



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

**TO:** State Aid Subcommittee

**FROM:** Phyllis D. Morris  
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**SUBJECT:** Conceptual 2023-24 Regents State Aid Proposal

**DATE:** November 3, 2022

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## **SUMMARY**

### **Issue for Discussion**

The purpose of this presentation is to refine the conceptual framework for the 2023-2024 Regents State Aid Proposal.

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

Review of policy.

### **Proposed Handling**

This proposal will come before the State Aid Subcommittee for discussion at its November 2022 meeting.

### **Procedural History**

Each year the Board of Regents, through its State Aid Subcommittee, develops a proposal on State Aid to support public education.

### **Background Information**

Each year, the Board of Regents, through its State Aid Subcommittee, begins the budget development cycle with discussions regarding the emerging needs of students and schools across New York. As they develop their final recommendations, Board members consider various options in light of their goal of creating an educational system that prioritizes diversity, equity, and inclusion for all children. This year, the

2023-2024 budget cycle, will mark the final year of the three-year phase in of Foundation Aid. This cycle presents a unique opportunity for the Board of Regents given that state policymakers are focused on the impact of the phase in of the full Foundation Aid formula and have expressed a need to acquire a better understanding of how to target student needs and district fiscal needs.

The conceptual framework for the 2023-2024 Regents State Aid Proposal contemplates the following broad categories for the State Aid Subcommittee's consideration.

### Foundation Aid

The 2021-2022 enacted budget implemented a three-year phase-in schedule for Foundation Aid, with 2021-2022 being the first year. The Regents had long advocated for such a phase-in. As was expected, the 2022-2023 budget incorporated the second year, and 2023-2024 will be the final year and full phase in. The "full" Foundation Aid amount is a per pupil amount based on student needs, district resources and an estimate of what a school needs to be successful. The full amount adjusts annually for inflation.

By law, estimates for the increase in state funds will not be available until November 15, 2022. The final numbers will be incorporated into the final Regents State Aid Proposal, which will be voted upon at the December Regents meeting. While many districts can expect to receive a Foundation Aid increase in this last year of the phase in, there are 289 districts which are currently on 'save harmless.' Thus, they are already deemed to be fully funded under the Foundation Aid formula and will only receive increases if the legislature guarantees a minimum increase. This generally occurs when the district's enrollment has fallen enough that the formula generates an amount that is less than the district current receives. Although the final data is not yet available, as of the most recent data available, a minimum increase would generate aid for 289 districts on save harmless. Of these, 89 are high need districts, 152 are average need, and 46 are low need. The 2022-2023 enacted budget also provided a minimum increase of at least 3 percent for all districts.

The conceptual proposal continues to support the Foundation Aid phase-in schedule, because the full phase in will provide substantial additional state funding for districts serving students who need enhanced support. The conceptual proposal also advocates for a wealth adjusted minimum increase, to ensure that districts with declining enrollment but increasing fixed costs receive some additional state support. For example, a small district's enrollment could shrink dramatically, such as a 25% decrease, from 20 to 15 students at a grade level. The district would still need a teacher at that grade level and a safe, functional, and code-compliant classroom for the students. The costs of continuing those two fixed expenditures (the teacher and the space) do not shrink proportionally with the enrollment. The minimum increase helps address this need.

When the Foundation Aid formula was implemented in the 2007-08 enacted budget, it was a major policy accomplishment for the Board of Regents and New York State. The formula replaced approximately thirty existing aid programs into a single flexible operating aid formula based on actual district expenditures and student needs. However, over time, some weaknesses and technical issues have appeared. As we look ahead to the years after full phase in, we recognize a need to update the formula to address these imperfections and technical issues. The recommendation would be to do so in the 2024-2025 school year, which would be after full phase-in and ensure that districts receive the funding which they have long anticipated. These updates will further improve the distribution of these funds.

To ensure that New York State provides state funding for education most efficiently and where it is most needed, NYSED requests support for a contract with educational researchers and organizations to review Foundation Aid and engage with stakeholders. To ensure that updates are research based and reflect present thinking about funding student needs, researchers would review big picture items such as the “successful schools study,” measures of student need and regional cost, as well as considering updated measures of poverty and other needs.

#### Additional Operating Aid for Districts with Rapid Enrollment Growth

Foundation Aid is the major form of operating support for many districts. As noted, it is a per pupil amount, with the pupil count used based on prior years. For districts with stable, or declining enrollment, this practice of using prior year pupil counts to calculate the operating aid amounts should work well when full Foundation Aid phase in is achieved. However, for districts undergoing rapid enrollment growth, aid based on prior years’ smaller enrollment is insufficient to meet the needs of the students who have arrived. Districts are expected to educate all the school age children within their boundaries without unreasonable delays, but our funding formulas do not adequately support the cost of implementing the state’s expectation. Thus, we propose an aid for schools undergoing rapid growth in enrollment. Under this proposal, districts projecting growth in enrollment above a certain threshold could apply for an acceleration of Foundation Aid for these students. At the end of the school year, this advance would be reconciled against actual enrollment counts.

#### Expense Based Aids – Improve Equity and Opportunity

Expense based aids provide state funds for critical school functions such as capital construction, transportation, and BOCES shared services. While actual data will not be available until November 15, 2022, annual increases in these programs range from \$100 million to \$400 million. The conceptual proposal would fully fund expense-based aids from previous years consistent with existing law. These expenditures were incurred by districts in the current year, with the expectation that the state would fulfill its commitment to fund them.

The conceptual proposal includes enhancements to “expense-based aids” in important ways to increase student opportunity and access to quality programs and instruction. For example, the expense based Instructional Materials Aids programs (textbook aid, computer hardware aid, computer software aid and library aid) are funded based on a fixed per pupil amount, provided that the district can demonstrate expenses that meet or exceed the formula amount. The per pupil amounts have not been adjusted for inflation in many years, despite rapid increases in the cost of instructional materials, such as textbooks. They also date from a time when computer usage patterns were different, and many students could be expected to use a single device. Now, with the changes we have seen, and the move to computer-based testing, ongoing annual support for technology should increase to reflect changed expectations. In addition, by statute, these programs require districts to share with nonpublic schools through loans, even though those students are not included in Foundation Aid calculations. Since nonpublic schools are often concentrated in high needs districts, adjusting the aid amounts upward for inflation will, in effect, increase support both public and private sector students at the same time.

### Career and Technical Education

High quality Career and Technical Education (CTE) increases students’ opportunities to prepare for their futures, at the same time it supports the needs of New York State’s employers and, through improved economic opportunity, the future families of today’s students. New York State has some very fine Career and Technical Education programs, but outdated and inequitable funding models limit many students’ ability to participate in these programs. This is true in many communities across the state, from small rural districts to large urban ones. Often, students in the neediest districts, have the *least* opportunity to acquire high quality training that will help them as the future workers in their regions. To close this economic preparedness gap, the conceptual proposal recommends a significant change to the funding model for Career and Technical Education. In particular, the Board recommends the creation of another tier of aid for CTE to accompany BOCES aid for other services, capital and lease costs, and administration. This will result in increased support for Career and Technical Education. Similarly, we note that at present, the districts which do not belong to BOCES, a group which includes the six largest cities in the state, receive support for Career and Technical Education through a program that provides aid at a far lower per pupil level than the also-insufficient BOCES aid amount received for the same types of programs. The conceptual proposal calls for more equitable support for CTE programming in non-BOCES districts by creating a new, reimbursement-based special services formula that would generate higher aid amounts.

While the fiscal impact to the state of these aid enhancements would not begin until the 2024-25 school year, the Department is requesting funding in 2023-24 to hire additional staff to manage the increased volume of work in reviewing applications for program approvals/reapprovals, reviewing Perkins grant applications, and providing technical assistance and monitoring.

## Transportation

The 2022-23 enacted state budget brought a major shift to the future of pupil transportation in New York when it provided that all new school buses purchased in the state in 2027 and thereafter must be electric. This represents a historic change in the pupil transportation field, and NYSED staff are working with multiple other state agencies to support our districts through the transition. The multi-agency group has identified several issues that may necessitate future changes to the two reimbursement-based aid programs that will support the transition costs, transportation aid and building aid. Even so, some school districts have begun their planning for the transition, which could require increased electrical capacity at district bus depots and the like. This may require bus electrification studies, which are not currently aidable under transportation aid. These studies are an essential step to ensuring a safe and effective implementation of the initiative. Some districts are considering regional transportation collaboratives which would provide centralized transportation through regional contracts or shared depots. This will reduce systemic costs by streamlining redundant services. These collaboratives could be operated by districts, BOCES, or counties. To encourage the creation of wide-ranging and diverse collaboratives, all districts utilizing these collaboratives would be eligible to receive the most favorable transportation aid ratio among participants.

## Regionalization Efforts for Educational Equity

NYSED's analysis of school district enrollment patterns have shown that in many areas of the state, school district enrollments have declined significantly over the past decade (this was true even prior to the enrollment declines that appeared subsequent to the pandemic). There are over 100 K-12 districts in the state with fewer than 500 students. For some of these districts, enrollment declines are approaching critical levels that could imperil basic educational sufficiency. In many others, the districts have already experienced a reduction in course offerings to the point that very limited options remain, as they do not have sufficient enrollment to support a rich program. In those areas, regionalization is essential to ensuring that a wide variety of educational programming is available statewide, without unnecessary expense. No single approach will fit all situations and a menu of regionalization options is most likely to be successful.

For example, regional technical high schools are proven models that have improved student engagement, performance, and graduation in other states. These schools are ideal for areas with sufficient enrollment to support existing schools but with a need for additional career and technical education. The career and technical high school would be able to offer deeper career programming, integrated across the curriculum, than what is offered in more traditional single stream career programming. Regional high schools would replace or combine with existing high schools in areas where enrollment makes it a challenge to offer a wide variety of affordable educational opportunities. These regional schools would be supported by a combination of existing aid, enhanced building aid, and new CTE aid.

Streamlining and updating the reorganization aid programs and statutory processes might encourage more mergers at the local level. The operating reorganization aid program offers a financial incentive and additional state support to districts that choose to reorganize. However, the financial incentive was fixed at a certain dollar amount at the time of the creation of Foundation Aid in 2006-07. Thus the power of the incentive has waned in the face of changing enrollment, student needs, and significant inflation since that time. Updating these figures for inflation and providing additional incentive when three or more districts reorganize would restore some of these financial incentives that can be critical for managing differences in tax levies, administrative costs of consolidating, and other key needs.

While the fiscal impact to the state of reorganization aid enhancements would not begin until the 2024-25 school year, the Department is requesting funding in 2023-24 to hire additional staff to support district reorganization processes as well as program design and approval work.

### Other Finance and Reporting Issues

School districts face many requirements or mandates. Some of those mandates are necessary for the implementation of the educational program in a safe, effective, and appropriately transparent manner. Others may be time intensive to comply with, but not add significantly to the success of schools' core mission: the provision of high-quality education that prepares students for college and career. For ready example, there may be finance or other reporting requirements that are redundant. The conceptual proposal recommends convening a multi-agency team to streamline financial reporting. This would allow districts to spend fewer resources on state reporting without compromising the state's ability to provide oversight and support district efforts to provide equitable education to all students.

The conceptual proposal recommends fully funding the prior year claims queue. The queue is a list of valid aid claims submitted too late for immediate payment. There are approximately \$300 million in claims in the queue. Prior to 2021-22, state budgets only included \$18 million annually to pay claims in the queue, and districts were waiting over 17 years to receive payment. The 2021-22 and 2022-23 enacted state budgets included no funding for these claims. In addition, the 2022-2023 enacted budget authorized forgiveness for various penalties in transportation and building aid. While penalties taken from school districts, since 2013, were added to the prior year claims queue, because the budget did appropriate any funds to pay claims in this queue, districts have not realized the fiscal benefit of penalty forgiveness. Appropriation authority must be re-established to reduce or, ideally, eliminate the queue, and to reimburse districts for forgiven penalties.

### Related Regents Items

[Development of the 2023-24 Regents State Aid proposal - presentation from the October 2022 State Aid Subcommittee meeting.](#)

(<https://www.regents.nysed.gov/common/regents/files/SA%20-%202023-2024%20Regents%20State%20Aid%20Proposal.pdf>)

**Recommendation**

Not applicable.

**Timetable for Implementation**

The Subcommittee will finalize the components to be included in the 2023-24 Regents State Aid Proposal and will bring a formal 2023-2024 proposal to the Board of Regents for its consideration and adoption at the December 2022 meeting.