	Percent
	(-----Amounts in Millions-----)			
I. General Purpose Aid				
Flex Aid/Foundation Aid *	\$8,587.42	\$12,627.40	\$4,039.98	47.05
Supplemental Extraordinary Needs Aid	136.34	0.00	-136.34	-100.00
Sound Basic Education Aid	699.85	0.00	-699.85	-100.00
Categorical Reading & Math Grant	63.95	0.00	-63.95	-100.00
Computer Hardware Aid	28.80	0.00	-28.80	-100.00
Early Grade Class Size Reduction Aid	139.51	0.00	-139.51	-100.00
Enrollment Adjustment Aid	27.12	0.00	-27.12	-100.00
Fort Drum Grant	3.49	0.00	-3.49	-100.00
High Tax Aid	19.97	0.00	-19.97	-100.00
Improving Pupil Performance (IPP) Grant	66.35	0.00	-66.35	-100.00
Magnet Schools Grant	158.20	0.00	-158.20	-100.00
Operating Growth Aid	13.30	0.00	-13.30	-100.00
Operating Reorganization Incentive Aid	12.85	0.00	-12.85	-100.00
Small Cities Aid	81.88	0.00	-81.88	-100.00
Tax Limitation Aid	211.39	0.00	-211.39	-100.00
Teacher Support Aid	67.48	0.00	-67.48	-100.00
Plus: Cap on Losses/Minimum Increase	0.00	867.96	867.96	NA
Less: Cap on Increases	0.00	-2,197.84	-2,197.84	NA
Foundation Grant Subtotal	10,317.88	11,297.52	979.64	9.49
Limited English Proficiency Aid *	20.96	149.45	128.49	612.86
Full Day Kindergarten Conversion Aid	2.73	1.69	-1.04	-38.04
Universal Prekindergarten Aid **	295.62	402.90	107.28	36.29
Sum	10,637.20	11,851.56	1,214.36	11.42
II. Support for Students with Disabilities				
Public Excess Cost Aid	2,565.88	2,744.20	178.32	6.95
Private Excess Cost Aid	214.19	232.25	18.06	8.43
Sum	2,780.07	2,976.45	196.38	7.06
III. BOCES/Career and Technical Education Aid				
BOCES Aid	585.08	629.06	43.99	7.52
Special Services Computer Administration Aid	39.10	46.35	7.25	18.54
Special Services Career Education Aid	103.47	178.89	75.41	72.88
Sum	727.65	854.30	126.65	17.40
IV. Instructional Materials Aids				
Library Materials Aid	19.15	27.52	8.37	43.72
Instructional Materials Aid	231.40	232.80	1.40	0.60
Sum	250.55	260.32	9.77	3.90

V. Expense-Based Aids

Building Aid	1,646.25	1,679.90	33.65	2.04
Building Reorganization Incentive Aid	15.36	0.42	-14.94	-97.28
Transportation Aid	1,331.37	1,464.28	132.91	9.98
Summer Transportation Aid	5.00	9.37	4.37	87.47
Sum	2,997.97	3,153.97	155.99	5.20
Computerized Aids Subtotal	17,393.45	19,096.60	1,703.15	9.79

VI. All Other Aids**Replaced by Foundation Formula:**

County Vocational Ed. Extension Boards (CVEEB)	0.92	0.00	-0.92	-100.00
Shared Services Savings Incentive	0.20	0.00	-0.20	-100.00
Tuition Adjustment Aid	1.18	0.00	-1.18	-100.00
Urban-Suburban Transfer Aid	1.13	0.00	-1.13	-100.00
Additional Early Grade Class Size Aid	0.46	0.00	-0.46	NA

Remaining Aids and Grants:

Bilingual Education	11.20	11.20	0.00	0.00
Additional Universal Prekindergarten Aid	1.74	0.00	-1.74	NA
Additional Supplemental Universal Prek Aid	4.43	0.00	-4.43	NA
BOCES Spec Act, <8, contract	0.68	0.68	0.00	0.00
Bus Driver Safety Training Grants	0.40	0.40	0.00	0.00
DFY Transportation	0.23	0.23	0.00	0.00
Education of OMH/OMR Pupils	52.00	54.60	2.60	5.00
Employment Preparation Edn. (EPE)	96.00	96.00	0.00	0.00
Engineers of the Future	5.00	5.00	0.00	NA
Fiscal Stabilization Grants	44.14	44.14	0.00	NA
Full Day Kindergarten Planning Grants	0.00	2.80	2.80	NA
Homeless	6.25	6.25	0.00	0.00
Incarcerated Youth	16.50	16.50	0.00	0.00
Institutes for Math & Science	5.00	5.00	0.00	NA
Learning Technology Grants	3.29	3.29	0.00	0.00
Less: Local Contribution due for certain students	-33.05	-33.31	-0.26	0.79
Native American Building Aid	10.00	2.50	-7.50	-75.00
Native American Education Aid	30.30	34.20	3.90	NA
Roosevelt	6.00	6.00	0.00	0.00
Student Health Services	13.84	13.84	0.00	NA
Special Act Districts	2.20	2.20	0.00	0.00
Teacher - Mentor Intern	6.00	6.00	0.00	0.00
Teacher Centers	37.00	37.00	0.00	0.00
Teachers of Tomorrow	25.00	25.00	0.00	0.00
Sum	348.02	339.50	-8.52	-2.45
Total General Support for Public Schools	17,741.47	19,436.10	1,694.63	9.55

Grand Total	\$17,741.47	\$19,436.10	\$1,694.63	9.55
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* The base year estimate for Limited English Proficiency reflects the fact that LEP Aid was consolidated into Flex Aid.

** The Regents proposal includes funding for targeted prekindergarten grants that were appropriated outside of General Support for Public Schools in 2006-07. They are included in the 2006-07 estimates for comparability.

ATTACHMENT F

Sequence of Events

Event	Date	Comment
Introduction of the concept of adequacy	Summer 1999	http://www.oms.nysed.gov/faru/Articles/adequacyprinciples.html
Regents proposals do not refer to CFE or sound basic education or Foundation Aid	Until 2004-05 proposal	Comprehensive Operating Aid proposal with Gap Aid and Excess cost aids separate through 2003-04. Foundation Aid proposal began with 2004-05 proposal.
Justice DeGrasse order	2001	<i>Campaign For Fiscal Equity, et al. v. State of New York, et al.</i> , 187 Misc. 2d 1 (2001)
Court of Appeals modification of order	June 26, 2003	<i>Campaign for Fiscal Equity, Inc. v. State of New York, NY2d</i>
Regents 2004-05 State Aid proposal	November 5, 2003	Regents proposal is approved within the context of the Campaign for Fiscal Equity lawsuit.
NYSED submits memorandum of law as amicus to Panel of Referees	August 10, 2004	
NYSED submits revised memorandum of law to panel	September 2004	
Regents approve 2005-06 State Aid proposal	November and December 2004	Proposal for foundation aid claims solution to CFE and the cost of a sound basic education. Five-year phase in, \$6.6 billion increase in Foundation Aid
Regents approve 2006-07 State Aid proposal	Approved October 6, 2005 Published to web January 2006	The proposal does not mention the provision of sound basic education but continues the Foundation Aid formula approach of the year before.
Regents approve 2007-08 State Aid proposal	November 2006	The proposal includes a detailed explanation of the adequacy filter used in the Foundation Aid proposal to ascertain the cost of providing a sound basic education.
Executive proposal for 2007-08	January 2007	The Regents proposal was used by Governor Spitzer in his executive budget in 2007
Enacted budget for 2007-08	April 2007	The Regents proposal as included in Governor Spitzer's recommendations to the Legislature was enacted into law

ATTACHMENT G

**2007-2008 NEW YORK STATE EXECUTIVE BUDGET
EDUCATION, LABOR AND FAMILY ASSISTANCE
ARTICLE VII LEGISLATION
MEMORANDUM IN SUPPORT**

CONTENTS

PART	DESCRIPTION	STARTING PAGE NUMBER FOR:		
		SUMMARY, HISTORY & STATEMENT IN SUPPORT	BUDGET IMPLICATIONS	EFFECTIVE DATE
A	Strengthen educational accountability by establishing measurable performance targets, promoting strong educational leadership, and raising standards	6 (A)	17 (A)	19 (A)
B	Reform the State’s education finance system through the establishment of a Foundation Aid formula, expansion of pre-kindergarten and other changes necessary to implement the four-year Educational Investment Plan	8 (B)	17 (B)	19 (B)
C	Ensure that the mayors of Syracuse, Rochester and Buffalo are represented on their local school boards	10 (C)	17 (C)	19 (C)
D	Enhance the School Tax Relief (STAR) Program by increasing funding and targeting the benefits to low and middle class homeowners	11 (D)	18 (D)	19 (D)
E	Modify the Tuition Assistance Program (TAP) to reform eligibility criteria	13 (E)	18 (E)	19 (E)
F	Modify the notification requirement for closing youth facilities	13 (F)	18 (F)	20 (F)

PART	DESCRIPTION	STARTING PAGE NUMBER FOR:		
		SUMMARY, HISTORY & STATEMENT IN SUPPORT	BUDGET IMPLICATIONS	EFFECTIVE DATE
G	Convert an Office of Children and Family Services' (OCFS) internal account to a Special Revenue account to improve transparency	14 (G)	18 (G)	20 (G)
H	Mandate performance-based contracting for preventive services	14 (H)	18 (H)	20 (H)
I	Permanently extend Child Welfare Financing Reform provisions set to expire on June 30, 2007	15 (I)	18 (I)	20 (I)
J	Create a new, independent Office for the Blind and eliminate OCFS' Commission for the Blind and Visually Handicapped	16 (J)	19 (J)	20 (J)
K	Provide for performance measurements in Temporary Assistance for Needy Families (TANF) funded programs, and establish an allocation methodology for the TANF Flexible Fund for Family Service (FFFS)	17 (K)	19 (K)	20 (K)

MEMORANDUM IN SUPPORT

A BUDGET BILL submitted by the Governor in
Accordance with Article VII of the Constitution

AN ACT to amend the education law, in relation to uniform quality standards for pre-kindergarten programs, the review of regents learning standards, the development of an enhanced accountability system, establishing a distinguished educator program, the development of a school leadership report card, tenure determinations, and requiring certain schools to prepare contracts for excellence (Part A); to amend the arts and cultural affairs law, in relation to designating a member of

the board of regents to serve on the New York state cultural education trust; to amend the education law, in relation to authorizing the commissioner of education to expend money for formula grants to public library systems in the 2007-2008 state fiscal year, special education classification reviews, the textbook factor and the library materials factor for the 2007-2008 school year, the amount annually appropriated for general support for public schools commencing with the 2011-2012 school year, the determination of selected actual evaluation, the computation of pupil counts and related factors, apportionment of public moneys to certain school districts, transitional aid for charter school payments, the universal pre-kindergarten program, charter schools, full-day kindergarten transition planning grants, supplemental educational improvement grants and the excelsior scholars program for certain students; to amend the state finance law, in relation to the state lottery fund; to amend chapter 756 of the laws of 1992, relating to funding a program for work force education conducted by the consortium for workers education in New York city, in relation to certain reimbursements and the effectiveness of such chapter; to amend chapter 169 of the laws of 1994, relating to certain provisions related to the 1994-95 state operations, aid to localities, capital projects and debt service budgets, in relation to the effectiveness thereof; to amend chapter 82 of the laws of 1995, amending the education law and certain other laws relating to state aid to school districts and the appropriation of funds for the support of government, in relation to the effectiveness thereof; to amend chapter 472 of the laws of 1998, amending the education law, relating to the lease of school buses by school districts, in relation to the effectiveness thereof; to apportionment of monies appropriated for the support of public libraries; to establish the school district efficiency review program; to provide for special apportionment for salary expenses; to provide special apportionment for public pension accruals; in relation to suballocation of certain education department monies; to establish a

temporary task force on preschool special education; to repeal certain provisions of the education law relating to annual apportionments to school districts; and providing for the repeal of certain provisions upon expiration thereof (Part B); to amend the education law, in relation to providing additional mayoral involvement in school governance in certain cities (Part C); to amend the real property tax law and the tax law, in relation to establishing a "Middle Class STAR" program; to amend the administrative code of the city of New York, in relation to credits against tax; to amend the state finance law, in relation to reimbursement payments to the city of New York; and to repeal certain provisions of the real property tax law and the tax law, relating to a local real property tax rebate and a state income tax credit (Part D); to amend the education law, in relation to eligibility requirements and conditions governing awards and loans (Part E); in relation to the discontinuance of services and operations at specified residential programs operated by the office of children and family services (Part F); to amend the state finance law, in relation to establishing the youth facility per diem account; and to amend the executive law, in relation to the reimbursement owed to the state by the social services districts for expenditures made by the office of children and family services for the care, maintenance and supervision of youth in office facilities and programs (Part G); in relation to preventive services funding (Part H); to amend part C of chapter 83 of the laws of 2002 amending the executive law and other laws relating to funding for children and family services, in relation to making the provisions of such part permanent (Part I); to amend the executive law, in relation to establishing the office for the blind and in relation to establishing vending programs; to repeal chapter 693 of the laws of 1992 relating to establishing a vending program for the blind and visually handicapped; to repeal chapter 415 of the laws of 1913, relating to establishment of a state commission for the blind and visually handicapped; and to repeal section 38 of the social services law relating to removing the state commission for the

blind and visually handicapped as a bureau of the department of family assistance (Part J); and to improve performance and provide flexibility in the allocation of temporary assistance for needy families (Part K)

PURPOSE:

This bill contains provisions needed to implement the Education, Labor and Family Assistance portions of the 2007-08 Executive Budget.

SUMMARY OF PROVISIONS, EXISTING LAW, PRIOR LEGISLATIVE HISTORY AND STATEMENT IN SUPPORT:

Part A – Strengthen educational accountability by establishing measurable performance targets, promoting strong educational leadership, and raising standards

This bill enacts comprehensive education reforms for tracking and improving student and teacher performance through results-oriented measurements. Deficiencies will be identified from analysis of student/teacher performance data, and this information will be used to determine when intervention and sanctions are necessary.

This bill enacts numerous changes to the State Education Law to ensure sound, basic pre-K through secondary educational preparation for college or employment. It implements the Court of Appeals' *Campaign for Fiscal Equity* decision, and furthers compliance with the mandates of federal education law, including the "No Child Left Behind Act".

Several key issues are addressed, including:

Higher Standards: Uniform standards will be established for pre-kindergarten programs, including curriculum and teacher certification requirements. The Board of Regents will continue to review the adequacy of existing Regents Learning Standards, and the English Language Arts standards review will be completed by July 2008.

Enhanced Accountability: By July 2008 student progress reports reflecting multiple years of testing will be required. Moreover, if federal approval is received, a cumulative enhanced accountability system for individual student academic growth, linked to individual teachers, will be required by July 2010.

"School leadership" and "school progress" report cards that reflect the performance of schools, as well as superintendents and other school district leadership, will be made available to the public and the State Education Department. School superintendents, the Chancellor of the New York City schools, and school boards will be subject to removal for persistent deficient performance of schools in their districts. A cadre of "distinguished educators" will be designated by the Commissioner of Education to assist in improving troubled schools.

By July 2008, improvement targets for schools and districts will be tightened so that up to 5% of all schools will be required to restructure and reorganize. All school districts that receive a supplemental educational improvement plan grant or significantly increased financial support under the new Foundation Aid formula will be required to submit a “contract for excellence,” which details how schools’ expenditures of increased aid will be targeted to implement or expand programs demonstrated to improve student achievement, including class size reduction, increased student time on task, teacher quality initiatives, middle and high school restructuring and full-day prekindergarten. School districts must involve the public and other interested parties in the development of their contracts for excellence, which must also include financial details on per pupil expenditures.

Teacher Quality Standards: The Board of Regents will review the effectiveness of post-secondary teacher preparation programs, and expand alternative means for certification. Statutory standards are established for tenure determinations, which include whether the teacher adequately contributes to the academic success of students. Additionally, the Commissioner will identify incentives to encourage highly qualified teachers to work in low performing schools.

Part B – Reform the State’s education finance system through the establishment of a Foundation Aid formula, expansion of pre-kindergarten and other changes necessary to implement the four-year Educational Investment Plan

Reform the State’s education finance system.

This bill would amend existing law to: advance reforms to public school finance through the creation of Foundation Aid; expand Universal Prekindergarten and other early childhood education initiatives; expand the availability of charter schools by increasing the limit on the number of such schools and providing transitional aid to districts impacted by a concentration of charter schools and provide for reforms to special education programs.

Foundation Aid: This bill would amend Education Law to establish Foundation Aid which will replace 30 aid formulas. Education Law would be amended to specify the factors necessary to calculate Foundation Aid for school districts including the following:

- **Foundation Amount:** This bill would specify a standard local education cost based upon actual costs in successful schools, adjusted for geographic cost differences and educational need factors including students at risk due to poverty, limited English proficiency, and special education needs;
- **Expected Local Contribution:** This bill would establish an expected—but not mandated—local contribution, adjusted to reflect district income wealth;
- **Phase-in Factor:** This formula would be phased in over 4 years, starting in the 2007-08 school year with the incremental phase-in amount each year specified in the law;
- **Student Count:** This bill would define the student count used to allocate funds based upon enrollment, rather than attendance;

- **Minimum Increase:** This bill would ensure that all school districts receive a Foundation Aid increase of at least 3 percent;
- **Foundation Aid conforming changes:** This bill would address a large number of conforming changes to reflect the new Foundation Aid, and update section references related thereto.

Big Four Cities Maintenance of Effort: This bill would ensure the Big 4 Cities (Buffalo, Rochester, Syracuse, and Yonkers) use additional State aid to supplement and not supplant local support.

Universal Prekindergarten Program: This bill would amend Education Law to establish a formula that would provide State funding to support expansion of the Universal Prekindergarten program. Under this formula, the Foundation Amount per pupil would be used in the computation of Universal Prekindergarten Aid to reflect school district wealth and student educational needs. Similarly, a number of amendments are made to existing program planning requirements to facilitate timely implementation of the expansion of this program.

Full-Day Kindergarten Program: This bill would require high-need or low-performing districts, as determined by the Commissioner, to offer Full-Day Kindergarten programs for all children in those districts by 2010-11.

Charter Schools: This bill would amend Education Law regarding charter schools in the following areas:

- **Charter School Cap:** The existing cap of 100 schools would be increased by 150 schools with SUNY, the Board of Regents and the NYC Schools Chancellor each authorized to approve 50 new charter schools;
- **Charter School Transitional Aid:** This bill would amend Education Law to establish a new formula that would provide transitional aid to districts that have a concentration of charter schools; and
- **Expanded Notification Requirements:** This bill would require the Regents to take action on the issuance of a charter by March 15 of each year in order for the charter school to open in the following September, thus allowing the school district to be notified of a new charter school prior to the adoption of its budget.

School Efficiency Reviews: This bill would establish a new school district efficiency review program to assist school districts in identifying administrative and other operational savings that could be reinvested to support classroom instruction and minimize property tax growth. Performed by management consultants under contract with the State, the reviews are intended to be voluntary based upon requests from school superintendents. All costs would be fully supported by the State from a recommended \$5 million appropriation in the 2007-08 Executive Budget.

Special Education: To focus greater attention on special education services, this bill would amend Education Law to:

- Create a Taskforce on Preschool Special Education that would review the relationship between preschool special education and other early childhood programs as well as different financing approaches; and
- Require school districts with high special education classification rates or with excessive referrals to special education by race/ethnicity to address these deficiencies.

Other Miscellaneous Provisions: Other provisions of this bill would make various changes to Education Law, miscellaneous school aid provisions and other education programs. These changes include:

- **Excelsior Scholars Program:** This bill would create an Excelsior Scholars program that would recognize and reward talented middle school students in the areas of math and science and provide summer enrichment programs at college campuses throughout the State;
- **Aid Payment Schedule Changes:** This bill would conform current School Aid payment schedules to reflect the new Foundation Aid. It also would establish a payment schedule for School Aid payments made through the Video Lottery Terminal (VLT) account;
- **Increasing Textbook and Library Materials Aids:** This bill would make minor adjustments in the per student grant amounts for both Textbook Aid and Library Materials Aid;
- **Building Aid:** This bill would make permanent the payment reforms previously enacted for new school facility projects; and
- **Supplementary State Aid for Public Library Systems:** This bill would continue supplementary State aid for public library systems at 2006-07 levels and would amend the payment schedule for library construction aid.

Part C – Ensure that the mayors of Syracuse, Rochester and Buffalo are represented on their local school boards

This bill will further the goal of enhanced school district accountability by authorizing the mayors of Buffalo, Rochester and Syracuse to appoint two members to the school board, to serve at the pleasure of the mayor.

This bill amends sections 2552 and 2553 of the Education Law to increase the size of the school boards in three of the “Big Five” cities, by authorizing the mayors of those cities to appoint two of the members of the school board. The school boards in two of the “Big Five” cities would not be affected by this legislation. The school board in New York City is governed by a separate statute and is already under mayoral control, and the mayor of Yonkers appoints the school board pursuant to section 2553(3) of the Education Law.

Sections of the Education Law governing elected school board members, including the number of individuals that serve in elected school board positions, remain unchanged. The number of school board members in Buffalo would increase from nine to eleven, and board size would increase from seven to nine members in Rochester and Syracuse. Appointed school board

members will be required to meet residency and citizenship requirements applicable to elected school board members.

Part D – Enhance the School Tax Relief (STAR) Program by increasing funding and targeting the benefits to low and middle class homeowners

To establish a new “Middle Class STAR” program, providing greater school tax relief to New York State’s middle class homeowners.

In recent years, the crushing local property tax burden has become the number one concern of homeowners throughout New York State. While the impact of ever-increasing local taxes has been cushioned somewhat by the School Tax Relief (STAR) program enacted in 1997, the basic STAR program is flawed to the extent that, except for seniors, it fails to take into account the owner’s ability to pay. The program will be restructured to concentrate relief for those taxpayers who need it the most by establishing a “Middle Class STAR” program that (1) expands the Basic STAR Exemption for homeowners by up to 100 percent by 2009-10, depending on income, (2) expands the Enhanced STAR Exemption for qualifying senior citizens, and (3) expands the Personal Income Tax Credit for eligible taxpayers in New York City.

The Basic STAR Exemption will be increased with funds targeted to middle class homeowners based upon their incomes. The income brackets for eligible homeowners will be indexed in future years to reflect growth in average wages. In most areas of the State taxpayers whose incomes are at or below \$60,000 (adjusted for inflation) will see their Basic STAR exemption increased by 80 percent of the \$30,000 base exemption in 2007-08, by 90 percent in 2008-09, and by 100 percent in 2009-10 and thereafter. For example, the exemption for a homeowner with an income of \$70,000 (adjusted annually for inflation) will increase by 67.5% in 2007-08, by 75% in 2008-09 and by 82.5% in 2009-10 and thereafter.

In the downstate metropolitan region (which currently encompasses New York City and the Counties of Nassau, Suffolk, Westchester, Rockland, and Putnam), the Basic STAR exemption increases will be adjusted in recognition of the region’s higher income levels.

The Enhanced STAR Exemption will be increased for qualifying senior citizens by 30 percent in 2007-08 (from \$56,800 to \$73,800), and by another 10 percent in 2008-09 (to \$79,500), with cost-of-living adjustments driven by the Consumer Price Index (CPI-W) in each year thereafter.

In New York City, the Personal Income Tax Credit for City taxpayers will also be increased substantially for middle class taxpayers. Generally, the New York City personal income tax credit for married individuals filing joint returns and surviving spouses will be increased from \$230 to \$300 for 2007, to \$320 for 2008, and to \$340 for tax years after 2008. For all other taxpayers, the credit will be increased from \$115 to \$150 for 2007, to \$160 for 2008, and to \$170 for tax years after 2008. However, for married individuals filing joint returns and surviving spouses with income of more than \$235,000 (adjusted for inflation), the New York City personal

income tax credit shall be limited to \$230, and for all other taxpayers with income in excess of \$235,000 the credit shall be limited to \$115.

In terms of administration, the increases to the Enhanced STAR exemption provided under Middle Class STAR are self-executing. To take advantage of these increases, qualifying senior citizens who are already receiving the exemption and who are participating in the Income Verification Program (IVP) need do nothing further. Those who are receiving the exemption but are not participating in the IVP will only need to submit proof of their incomes to their local assessors annually, just as they must currently provide.

The increases to the Basic STAR exemption provided under Middle Class STAR cannot be self-executing because local assessors do not already possess the information needed to determine how much any given parcel's exemption should be increased. Thus, to take advantage of these increases in 2007-08, Basic STAR recipients will need to file an application with the Department of Taxation and Finance by May 15, 2007 or, if filing electronically, by May 25, 2007. The Department of Taxation and Finance will mail informational notices to STAR-eligible property owners who received a 2006 local real property tax rebate check.

After receiving these applications, the Department of Taxation and Finance will determine which parcels are eligible for Basic STAR increases. Eligibility will be based upon the income of the primary owners, and of any primary owners' spouses. The Department of Taxation and Finance will determine the extent to which these parcels are eligible for Basic STAR exemption increases, and will report these "benefit levels" to the Office of Real Property Services (ORPS). ORPS will relay the information it receives to the appropriate assessors, who will increase each Basic STAR exemption on the assessment roll to the extent indicated by the report, and the school tax bills of qualifying parcels will be lowered as a result. Optimally, this will all be accomplished before the 2007 assessment rolls are finalized, or at least before the 2007-08 school tax bills are issued, but where a parcel is entitled to a reduction which does not appear on the tax bill, the school district would be authorized to grant a refund or reduce any pending installment payments.

The determination of the income associated with each parcel will be performed only by the Department of Taxation and Finance. Assessors would not be empowered to make their own independent determinations for this purpose. Property owners who believe an unfavorable benefit level was assigned to them by the Department of Taxation and Finance would have the option of applying to the Department of Taxation and Finance for reconsideration. Property owners who fail or decline to file timely applications with the Department will not be entitled to increases in their Basic STAR exemptions.

To protect against the possibility that third parties might try to estimate the income of a property owner by observing how much of a Middle Class STAR exemption his or her home has been granted, the bill directs that this information shall be kept confidential, shall not appear on assessment rolls, and shall not be subject to disclosure under the Freedom of Information Law.

School districts would be compensated in full for the cost of the increased exemptions as they are now, through the existing STAR reimbursement mechanism, and New York City would be compensated in full for the cost of the increased Personal Income Tax Credit, through an amendment to State Finance Law §54-f.

The local real property tax rebate/credit program that was enacted in 2006 is rendered obsolete by this bill and is repealed.

Part E – Modify the Tuition Assistance Program (TAP) to reform eligibility criteria

This bill amends Tuition Assistance Program (TAP) eligibility requirements to promote improved academic performance and protect the investment of taxpayer funds in TAP.

Effective April 1, 2007, this bill:

- removes provisions otherwise allowing first time aid recipients without a high school diploma or its equivalent to receive aid in the 2007-08 academic year and thereafter through an ability to benefit (ATB) examination.
- requires that students receiving aid for the first time in the 2007-08 academic year, or thereafter, possess a high school diploma or its equivalent, or meet other academic standards or requirements, as determined by the Commissioner of Education.
- continues academic progress standards enacted in the 2006-07 budget and incorporates equivalent standards for institutions with trimester scheduling.

Effective July 1, 2007, this bill:

- requires that to be eligible for participation in State student financial aid programs, institutions must be approved for participation in federal student financial aid programs under Title IV of the Higher Education Act of 1965, as amended.
- maintains student eligibility for State student financial aid programs through the 2009-10 academic year for students matriculated at an institution that, on the date the bill becomes law, was operating in this State, but was not approved for participation in Title IV student financial aid programs.

Part F – Modify the notification requirement for closing youth facilities

This bill promotes fiscal and program efficiency by reducing excess capacity in youth facilities operated by the Office of Children and Family Services (OCFS).

This bill authorizes OCFS to close three community residential homes and one non-secure residential facility as of October 1, 2007. These facilities serve juvenile delinquents committed to the care and custody of OCFS by the family courts. OCFS would not be required to adhere to the existing statute's closure notice requirement, which was increased from nine months to twelve months in 2006.

Community residential homes offer the least restrictive level of care for juvenile delinquents and primarily serve as a step-down before youth transition back into the community. The three homes proposed for closing are located in Gloversville, Mount Vernon and Brooklyn. The Gloversville home is vacant and the Mount Vernon and Brooklyn homes are underutilized, allowing their current population to be transferred, based on the program and security needs of each youth, into community-based programs or to non-secure facilities with available capacity. The Great Valley facility, a 25-bed non-secure facility, is recommended for closing because its location in Cattaraugus County is a long distance from the home community of most OCFS youth. Youth at Great Valley would be transferred, based on program and security needs, to other non-secure facilities or community-based programs. OCFS operates eighteen non-secure facilities that generally operate at about 80 percent of capacity. Therefore, sufficient capacity would remain to accommodate youth from Great Valley.

Community residential homes and 25-bed non-secure facilities are not major employers. Their closure will not have an adverse impact on local economies, and it is expected that many of the impacted employees will be eligible for transfer to other facilities.

Part G – Convert an Office of Children and Family Services’ (OCFS) internal account to a Special Revenue account to improve transparency

This bill fosters transparency in government operations by requiring that revenue from per diem billings to local governments for their share of the cost of Office of Children and Family Services (OCFS) youth facilities be deposited into a newly created account whose activity will be visible to the Executive, the Legislature, and the Comptroller.

This bill establishes a new Youth Facility Per Diem Special Revenue Other account for the receipt of per diem revenue from local governments.

Per diem revenues are currently deposited into an internal OCFS sole purpose account whose receipt and disbursement transactions are not visible to the Legislature or Executive staff outside of OCFS. The activity of the new special revenue account will be visible through the Office of the State Comptroller accounting system reports, allowing the Executive and Legislature to more effectively monitor account activity and make informed budget decisions about the account and per diem revenue.

Part H – Mandate performance-based contracting for preventive services

This bill promotes fiscal and program efficacy in preventive services by requiring local districts to implement performance or outcome provisions.

New York has a State-supervised, locally-administered social service system. Preventive child welfare services are provided to the most vulnerable residents and include an array of services to meet the unique needs of each child and family and to prevent out-of-home placement of children. Beginning with the enactment of Child Welfare Financing Reform in 2002 the State has reimbursed localities 65 percent of the costs of providing these services after Federal funding is

applied. Although foster care placements have declined since this funding was put in place, the efficacy of these services, which are provided directly by localities or are contracted out to provider agencies, is, in many instances, unknown.

This bill requires local districts to implement performance or outcome based provisions, as outlined in subsequent regulations, for preventive services beginning January 1, 2008.

This bill is designed to require that local investments in this sensitive area positively impact the lives of those they serve. With total investments in this area eclipsing an estimated \$400 million in the current year, there is also significant fiscal incentive to see that services achieve beneficial outcomes.

Part I – Permanently extend Child Welfare Financing Reform provisions set to expire on June 30, 2007

This bill makes permanent certain provisions related to funding for children and family services that are designed to keep families intact while encouraging expedited permanency for children in foster care.

Child Welfare Financing Reform, enacted in 2002, created three notable General Fund supported funding streams to support at-risk children and their families: (1) the Foster Care Block Grant; (2) an open-ended funding stream for preventive, protective and other child welfare services whereby the State pays 65 percent of all costs, net of Federal Assistance, with local social services districts paying the remaining 35 percent; and (3) a Child Welfare Quality Enhancement Fund.

Current Child Welfare Financing Reform provisions promote community-based services to keep families intact as well as to establish permanent placements for foster children as quickly as possible. The system provides for 65 percent open-ended State reimbursement to social services districts for the non-Federal share of child preventive, child protective, after care, independent living and adoption services and administrative costs, while capping reimbursement for foster care services. It also includes a Children and Family Services Quality Enhancement Fund to increase the availability and quality of children and family services programs through the testing of special initiatives and innovative models of service delivery.

In 2003, the Committee on Special Education (CSE) Reform was enacted to provide for enhanced school district responsibility in educational placements for children by shifting maintenance (i.e. room and board) cost shares from 50 percent State and 50 percent local to 40 percent State, 40 percent local, and 20 percent local school district. These amendments gave school districts a greater financial role in ensuring the appropriate placement of special education children.

Both the Child Welfare Financing Reform and CSE statutes are scheduled to sunset on June 30, 2007.

Effective April 1, 2007, this bill amends Social Services Law and State Finance Law to make Child Welfare Financing Reform and the CSE statute permanent.

If this bill is not enacted, foster care reimbursement would return to open-ended 50/50 State/local shares and preventive services delivered by counties would no longer be eligible for State reimbursement. Fiscal incentives to provide services to keep a family intact would shift to encouraging unnecessary out-of-home foster placements for children. School districts would no longer have a financial stake in the residential placement of their special education children.

Part J – Create a new, independent Office for the Blind and eliminate OCFS’s Commission for the Blind and Visually Handicapped

This bill is intended to better serve the interests of the blind. It enacts a new article 14-A of the Executive Law, which establishes a new Office for the Blind, under the guidance of an advisory executive board, and authorizes it to perform existing governmental functions associated with serving the blind.

This bill enacts a new Article 14-A in the Executive Law to establish a new Office for the Blind, which would seek to improve and develop services and programs for the blind. The functions of the Office for the Blind would be discharged by the Executive Director and a new fifteen member unsalaried executive board would be created to advise the Office. The members of the executive board would be appointed by the Governor and legislative leaders for five year terms.

The functions of the new Office for the Blind would include functions currently performed by the Commission for the Blind and Visually Handicapped (Unconsolidated Law section 8701 et seq.), which is currently under the jurisdiction of the Office of Children and Family Services (OCFS). The Office for the Blind would continue operating a program which licenses blind individuals as vendors on State property and would also oversee an existing loan program which loans money to people with disabilities for the purchase of assistive devices. Appropriations currently made within OCFS for the operation of the Commission for the Blind and Visually Handicapped would be transferred to the Office for the Blind. The bill ensures that employees of the Commission for the Blind and Visually Handicapped would be transferred to the new office.

Part K – Provide for performance measurements in Temporary Assistance for Needy Families (TANF) funded programs, and establish an allocation methodology for the TANF Flexible Fund for Family Service (FFFS)

This bill authorizes allocation of the Federal Temporary Assistance for Needy Families (TANF) block grant by delineating funding appropriated for the Flexible Fund for Family Services (FFFS).

The TANF Program was enacted as part of the Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193). The enactment of TANF ended the previously existing entitlement welfare programs and instead provided states with block grants and the opportunity to implement their own public assistance programs through use of

supportive services intended to help recipients make the transition off public assistance. Beginning in SFY 2005-06, TANF funding typically allocated to local social services districts was consolidated into a single FFFS appropriation enacted as part of the Education, Labor and Family Assistance (ELFA) budget bill. This bill sets forth the specific allowed purposes of the TANF FFFS funds.

BUDGET IMPLICATIONS:

Part A – Strengthen educational accountability by establishing measurable performance targets, promoting strong educational leadership, and raising standards

Enactment of this bill is necessary to implement the 2007-08 Executive Budget, which includes an increase in aid to schools that will, over the next four years, total over \$7 billion. This bill establishes mandates and measures of accountability that are essential to ensure that those funds are used effectively.

Part B – Reform the State’s education finance system through the establishment of a Foundation Aid formula, expansion of pre-kindergarten and other changes necessary to implement the four-year Educational Investment Plan

Enactment of this bill is necessary to implement the 2007-08 Executive Budget by establishing Foundation Aid and other provisions required in the Governor’s Four-Year Educational Investment Plan.

Part C – Ensure that the mayors of Syracuse, Rochester and Buffalo are represented on their local school boards

Enactment of this bill is necessary to implement the 2007-08 Executive Budget because it is expected to achieve greater local accountability in the use of public funds.

Part D – Enhance the School Tax Relief (STAR) Program by increasing funding and targeting the benefits to low and middle class homeowners

Enactment of this bill is necessary to implement the 2007-08 Executive Budget, which includes an increase of \$1.5 billion for the Middle Class STAR program.

Part E – Modify the Tuition Assistance Program (TAP) to reform eligibility criteria

Enactment of this bill is necessary to implement the 2007-08 Executive Budget, and will result in TAP savings of \$30 million on an academic year basis.

Part F – Modify the notification requirement for closing youth facilities

Enactment of this bill is necessary to implement the 2007-08 Executive Budget. It is estimated that closing the three community residential homes and one non-secure facility in October, 2007 will generate \$1.2 million in 2007-08 savings, consistent with the Financial Plan. These 2007-08

savings could not be achieved with the current twelve month notice requirement because the current requirement would not allow the facilities to close until February, 2008, or just two months before the end of the 2007-08 State Fiscal Year.

Part G – Convert an Office of Children and Family Services’ (OCFS) internal account to a Special Revenue account to improve transparency

Enactment of this bill is necessary to implement the 2007-08 Executive Budget because it establishes a special revenue other account for the receipt of per diem revenue assumed in the Financial Plan. It is assumed that \$96 million in revenues deposited in the account will be transferred to the General Fund.

Part H – Mandate performance-based contracting for preventive services

Enactment of this bill is necessary to implement the SFY 2007-08 Executive Budget. Since this bill requires local districts to implement performance or outcome based provisions, it is assumed that their program assessments will culminate in improved performance, and will generate an estimated \$10 million in SFY 2007-08 State savings.

Part I – Permanently extend Child Welfare Financing Reform provisions set to expire on June 30, 2007

The 2007-08 Executive Budget assumes that current provisions remain in place. If provisions were to sunset, local governments would be forced to choose between supporting \$200 million in unbudgeted costs and discontinuing vital preventive services, while the State would face over \$100 million in unbudgeted costs from changes in foster care and CSE reimbursement.

Part J – Create a new, independent Office for the Blind and eliminate OCFs’ Commission for the Blind and Visually Handicapped

This bill would be fiscally neutral in SFY 2007-08, as all existing appropriations for OCFs’ Commission for the Blind and Visually Handicapped would be transferable to the new Office for the Blind. Modest cost increases may be possible in future years as the Office develops its agenda.

Part K – Provide for performance measurements in Temporary Assistance for Needy Families (TANF) funded programs, and establish an allocation methodology for the TANF Flexible Fund for Family Service (FFFS)

Enactment of this bill is necessary to implement the 2007-2008 Executive Budget because it provides the spending authority for \$1 billion in TANF funds - approximately 42 percent of the total Federal block grant.

EFFECTIVE DATE:

Part A – Strengthen educational accountability by establishing measurable performance targets, promoting strong educational leadership, and raising standards

The bill is effective immediately.

Part B – Reform the State’s education finance system through the establishment of a Foundation Aid formula, expansion of pre-kindergarten and other changes necessary to implement the four-year Educational Investment Plan

This bill takes effect April 1, 2007, except that selected provisions take effect immediately or on other specified dates.

Part C – Ensure that the mayors of Syracuse, Rochester and Buffalo are represented on their local school boards

The bill is effective immediately.

Part D – Enhance the School Tax Relief (STAR) Program by increasing funding and targeting the benefits to low and middle class homeowners

The bill takes effect immediately.

Part E – Modify the Tuition Assistance Program (TAP) to reform eligibility criteria

Section 1 of the bill takes effect July 1, 2007 and sections 2 and 3 of the bill take effect on April 1, 2007.

Part F – Modify the notification requirement for closing youth facilities

This bill takes effect immediately.

Part G – Convert an Office of Children and Family Services’ (OCFS) internal account to a Special Revenue account to improve transparency

This bill takes effect immediately except that section 2 takes effect April 1, 2007.

Part H – Mandate performance-based contracting for preventive services

This bill takes effect immediately.

Part I – Permanently extend Child Welfare Financing Reform provisions set to expire on June 30, 2007

This bill takes effect April 1, 2007.

Part J – Create a new, independent Office for the Blind and eliminate OCFs’ Commission for the Blind and Visually Handicapped

The bill is effective 180 days after enactment.

Part K – Provide for performance measurements in Temporary Assistance for Needy Families (TANF) funded programs, and establish an allocation methodology for the TANF Flexible Fund for Family Service (FFFS)

This bill takes effect on April 1, 2007.

ATTACHMENT H

See Note ib Cell J5.		
Net Foundation Aid Payable for 2014-15 IF:		
GEA is all attributed to Foundation Aid	GEA is apportioned proportionately among:	
	Total of all aids before GEA	Total Aid Before GEA Minus Bldg Aid and UPK (i.e., "the original GEA Base")
14,395,366,681	14,758,883,174	14,649,251,131

School Year Ending in:	Growth of Foundation Aid Distributed at	Growth of the "Fully Implemented" Level of Foundation Aid at
	3.10%	2.00%
	per year starting at the 2014-2015 level of \$14.649 billion	per year starting at the 2014-2015 level of \$20.31 billion
	\$14,649,251,131 is the net amount of foundation aid payable in 2014-15 if the GEA is apportioned proportionately among all aids except Building Aid and UPK Note: this was the original GEA base. (Source: School Aid Runs for the 2014-15 Enacted Budget)	\$20,311,423,835 is the sum of the greater of the estimates for each school district of the greater of (a) Foundation Aid Before Phase-In or (b) 2014-15 Foundation Aid Payable (Source: School Aid Runds for 2014-15 Enacted Budget)
2015	14,649,251,131	20,311,423,835
2016	15,103,377,917	20,717,652,312
2017	15,571,582,632	21,132,005,358
2018	16,054,301,694	21,554,645,465
2019	16,551,985,046	21,985,738,374
2020	17,065,096,582	22,425,453,142
2021	17,594,114,577	22,873,962,205
2022	18,139,532,128	23,331,441,449
2023	18,701,857,624	23,798,070,278
2024	19,281,615,211	24,274,031,683
2025	19,879,345,282	24,759,512,317
2026	20,495,604,986	25,254,702,563
2027	21,130,968,741	25,759,796,615
2028	21,786,028,772	26,274,992,547
2029	22,461,395,663	26,800,492,398
2030	23,157,698,929	27,336,502,246
2031	23,875,587,596	27,883,232,291
2032	24,615,730,811	28,440,896,937
2033	25,378,818,466	29,009,714,875
2034	26,165,561,839	29,589,909,173
2035	26,976,694,256	30,181,707,356
2036	27,812,971,778	30,785,341,503
2037	28,675,173,903	31,401,048,333
2038	29,564,104,294	32,029,069,300
2039	30,480,591,527	32,669,650,686
2040	31,425,489,864	33,323,043,700
2041	32,399,680,050	33,989,504,574
2042	33,404,070,132	34,669,294,665
2043	34,439,596,306	35,362,680,559
2044	35,507,223,791	36,069,934,170
2045	36,607,947,729	36,791,332,853
2046	37,742,794,108	37,527,159,510

If New York State were to comply with the allowable growth cap that was adopted in 2011, on a regular basis in the future, it would substantially delay the possibility of fullyfunding the statutory foundation formula set forth in Educ. Law § 3602.4. For example,

(1) assuming that the growth in personal income were to remain constant at the 3.1 percent rate referenced by the Division of the Budget in its May 2014 financial plan update, and

(2) assuming that the current \$20 billion full-implementation cost of foundation aid grows in future years at an average annual rate of 2%, on average, because of the combined effect of inflation adjustments and Successful Schools study updates, and

(3) assuming that the cost of other aids such as transportation aid grow at the same rate as foundation aid, it would take until the 2045-46 school year to fully phase in the statutory foundation aid formula if the current

NOTE: Neither the relevant statutes nor the state aid runs specify how much of the GEA reduction should be attributed to foundation aid and how much should be attributed to other state aids. For this analysis, I relied on the fact the initial GEA cuts took the form, for each school district, of a single formula-derived percentage reduction (which varied from district to district) in all of its aids except for building aid, building reorganization aid and Universal Pre-Kindergarten (UPK) aid; and that a historical GEA amount determined in that way has served as the starting point for districts' GEA calculations in more recent years.

ATTACHMENT I

Deborah H. Cunningham

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Professional Experience

NEW YORK STATE ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

- **Director of Education and Research** (September 2013 to present). Deborah serves the Association's 1,800 members by:
 - Developing and responding to legislation including State Aid to school districts,
 - Analyzing data and preparing information reports relating to the finances of New York State school districts,
 - Helping members interpret laws and regulations pertaining to New York State school finance, and
 - Planning and implementing professional development sessions for New York State school business officials, clerks, treasurers, accountants and auditors

NEVADA DEPARTMENT OF EDUCATION

- **Deputy Superintendent of Business and Support Services** (June 2012 to July 2013). Deborah was a member of the Department's Executive Team and oversees NDE offices of Business Services, Information Technology, Audit and Child Nutrition. Her office's mission was to provide the key support services to schools and the Department that are critical to achieving the Department's vision of success through learning. Deborah served as the Department's legislative liaison and led a team to improve management integrity in the Department. Deborah also served as the President of the Association of Education Finance and Policy for the 2012-13 year.

NEW YORK STATE EDUCATION DEPARTMENT

- **Coordinator Educational Management Services** (2006 – 2012). As coordinator I oversaw a staff of ten, led a Department wide work group to develop the Regents school aid proposal and provide technical support to legislative and executive branch staff on topics related to school finance and management. The work of the office concerned: financial management and fiscal accountability for school districts and BOCES, working with fiscally stressed school districts to improve resource allocation in support of greater student learning outcomes, Department compliance with reporting on the use of federal stimulus funds, and work related to pupil transportation, school district reorganization, shared services, Contracts for Excellence, the collection of district budget data, mandate relief and collaborative research with outside researchers to produce works that inform state education

policy. Recent projects concerned school district compliance with the newly enacted Property Tax Cap and the distribution of competitive grants to reward school district management efficiency.

- **Associate in School Financial Aid, Office of Educational Management Services** (2003- 2005). I assisted school districts in the use of school revenues to ensure that all students meet State learning standards, that schools allocate resources in a manner that supports continuous school improvement, and that fraud and abuse of public education funds is minimized. In response to Comptroller's and SED audits, I provided intensive technical assistance to school districts to ensure good fiscal health and adequate internal controls. I chaired the NYSED State Aid Work Group and co-chaired a work group on streamlining school district planning and reporting. I served as a member of the NYSED Legislative Coordinating Team and am the NYSED liaison to the Education Finance Research Consortium.
- **Associate in School Financial Aid** (May 1990 to May 1997, Office of the Associate Commissioner for Finance and Management Services; May 1997 to July 1998, Office of Regional Schools and Community Services; July 1998 to June 2003, Office of School Operations and Management). Administrative responsibility leading to the coordination of the Department's State Aid Work Group to prepare the Regents annual State Aid proposal, and serving as liaison between NYSED and outside researchers for an ongoing Education Finance Research Consortium, in which nationally recognized experts were employed to study and analyze issues in New York State education policymaking.
- **Administrative Coordinator, Native American Indian Education Unit** (1989 to 1990).
- **Executive Assistant to the Deputy Commissioner for Elementary, Secondary and Continuing Education** (1986 to 1989).
- **Research Assistant, Educational Research Services Unit** (1984 to 1986). Involved policy analysis on teaching issues, school transportation and school finance.
- **Assistant to the Assistant Commissioner for Educational Finance and Management Services** (1982 - 1984).
- **Assistant in Academic Credit Evaluation** (1981 - 1982).
- **Assistant in Educational Research** (1980 to 1981).
- **Assistant in Educational Testing** (1979 to 1980).

CENTER FOR ENGLISH AS A SECOND LANGUAGE, UNIVERSITY OF ARIZONA--
Research and Evaluation Consultant (Summers 1976, 1977, 1978).

DEPARTMENT OF EDUCATIONAL PSYCHOLOGY, UNIVERSITY OF ARIZONA--
Graduate Associate (1977-78), **Graduate Assistant** (1976-77 and 1975-76),
Instructor (summers 1976 and 1977).

OAKLAND UNIFIED SCHOOL DISTRICT, TUCSON PUBLIC SCHOOL DISTRICT--
Substitute Teacher (School Year 1978-79 and Spring 1978).

*ARIZONA TRAINING PROGRAM--***Special Educator** (1972 to 1973).

Education

Graduate 2002-03 New York State Education Department Leadership Academy
PhD Educational Psychology, University of Arizona, 1978
MA Educational Psychology, University of Arizona, 1975
BA Social Welfare, University of California, Berkeley, 1972

Public School Certification: New York State Certificate in School District Administration (Effective 2/1/91).

Foreign Language Literacy: Italian, Spanish

Awards/Recognition

- Distinguished Service Award for dedicated service as 2012-13 AEFPP President, March 16, 2013.
- Appreciation Award, New York State Rural Schools Association, July 9, 2012.
- Honoring Deborah Cunningham for her years of valued support, July 2012. Cornell University New York State Center for Rural Schools.
- President's Award. The New York State Association of School Business Officials, 2012.
- Distinguished Service Award, In recognition of distinguished leadership and devoted service on the Board of Directors of the American Education Finance Association, 2002-2005.
- Fullbright-Hays Award, 1979.
- Research grant, University of Arizona, 1978.

Board/Task Force Participation

Committee for Local Government Finance, State of Nevada, July 2012-July 2013.

Journal of Education Finance and Policy, member, editorial board, 2005 to present.

Association of Education Finance and Policy, Board of Directors, conference and membership committees, 2002-05, President Elect and Program Chair, 2011-12, President 2012-13, Past President 2013-14.

New York State Rural Schools Program, Board of Directors, executive and legislative committees, 2004-2012.

Campaign for Fiscal Equity, Sound Basic Education Task Force. Ensuring Educational Opportunity for all. Part I. An Adequate Foundation for All: Reforming New York State's System for Providing Operating Aid to Local School Districts (May 11, 2004). I served as an Operating Aid Task Force member.

Publications and Professional Papers:

D. Cunningham. School Budget Vote Results: NYSASBO Analysis, June 3, 2014.

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Cunningham, D. Why Do School District Mergers Fail? A Policy Brief with Recommendations. NYSASBO Analysis, April 21, 2013.

Cunningham, D. and M.J. Borges. 2014-15 State Budget Analysis. NYSASBO Report, April 9, 2014.

Cunningham, D. and M.J. Borges. GEA Restoration Would Take Two Generations of Students Based on Governor's Proposal. NYSASBO staff analysis, March 25, 2013.

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Cunningham, D. and M.J. Borges. 2014 NYSASBO School Aid Proposal: Educating Students To Be College and Career Ready, December 4, 2013.

D. Cunningham. Collaboration and improving learning. Presented at the Annual Meeting of the Association of Education Finance and Policy, March 14, 2013.

D. Cunningham and J. Wyckoff. Policymakers and Researchers Schooling Each Other: Lessons in Educational Policy from New York. Presented at the Annual Meeting of the Association of Education Finance and Policy, March 17, 2013 and *Journal of Education Finance and Policy* (Summer 2013).

D. Cunningham. The Challenge of Resource Re-allocation in a Poverty Impacted State. Presented at the Annual Meeting of the Association of Education Finance and Policy, March 15, 2013.

B. Baker, T. Downes, D. Cunningham, J.W. Guthrie, J.S. Hansen, S. Loeb, L.O. Picus, M. Podgursky, L. Stiefel, L. Taylor, Recommendations Regarding NCES (1) Teacher Remuneration, (2) Data Timeliness, and (3) Cost of Education Measurement. NCES Education Finance Technical Review Panel, April 2005.

Ahearn, Kathy A. Memorandum of Law on Behalf of Amicus Curiae New York State Board of Regents in the case before the Supreme Court of the State of New York of Campaign for Fiscal Equity v. State of New York, September 2004. I served as a major contributor and reviewer for the preparation of this document.

Szuberla, C.A., S. VanDeventer, D.H. Cunningham and C. Thurnau. School District Responses to Building Aid Incentives. Paper presented at the annual meeting of the American Education Finance Association, March 8, 2002, Albuquerque, NM.

Kadamus, J.A., D. H. Cunningham, S. VanDeventer, A. Gayle and M. Reilly. Formula Allocation for Schools: Historical Perspectives and Lessons from New York State. National Academy of Sciences, Monograph on Formula Allocation, 2002 and paper presented at the annual meeting of the American Education Finance Association, March 9, 2002, Albuquerque, NM.

Cunningham, D.H. New York State's Education Finance Research Consortium: Collaborative Research on New York State Education. Paper presented at the annual meeting of the American Education Finance Association, March 24, 2001, Cincinnati, Ohio.

Principal Author (conceptual proposal), Regents Proposals on State Aid to School Districts, 1991-92, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2012-13). Albany, New York: New York State Education Department, 1990, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012.

Cunningham, D.H. and J. Wyckoff. New York State's Educational Finance Research Consortium: A Collaborative Model to Provide Research and Information to Improve Public Policy on School Funding. Paper presented at the National Conference on Education Funding: Adequacy and equity in the next millennium, Nashville, Tennessee, 1999 and the American Education Finance Association Annual Meeting, Austin, Texas, 2000.

Cunningham, D.H. American Indian College Students in New York State. New York State American Indian Aid for Postsecondary Education, First Annual Report. Albany, New York: New York State Education Department, 1991.

Cunningham, D. H. Efforts of the Board of Regents and the State Education Department to Improve New York City Public Schools: 1977-88. Albany, New York: New York State Education Department, 1988.

Cunningham, D. H. School Transportation Costs, Policies and Practices in Eight States. Albany, New York: New York State Education Department, 1986.

Cunningham, D. H. Strengthening Teaching: A Review of Issues and Programs in New York State. Albany, New York: New York State Education Department, 1985.

Hosley, D. Reading as a Natural Process: Early Strategies. Arizona English Bulletin, October 1977.

Hosley, D. Performance Differences of Foreign Students on the TOEFL. TESOL Quarterly, March 1978.

Hosley, D. and Meredith, K. Inter- and Intra-test Correlates of the TOEFL. *TESOL Quarterly*, June 1979, **13**, No. 2.

Selected Presentations at Professional Meetings:

Cunningham, D. Planning for and presentation at School Finance Symposium on Improving Education in an Era of Tax Relief, Rockefeller Institute for Government, September 30, 2014.

Cunningham, D. Legislative Update, prepared for FMAA workshops in Long Island, Westchester, Albany, Syracuse, Rochester and streaming, June 2014.

Cunningham, D. State Aid to School Districts: A Primer. Session at Small City School Districts Annual Conference, June 2, 2014.

Cunningham, D. Tax Policies, Voter Confidence and Educational Excellence. Session at Small City School Districts Annual Conference, June 2, 2014.

Cunningham, D. Fiscal Stability, the Tax Cap, and Recent Trends in Comptroller's Audits. Keynote speaker. Nassau Bar Association, May 22, 2014.

Cunningham, D. and M.J. Borges. The Road Ahead: School District Insolvency or College and Career Readiness? Testimony presented by Michael J. Borges to a Joint Legislative Budget Hearing, January 28, 2014.

D. Cunningham. Back to the Future: Where Has the Money Gone? Presentation as part of a panel on The Effects of Fiscal Stress on New York State School Districts at an invitational meeting of educators and policymakers at the Rockefeller Institute of Government, October 4, 2013.

D. Cunningham, The Role of the School Business Official as Member of the District Leadership Team with Louis Alaimo, Assistant Superintendent for Administration, Brighton CSD at the Annual Conference of the New York State School Boards Association, November 6, 2013.

D. Cunningham, Understanding the Property Tax Cap and its Ongoing Implications for School Operations and Finance with Mark Sansouci, Assistant Superintendent for Business. Penfield CSD with Michelle Levings, Questar BOCES at the Annual Conference of the New York State School Boards Association, November 8, 2013.

D. Cunningham. Collaboration and Improving Learning. Presidential Address Presented at the Annual Meeting of the Association of Education Finance and Policy, March 15, 2013.

D. Cunningham. Special education funding: Workshop for school business officials, September 20, 2005, September 30, 2005, November 30, 2005. Fiscal accountability: Workshop for business officials, November 30, 2004 and November 29, 2005.

D. Cunningham, F. Mauro, E.J. McMahon. Changing How We Fund our Schools...Property Tax or Income Tax? A Public Forum by Assemblywoman Sandy Galef, Cortlandt Town Hall, April 28, 2005.

D. Cunningham and S. Szuberla, Building Public Trust Through Accountability. We conducted a Workshop on Internal Controls for NYS school officials in Nassau and Suffolk counties (December 13 and 14, 2004) and Rockland and neighboring counties (March 31, 2005).

D. Cunningham, Building Public Trust Through Accountability. I conducted a Workshop on Internal Controls for NYS municipal purchasing agents from towns and school districts in Nassau and Suffolk counties, Massapequa, NY, March 3, 2005.

D. Cunningham, P. Applebee, M. Person, W. Johnson, W. Duncombe. I moderated a panel on School District Legislative Issues at the annual conference of the NYS School Boards Association, Buffalo, October 22, 2004.

D. Cunningham, Participated in a round table discussion concerning *Education Finance in a Time of Fiscal Stress* at the opening general session for the American Education Finance Association Annual Conference, Salt Lake City, UT, March 2004.

B. Gordon, D. Cunningham, J. Harvey, F. Mauro, *School Finance Reform in New York State*. Concurrent Session at the Northeast Regional Science Association Annual Meeting, Binghamton, November 8, 2003.

Other Analyses

Report on Development, Enactment and Implementation of the 2007 Foundation Formula On Behalf of the Plaintiffs in the Maisto et al. v State of New York Case, November 10, 2014.

Cunningham, D. Bureau of Labor Statistics Releases Information to Determine Consumer Price Index for New York State Tax Cap: 1.46 Percent. NYSASBO News. January 16, 2014.

Cunningham, D. Drafted and presented guidance on the treatment of local capital expenditures in Tax Cap reporting to OSC and NYSASBO's Government Relations Committee; answered questions from the field on the draft guidance, 2014.

Cunningham, D. Drafted a press release with summary data for the release of the 2014 data submitted by school districts in compliance with the Tax Cap law, 2014.

Cunningham, D. Reported on matters pertain to New York State school finance and management including: an Assembly hearing on student data privacy, a new hire in SED's Educational Management Services, a U.S. Department of Education Release of Student Data Privacy Guidelines, a State Aid update on weather or disaster related school closures of many days, OSC's system of assessing Big Four City fiscal stress and waivers from building aid interest recalibration, 2014.

Helped with preparation and support for the annual conference of the Association of Education Finance and Policy including editing the conference program, identifying and recognizing the winner for the AEFPP annual service award, preparing a panel to discuss the role of incentives in school finance to promote improvements in student learning, and preparing for the AEFPP board meeting, as a member of the AEFPP Executive Committee, to be held at the conference, 2014.

Cunningham, D. Letter to members of the Assembly urging them to stand firm in their opposition to both the education tax credit and the property tax freeze proposal, March 24, 2014.

Cunningham, D. Comparison of Executive, Senate and Assembly State Budget Proposals for Education for 2014-15. NYSASBO Advocacy Alert, March 18, 2014.