



**TO:** The Honorable Members of the Board of Regents  
**FROM:** Phyllis Morris *Phyllis D. Morris*  
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**SUBJECT:** 2021-22 Conceptual Regents State Aid Proposal  
**DATE:** **REVISED** November 13, 2020  
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### SUMMARY

#### **Issue for Discussion**

The purpose of this presentation is to further refine the conceptual framework for the 2021-2022 Regents State Aid Proposal.

#### **Reason(s) for Consideration**

Review of Policy.

#### **Background Information**

Each year, the Board of Regents considers a conceptual state aid proposal for discussion and further refinement, culminating in the adoption of a final Regents State Aid Proposal at the December Board meeting. This year, the Board is considering its 2021-22 proposal within the context of uncertainties surrounding final 2020-21 state aid amounts and the potential for receipt of additional Federal funds, as school districts continue to work to educate students amid the challenges posed by the COVID-19 pandemic.

#### **COVID-19 Impact on the 2020-2021 School Year**

##### *Pandemic Adjustment*

The 2020-21 enacted State budget reduced state aid to school districts in an amount equal to the level of Federal funding districts were projected to receive from the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. While Congress intended CARES Act funding to be used to “prevent, prepare for, and respond to

coronavirus,” the state aid reduction, known as the Pandemic Adjustment, required districts to use CARES Act funds to meet ongoing expenses. The Federal CARES Act funds were required to be allocated to school districts based on the distribution of Federal Title I dollars. The Title I formula is very progressive, which means the highest need districts in the state receive the most aid. Similarly, the highest need districts experienced the greatest impact from the Pandemic Adjustment.

In addition, districts were not able to fully backfill the reduction in state aid with Federal funds because the federal CARES Act required school districts to use a portion of their CARES Act allocation to provide equitable services to students and teachers in non-public schools. Of the \$1.13 billion in federal CARES Act funding allocated to the major school districts, districts are required to set-aside approximately \$122 million for non-public schools. The impact on an individual school district depends on the proportion of the district’s students attending non-public schools. For example, East Ramapo will need to set-aside approximately \$15.8 million of the \$22.3 million the district received in CARES Act funds for services to non-public schools. Kiryas Joel will need to set-aside approximately \$8.7 million of its \$8.9 million CARES Act allocation for non-public schools. Moreover, because Kiryas Joel’s CARES Act allocation is greater than its 2020-21 state aid amount, the district is expected to carry a \$1.97 million negative balance into the 2021-22 school year. In practice, these districts are experiencing a reduction in funds available to fund their programs with no relief in state or federal mandates.

While additional current year reductions may be forthcoming, state aid was the only major local assistance program that was cut in the 2020-21 enacted budget.<sup>1</sup>

The conceptual Regents State Aid proposal would repeal the Pandemic Adjustment and restore each district’s state aid levels to ensure that no district experiences an aid loss in 2020-21 and to enable districts to use their federal CARES Act funds for their intended purpose.

### *Transportation*

School districts were required, by Executive Order, to close by March 18, 2020. Executive Orders subsequently extended such closures in two week increments until the Governor announced on May 1, 2020 that schools would be closed for the remainder of the 2019-20 school year. As a result, between March 18 and May 1, there was the potential for schools to reopen and school districts needed to keep transportation employees and vendors on standby to be in a position to resume transportation services if schools were directed to reopen pursuant to Executive Order. However, Education Law does not currently permit districts to be reimbursed through transportation aid for transportation that was not provided.

In addition, districts were required by Executive Order to provide remote instruction and meals for students during periods of school closure in the spring. Education Law does not currently permit districts to be reimbursed through transportation aid for costs

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<sup>1</sup> School Aid reductions amounted to \$1.169 billion of the \$5.007 billion in budget actions other than the “TBD” Local Assistance plan. See page 14: <https://www.budget.ny.gov/pubs/archive/fy21/enac/fy21-enacted-fp.pdf>

associated with the use of school buses to deliver school meals, homework packets and wi-fi access, which is how a number of schools implemented these Executive Order requirements.

To address these issues, the conceptual Regents State Aid proposal would amend Education Law to allow districts to be reimbursed for costs incurred to keep transportation vendors and employees on standby between March 18, 2020 and May 1, 2020, and to allow districts to be reimbursed for costs incurred in using school buses to deliver school meals, homework packets and wi-fi access. In addition, the proposal recognizes that there is a cost to school districts and transportation vendors to maintain the infrastructure necessary to have transportation services available when in-person education resumes.

#### *Potential Additional 2020-2021 School Year Reductions*

If additional Federal funds are not made available to New York State, the Governor and Division of the Budget have indicated further reductions to state aid for school districts may be necessary. While the Division of the Budget has withheld some state aid payments from school districts in a uniform manner, the Regents' conceptual proposal maintains that any permanent reductions should be made on a progressive, wealth adjusted bases. Across-the-board reductions disproportionately negatively impact low wealth, high need school districts, which are more reliant on state revenues for their overall budget.

The Regents' conceptual proposal also maintains that if aid reductions must be made, school districts and charter schools should be treated in an equitable manner.

#### **Proposals for the 2021-2022 School Year**

##### *Eliminate the School Aid Growth Cap*

Under existing Education Law, growth in school aid in any given year is limited to the 10-year average in personal income growth in the State. For the 2021-22 school year, it is anticipated that the impact of the Pandemic Adjustment will activate the growth cap and create automatic reductions in state aid. The Regents' conceptual proposal would propose changing Education Law to eliminate the growth cap.

##### *Full Funding of Expense Based Aids*

The Regents' conceptual proposal would fully fund reimbursement to school districts for expense based aids, such as Building Aid and Transportation Aid.

##### *Additional Proposals*

The Regents' conceptual proposal also includes initiatives to help assist school districts in achieving cost savings, ensuring that each dollar of state aid provided to districts is able to stretch to its furthest extent. These initiatives include:

- Incentivizing efficiencies through indexing the Reorganization Incentive Aid formula to inflation; and
- Providing the Department with additional state operations funds to increase capacity to provide school districts with technical support on financial and management matters.

To further assist school districts with the current economic situation, Department staff have advanced the following mandate relief options for the Regents to consider in developing their 2021-22 Non-State Aid Budget and Legislative priorities:

- Enhancing school district reserve fund flexibility by extending the current pay-back period and lowering the percentage that needs to be paid back each year. The repayment period and levels would take into consideration a district's ability to raise local revenue;
- Increasing flexibility for small districts to meet unanticipated expenses by allowing targeted exceptions to the 4% fund balance limit; and
- Discontinuing duplicative financial transparency reporting in light of the full implementation of the federally-required ESSA financial transparency reporting (repeal of Education Law Section 3614).

### **Timetable for Implementation**

The components to be included in the State Aid Proposal will be finalized and a formal 2021-2022 proposal will be brought to the Board of Regents for consideration and adoption at the December meeting.