

***New York State Board of Regents
Proposal on
State Aid to School Districts
For School Year 2011-12***

December 2010



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

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Executive Summary

As the Board of Regents finalizes its recommendations on State Aid to school districts for school year 2011-12 the State and nation continue to struggle with a prolonged economic recession. The Regents school aid proposal recognizes the significant fiscal stress under which the State is operating and provides advice to the State on how to minimize the impact of the State's deficit on public school districts and the reforms that are underway to improve New York's educational system. The Regents recommend an increase in general support to public schools of \$91 million over the prior year.

The Regents remain committed to the Foundation Aid approach to school funding. The formula's simplicity and transparency allow for a healthy public discourse on each of the formula's elements. The Regents support changes to the formula that preserve the essential elements of the formula to provide foundation support to school districts to educate students. The Regents recommend no increase in funding Foundation Aid, as proposed by the Governor and Legislature, but do recommend changes that recognize current data on school district fiscal capacity, regional cost, pupils and academic success. This bare-bones approach includes a restoration of the phase-in of the Foundation Aid formula as the economy improves. The Regents provide a projected target of 2016-17 for full implementation of the formula. The Regents recommend that Foundation Aid be provided to guarantee that no school district experiences a loss of more than five percent over the prior year.

The Regents recommend that State support for expense-based aids (Building Aid, BOCES Aid and Transportation Aid), which tend to increase consistently by hundreds of millions of dollars each year, also be moderated. The intent is to better balance State support for school construction, pupil transportation and shared services on the one hand with State support for school operation and maintenance on the other. The Regents recommend changes to State Building Aid that reduces State support for future school construction projects. The Regents propose a blue ribbon panel to further assess and evaluate directions for State support of school construction. The Department is engaging the field in a series of regional pupil transportation pilot projects to identify the potential for cost savings and to remove obstacles to achieving these savings. The Regents recommend eliminating the multiple aid ratio choices for Transportation and BOCES Aids and refining the computation of the State share to better reflect districts' fiscal capacity. The Regents also recommend that the State maintain BOCES Aid for cooperative services that support the Regents reform agenda.

The Regents also recommend that the Universal Prekindergarten grants be expanded, continuing to progress toward the goal of making quality early childhood education available throughout New York State. The Regents also recommend implementation of a modest High Tax Aid formula that recognizes the extraordinary burdens shouldered by taxpayers in districts with high costs.

Other recommendations include:

- Require school districts to develop a three year financial plan to identify future cost increases and support an informed financial planning process;

- Appropriate \$15 million to ensure the continuation of the Regents examinations, which are the cornerstone of the State's high school accountability program;
- Restructure State funding for the Universal Pre-kindergarten Program to provide more stability, and greater predictability and flexibility;
- Reinstating a formula to provide for High Tax Aid to eligible districts with extraordinary taxpayer burdens.
- Provide greater flexibility in State support for textbooks and software with a combined Instructional Materials Aid;
- Support the Comptroller's proposal to allow districts to establish additional reserve funds to plan for future obligations including retiree expenses;
- Provide mandate relief in requirements for special education; middle school; and planning and reporting;
- Establish a panel to review current incentives, and disincentives, for school district reorganization and support models which are consistent with needed educational reforms, cost savings and shared services;
- Increase the role of the District Superintendent and BOCES as Regional Leader and Regional Services Provider including providing certain services to charter schools, the Big 4 city school districts and State agencies that educate students;
- Eliminate the salary cap on BOCES District Superintendents;
- Promote and expand the role of the BOCES Central Business Office service, in compliance with legal limits and professional auditing standards; and
- Explore cost containment options through statewide health insurance plans for school district employees.

Exhibit A shows the aid the Regents recommend by major category of State support including net adjustments and federal apportionments. Exhibit B shows the distribution proposed by the Regents for the share of the computerized aid increase to high need school districts and all others.

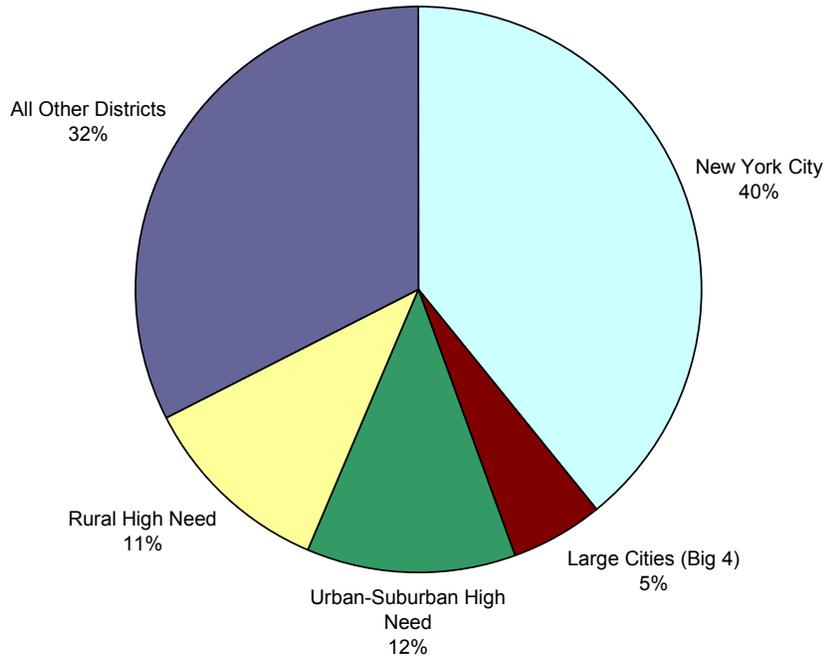
Exhibit A
2011-2012 Regents State Aid Proposal
NEW YORK STATE

(all figures in millions)

Program	2010-11 School Year	Regents 2011-12 Request	Regents - Change from Base
General Purpose Aid	<u>\$15,546</u>	<u>\$15,413</u>	<u>(\$133)</u>
Foundation Aid	\$14,894	\$14,894	\$0
Academic Enhancement Aid	\$27	\$0	(\$27)
Charter School Transition Aid	\$23	\$25	\$2
High Tax Aid	\$205	\$52	(\$153)
Reorganization Incentive Operating Aid	\$3	\$3	\$0
General Purpose Aid Subtotal	<u>\$15,152</u>	<u>\$14,974</u>	<u>(\$178)</u>
Aid for Early Childhood Education	\$394	\$439	\$45
Support for Pupils with Disabilities	<u>\$788</u>	<u>\$825</u>	<u>\$37</u>
Private Excess Cost Aid	\$330	\$343	\$13
Public Excess High Cost Aid	\$454	\$482	\$28
Supplemental Public Excess Cost Aid	\$4	\$0	(\$4)
BOCES\Career and Technical Ed.	<u>\$913</u>	<u>\$908</u>	<u>(\$5)</u>
BOCES Aid	\$702	\$694	(\$8)
Special Services - Academic Improvement	\$51	\$51	\$0
Special Services - Career Education Aid	\$124	\$126	\$2
Special Services - Computer Admin. Aid	\$36	\$37	\$1
Instructional Materials Aids	<u>\$283</u>	<u>\$287</u>	<u>\$4</u>
Computer Hardware & Technology Aid	\$38	\$38	\$0
Library Materials Aid	\$19	\$19	\$0
Software Aid	\$45	\$0	(\$45)
Textbook Aid	\$181	\$0	(\$181)
Instructional Materials Aids	\$0	\$230	\$230
Expense-Based Aids	<u>\$4,058</u>	<u>\$4,264</u>	<u>\$206</u>
Building Aids	\$2,489	\$2,659	\$170
Transportation Aids	\$1,569	\$1,605	\$36
Computerized Aids Subtotal	<u>\$21,588</u>	<u>\$21,697</u>	<u>\$109</u>
All Other Aids	<u>\$277</u>	<u>\$259</u>	<u>(\$18)</u>
Total GSPS	<u>\$21,865</u>	<u>\$21,956</u>	<u>\$91</u>

Net Adjustments	<u>(\$2,270)</u>	<u>\$0</u>	<u>\$2,270</u>
Gap Elimination Adjustment	(\$2,138)	\$0	\$2,138
FMAP Reduction	(\$132)	\$0	\$132
Federal ARRA Apportionments	<u>\$1,336</u>	<u>\$0</u>	<u>(\$1,336)</u>
Gap Elimination Adjustment Restoration	\$726	\$0	(\$726)
Education Jobs Fund	\$608	\$0	(\$608)
Other Grants	\$2	\$0	(\$2)
Grand Total	<u>\$20,931</u>	<u>\$21,956</u>	<u>\$1,025</u>

Exhibit B
2011-12 Regents State Aid Proposal
Share of Computerized Aid Increase for 2011-12 School Year



Introduction

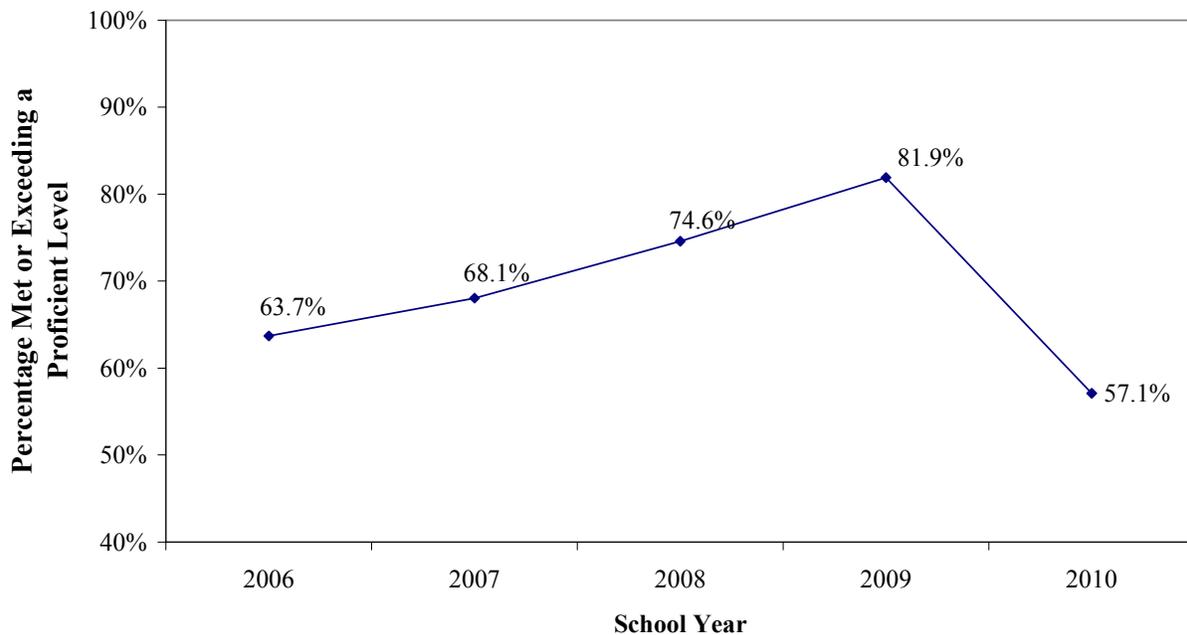
Supporting Students for College and Career Readiness

New York State students should complete their high school education with the highest preparation possible to ready them for college and careers. Are sufficient resources available, in conjunction with needed reforms, to ensure that all students are on the path to meet or exceed State learning standards? Can students plan on graduating with the knowledge and skills they need to be successful in college and work?

The Board of Regents has begun a strategic initiative to change the process of working with school districts in order to effectuate significant improvement in student achievement. This Regents reform agenda seeks to improve curriculum and assessment, establish a P-20 longitudinal data system, ensure great teachers and principals, and improve intervention in low performing schools. These reforms, funded with seed money by the federal Race to the Top grant, will need a State investment to sustain the progress that is made.

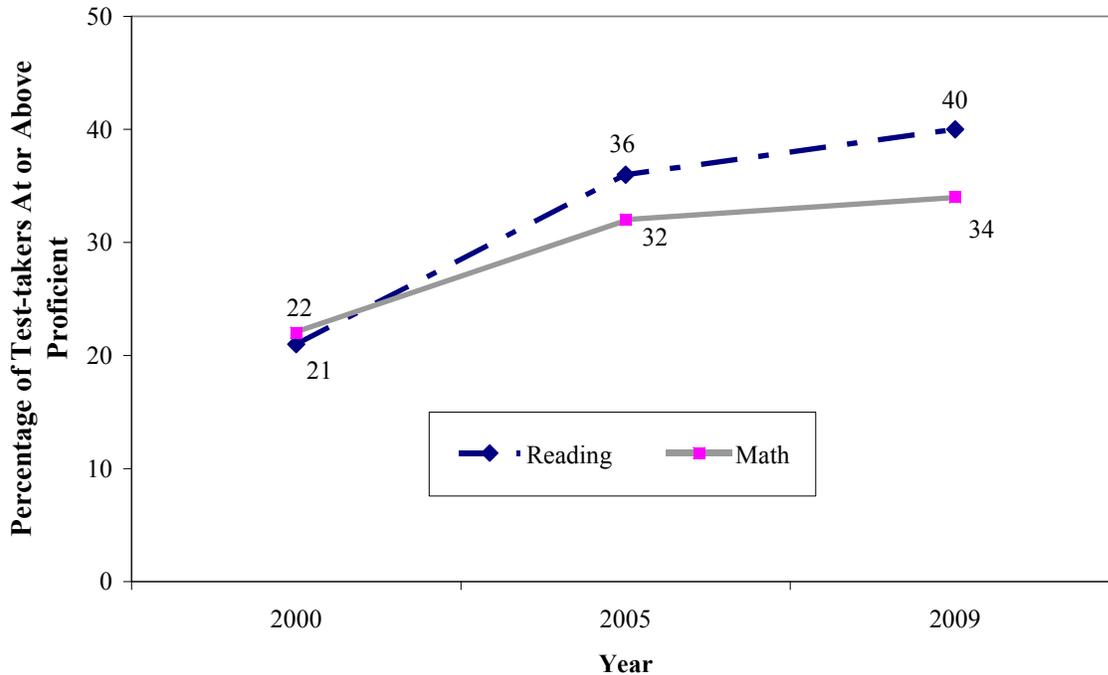
While students across the State have shown continued progress on the State’s learning standards over the past several years, as measured by assessment results for Math and English Language Arts in grades 3 through 8, there was increasing concern that achievement at the proficient level on these assessments did not adequately prepare students for college and/or career readiness. In response to this concern, the Regents revised the minimum scores required for proficiency, effective July 2010. Figure 1 provides a five-year view of the average proficiency of students in grade 3 through 8 on the State’s English Language Arts and Math assessments. The dip in 2010 reflects the Regents adoption of new higher cut scores as a measure of proficiency.

Figure 1. Average of Students in Grades 3-8 Achieving at Least at a Proficient Level on the Math and ELA Statewide Assessments, Last Five Years of Test Administration



The progress in student achievement over the past decade can also be examined using an objective measure of educational progress, such as statewide scores in math and reading on the National Assessment of Educational Progress (NAEP). NAEP scores serve as a predictor for future student outcomes. Figure 2 shows that in 2009 only about one-third of fourth grade students tested scored at proficiency levels in mathematics and less than one-half were proficient in reading. Students who are struggling in reading and math in the fourth grade will confront significant hurdles as they seek to master subject content in middle school and high school. The State’s P-12 educational system has an obligation to provide all students with the skills they need to graduate from high school and pursue college or enter the work force as a productive member of society. Successful graduates will provide needed fuel to the State’s economy and help promote its economic productivity and viability.

Figure 2: Percentages of New York Students Scoring at or Above a Proficient Level--4th Grade NAEP Reading and Math 2000, 2005 and 2009



A Poor Economy Presents Continued Problems

In an effort to improve student outcomes around the State and work toward closing the achievement gap, the Regents proposed a foundation formula which was the basis for the formula the State enacted in 2007. The foundation formula, when fully phased in, is intended to provide the funding to support a sound basic education for all students. However, despite substantial Foundation Aid increases in 2007 and 2008 the foundation formula was frozen in 2009 due to the poor economy and the phase-in was extended from four to seven years.

Each year that Foundation Aid is frozen, school districts that are highly dependent on State Aid get further behind than those that receive more of their funding from local revenues. These State-Aid-dependent districts have limited local fiscal capacity to offset the loss of State Aid which represents a greater proportion of their budget than less needy districts.

New York State anticipates a budget gap of \$9 billion in the next fiscal year and even greater projected budget deficits in subsequent years. The State's dire fiscal condition is mirrored locally and nationally. Decreased tax revenues and financial market losses have negatively affected all levels of government. Declining revenues and escalating school district costs are cause for great concern. Additionally, school aid costs are

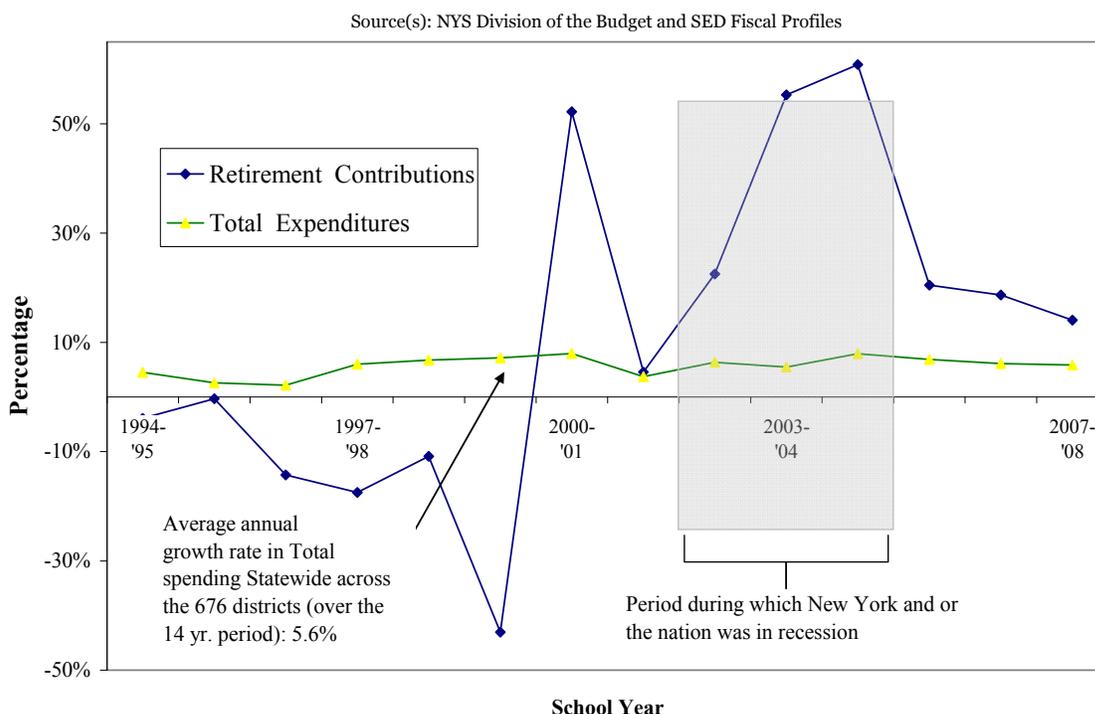
expected to increase more than previously anticipated in 2011-12 due to updated wealth and demographic information reported by school districts which reflect the challenging economic conditions faced by many families and communities.

Consistent increases in school district expenditures are exacerbated by demographic changes resulting in enrollment declines and growing numbers of retired personnel. These trends require a more in depth examination of the organizational structure and financial support of our schools. Costs are rising for several major spending categories within school district budgets. For example, instructional expenses and pupil transportation expenses have doubled since 1993-94. Expenses for teacher retirement, employee health and other instructional expenses, including charter school payments, have increased from two to more than three times over the same period.

Additionally, expense based aids, which include Building Aid, Transportation Aid, BOCES Aid, High Cost Excess Cost Aid and Private Excess Cost Aid, have grown dramatically, increasing by an average of \$340 million each year or 44 percent since 2005-06. This increase has resulted in reimbursement to districts from approximately \$4 billion in 2005-06 to approximately \$5.7 billion in 2010-11.

Figure 3 demonstrates that annual expenditures of school districts increased, on average, 5.6 percent between 1994-95 and 2007-08. It shows that retirement contributions required to be paid by districts are erratic, due in part to the increasing number of retirees in the system, as well as the performance of retirement fund investments. That is, districts pay less when the overall return on retirement investments is higher and more when market returns are diminished. The volatility of the market has resulted in districts paying more in retirement contributions in this weakened economy, compounded by a growing number of retirees for whom school districts must support health care and retirement costs.

Figure 3: Annual Percent Change in Statewide Contributions for Employee Retirement and Total Expenditures, School Years 1994-95 thru 2007-08



Note that while total expenditure data are not yet available for years subsequent to 2007-08, contribution rates continued to decline through 2009-10, but increased in 2010-11 and are expected to increase in 2011-12. Figure 4 shows the percent of payroll that the New York State Teachers' Retirement System (TRS) imposed on school districts for employee contributions from school year 2000-01 to school year 2010-11.

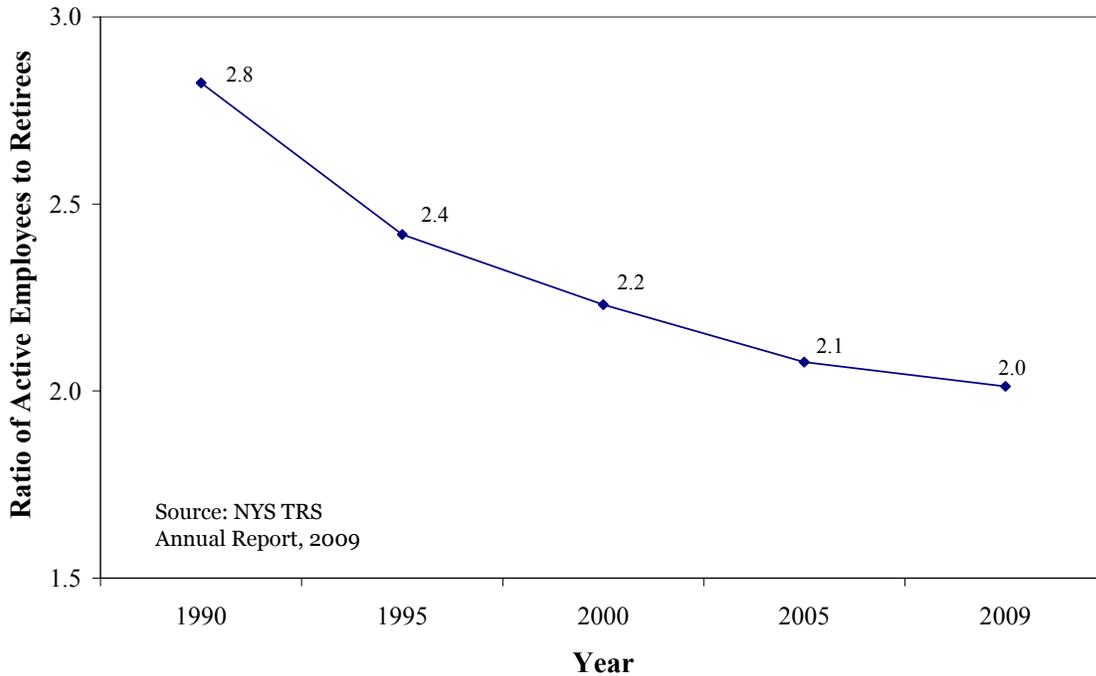
Figure 4. Percent of Payroll that the New York State Teachers' Retirement System (TRS) Imposed on School Districts by Year

Salary Year	Contribution Rate
2000-01	0.43%
2001-02	0.36%
2002-03	0.36%
2003-04	2.52%
2004-05	5.63%
2005-06	7.97%
2006-07	8.60%
2007-08	8.73%
2008-09	7.63%
2009-10	6.19%
2010-11	8.62%

SOURCE: New York State Teachers' Retirement System Administrative Bulletin, Issue No. 2010-13, November 2010.

Figure 5 shows that the number of retired employees, for whom districts continue to pay health care and retirement, has increased relative to the number of active employees over the past 20 years. In 1990 there were 2.8 active employees in the Teacher's Retirement System (TRS) for every retired employee. In 2009 there were only two active employees in TRS for every retiree.

Figure 5: Ratio of Currently Employed Employees Covered by the Teachers Retirement System (TRS) to Retirees, by Year



Federal Stimulus Funds Have Delayed the Funding Cliff

In 2009-10 and 2010-11 the federal American Recovery and Reinvestment Act (ARRA) of 2009 provided over \$3 billion in increased stabilization funding to mitigate school aid cuts and approximately \$2 billion in additional targeted funding. The Education Jobs Fund, enacted in 2010, has provided an additional \$607 million in federal stimulus funds for districts to be spent by the end of school year 2011-2012. It is anticipated that when the Federal stimulus funding is discontinued there will be a very sizable budget gap in the State's funding for education. The replacement of one-time injections of federal money and State cost savings is expected to require \$2.27 billion in increased resources in 2011-12.

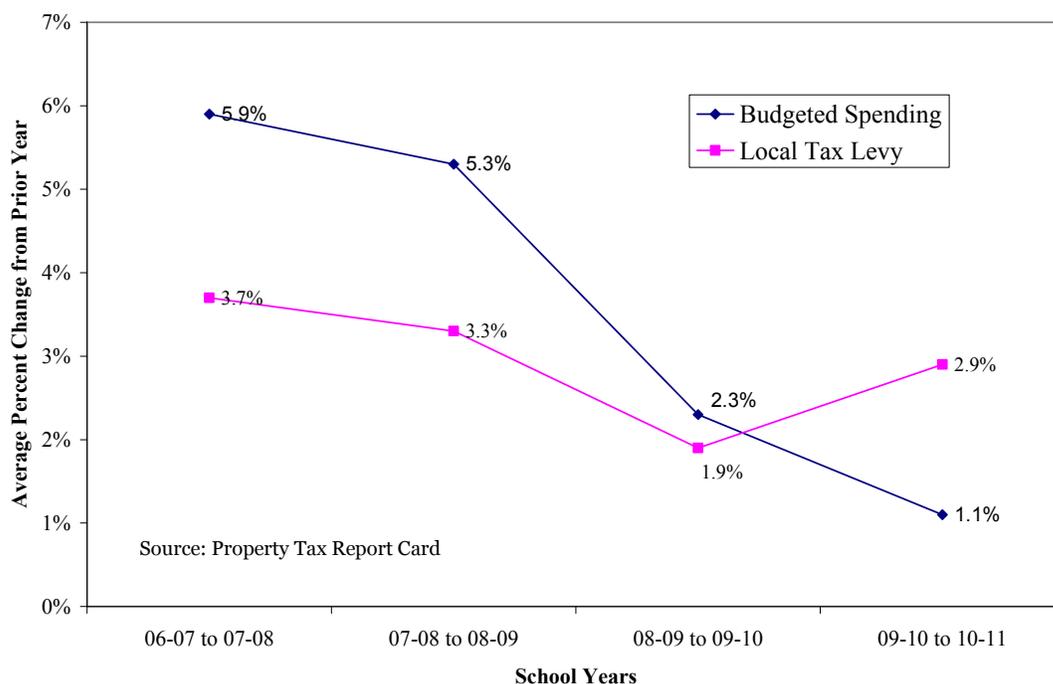
School Tax Relief (STAR)

In addition to school aid, New York State provides property tax exemptions to New York State homeowners. The School Tax Relief (STAR) Program provides Basic and Enhanced STAR Property Tax Exemptions to New York State homeowners for their primary residence. Basic STAR is available to anyone who owns and resides in their own home. Enhanced STAR is available to senior homeowners whose incomes do not exceed a statewide standard. A middle class STAR exemption enacted in 2007 was discontinued in 2009. The State makes approximately \$3 billion in payments each year to school districts to compensate them for reduced property tax receipts. Since STAR payments are linked to the value of the properties, more tax relief goes to school districts with higher property values.

Districts are Making Adjustments to Confront Economic Challenges

Districts are taking steps to address fiscal challenges. Despite federal stimulus funds providing a cushion from significant losses in State Aid in 2009-10 and 2010-11, districts are facing rapidly diminishing fiscal options. As a result they have taken measures to cut costs and limit tax rates. Figure 6 shows the decrease in budgeted General Fund spending that school districts have reported and their efforts to minimize tax levy increases. In order to achieve these results for school year 2010-11, districts used almost \$230 million in fund balance.

Figure 6: Statewide Average (outside of New York City) Percentage Change in Spending and Local Levy, SY 2006-07 to 2010-11



The Policy Dilemma—How to Raise Student Achievement in an Economic Crisis

The challenge before the Board of Regents is how can the State continue the progress in funding equity that has begun, and continue needed reforms, to help all students finish school and be college and career ready despite the economic crisis? Are there efficiencies in the educational system that will free up more funds to support student learning? Can the State improve the distribution of State Aid in a way that is fair to all school districts while better accomplishing the State's mission of providing an adequate education to all students? Are there key investments that if made will produce greater results for students and reduce costs in the future?

State Aid Recommendations

Identify the Fiscal Challenges that Lie Ahead

In order to help school districts face multiple challenges in the coming years, it is critical that school board members and school administrators have a means to examine the financial impact of various alternatives. The Board of Regents recommends that all school districts develop a three-year financial plan in a format designated by the Commissioner. Like the State's financial plan, these plans will serve as analytical tools to assist school administrators in their strategic decision making. The plans are not intended to predict the future but to identify future cost increases and savings that may affect the financial well being of the district.

Maintain the Commitment to Adequate Funding with the Foundation Formula

In order to provide all students with the opportunity to meet State learning standards, the Regents must ensure that all districts have the financial resources needed to provide a sound basic education. The funding structure must be fair to both students and taxpayers. It must allow for the provision of inputs, e.g., highly qualified teachers, appropriate facilities and other educational resources, which are required to adequately¹ educate students regardless of where they attend school. The formula should also continue to be linked to student success and provide the resources to support a certain level of outputs, namely the Regents learning standards.

State resources should be allocated on the basis of the cost of success and a district's fiscal capacity, compensating for regional costs and student needs. This is what the Foundation Aid formula was designed to accomplish and what was initiated with the statutory funding phase-in begun in 2007. However, as a result of the poor economy, funding was frozen in 2009-10 and in 2010-11 and the phase-in was extended from four to seven years. While very serious fiscal challenges exist, the State must maintain its responsibility and commitment to seek adequate funding for all school districts by resuming a portion of the Foundation Aid phase-in in 2011-12 to a modest degree, specifically targeting those districts which are still furthest from providing educational adequacy.

Experience has shown that when State Aid is frozen, there are inequitable consequences that have a disproportionate negative effect on high need school districts. These districts' resources are farthest from adequate and have a larger portion of their budget dependent on State Aid. The freeze affects a greater share of their budgets than districts that are less dependent on State Aid and which may be providing more than an adequate education at a reasonable tax rate.

¹ *Educational adequacy* is defined in the school finance literature as the resources needed to provide all students with the opportunity to meet a given level of achievement which, in New York State, is the Regents learning standards for elementary and secondary education.

Restoring the phase-in over an extended annual schedule will demonstrate the State's good faith effort toward the structural realignment of resources as intended when the foundation formula was adopted in 2007. Adjustments to the formula that recognize changes in student enrollment and district wealth will help to better target funds to the neediest students and to the districts that have the farthest to go to provide an adequate education. The current economic crisis has both reduced district revenues and increased the number of students in poverty, thereby increasing associated educational needs as well. We must continue to make progress toward educational adequacy even while coping with the budget crisis.

Sustaining Accountability through Student Achievement Results

In recent months, concerns have arisen regarding the fiscal sustainability of the Regents Examination Program. The Regents Exams provide the basis for New York State's educational accountability system by measuring student knowledge of required subject content and providing needed benchmarks for the State's accountability program. Recent reductions in State revenue, and a reliance on federal funds which are no longer available, have created a structural imbalance between the resources available to the State Education Department and the costs of administering the Regents Examinations Program.

Additionally, while costs have risen over time as a result of inflation, the addition of exams, increased costs of vendor contracts, and the need for more security, measures have already been undertaken to reduce costs. It should be noted, however, that as we move towards using State assessments as part of the evaluation process for teachers and students, it is imperative that adequate resources for test monitoring and security are included to improve oversight and security of State test administrations.

Chart A provides a recent history of the costs of Regents examinations. It should be noted that the cost for 2010-11 was a figure budgeted prior to the cost reduction strategies approved by the Regents in June 2010. The 2011-12 amount represents the current cost estimate after reductions, but also includes the estimated costs of additional exams in English Language Arts for grades 9 and 10.

Chart A
Costs -- New York State Regents Examinations

<u>School Year</u>	<u>Cost</u>
2007-08	\$12.8 million
2008-09	\$16.0 million
2009-10	\$17.6 million
2010-11	\$18.1 million
2011-12	\$15 million

Recommendation—Three Options

The Board of Regents has reviewed a range of options for addressing revenue shortages to fund the Regents Examinations. These include:

- 1) The Regents preferred option and recommendation is for the State to provide an allocation of \$15 million, including supplemental funds to ensure improved test monitoring and security in light of the role assessments will play in the teacher and principal evaluation process. This sum is needed to ensure the continuation of the current Regents exams and the restoration of State assessments for the Grades 5 and 8 Social Studies exams (which are to be eliminated as an emergency cost cutting measure); the continued translations of exams into Chinese, Haitian-Creole, Korean and Russian; and the continuation of the January administration of Regents exams. Because State assessments and accountability are a State responsibility this is the Regents preferred approach.
- 2) A second strategy is to charge the cost of the Regents exams to the schools, districts and nonpublic schools that use them. This would be achieved through an adjustment in school districts' State Aid payments. Education Law §209 provides general authority for the Regents to set a fee for Regents exams and there does not appear to be any statutory or regulatory prohibition on the State's ability to charge school districts, charter schools, and nonpublic schools for such examinations. The Regents recommend that authority be sought to allow the Department to recover these costs through an adjustment in the State Aid paid to school districts.
- 3) In the event that the 2011-12 enacted State Budget does not include the additional State funding requested, a third option is to eliminate all remaining Regents examinations, as shown in Chart B, that are not required for Federal accountability. This option will occur if funds are not identified but it is not recommended by the Regents because eliminating the exams will erode educational accountability. The list below includes all Regents exams not already eliminated in the 2010-11 school year. In addition, the Department would not proceed further with the planned future administration of Regents exams in English Language Arts for grades 9 and 10.

Depending on the scenario adopted, the Department may have to secure legislative and appropriation authority under the State Finance Law.

Chart B

Examination	Number of Students Tested in 2008-09
Regents Italian	8,244
Regents French	17,188
Regents Spanish	87,437
Regents US History & Government	225,410
Regents Global History and Geography	271,041
Regents Physical Setting/Physics	48,057
Regents Physical Setting/Chemistry	111,218
Regents Physical Setting/Earth Science	174,614
Regents Geometry	113,405

Restructure State Funding for Universal Pre-kindergarten

Quality early childhood education makes good education and economic sense.² It is more cost effective to prevent the development of an achievement gap than it is to try to remediate the gap afterward. If the achievement gap is lessened from the start, the inevitable consequences of the gap are also impacted, such as a decline in the need for special education and academic intervention services.

State funding for Universal Pre-kindergarten (UPK), together with well planned and adequately funded early grade programs, gives all students a solid learning foundation. Research has documented the lasting impact of quality early childhood programs as an effective approach to supporting a more level playing field as children begin formal schooling. It has been consistently shown that participation in high quality early childhood programs lead to both short-term and long-term positive outcomes for

² Belfield, Clive R. (2004) Early Education: How Important Are the Cost Savings to the School System?" Research Briefing. New York, NY: Teachers College, Columbia University.

children, including increasing the rate of high school graduation and college readiness, higher work force earnings and a reduction in crime.

Universal Pre-kindergarten was launched in New York State in 1998 with a statutory funding phase-in designed to reach statewide implementation within four years. Implementation efforts have stretched to a decade but only 67 percent of school districts, or 450 out of 676, currently offer the program and only 45 percent of the State's four year olds participate. A primary goal for the program is to give all districts the option to participate and to improve access to UPK for all of the State's four year olds, including children with disabilities. Restricted access to UPK limits the positive gains that a universal P-12 system would ensure.

The UPK funding formula is complex and funding has been unpredictable in the past. Consistent with other State initiatives, funding for UPK was frozen in 2009-10 and 2010-11 at 2008-09 levels. In light of the research and tangible evidence regarding the many advantages of quality early childhood education for all students, the State should honor its commitment to a full phase-in of UPK. Better alignment of the UPK formula phase in with K-12 funding to provide more predictability to school districts is necessary to achieve statewide implementation. Additional flexibility in the use of funds would enable some districts to expand the provision of services from half-day to full-day. This flexibility would require legislative and regulatory changes and would need to be implemented in a manner that did not reduce the overall number of students participating.

Recommendation

It is recommended that the Regents support a restructuring of the UPK funding formula to provide more stability, greater predictability and greater flexibility and that the State commit to a phase-in of UPK to be aligned with the phase-in schedule for the Foundation Aid formula.

Provide Flexibility in Funding 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.

Recommendation

The Regents recommend that the Governor and Legislature consider options for providing school districts with greater flexibility in using state support for instructional materials such as by consolidating 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.

Suggestions for More Efficient Use of State and Local Resources

The State Aid Subcommittee will discuss State Aid implications of several proposals for the efficient use of resources and recommend consideration to the full Board for adoption at the December meeting.

Establish Reserves to Help School Districts Plan for Retiree and Other Expenses

In order to support district efforts to plan for and manage their spending, the Regents recommend support for the New York State Comptroller's recommendation that the State modify current statutes to allow districts to establish various reserve funds to adequately plan for expenses such as the costs of future retirees' health insurance and other post-employment benefits (OPEB), tax stabilization concerns, teachers' retirement system obligations, and bonded indebtedness.

Mandate Relief

The Regents will develop a legislative mandate relief package that helps school districts cope with the economic crisis. This will advance a comprehensive list of mandates that exceed federal requirements and that are not supported by research to yield essential education benefits. This package will include a variety of areas which could address, but not be limited to:

- Special education requirements;
- Middle school requirements; and
- Planning and reporting requirements.

Reorganize School Districts to Improve Student Performance and Close the Achievement Gap

Currently school district reorganization is a process involving two contiguous school districts that study and, if interest and educational benefits are shown, the citizens of each district vote on reorganizing as a single school district. The State has provided incentives for this process through additional Operating and Building Aid for reorganized districts. Although many school district reorganizations have occurred over the years, only four reorganizations have occurred in the past decade despite there being over 200 districts with enrollments of fewer than 1,000 pupils. The Regents educational reform agenda calls for all students to be college and career ready by the time they graduate. This demand for education reform, coupled with enrollment declines occurring across the State, and challenges to revenue generation at the State and local levels, provides an opportunity to re-examine school district reorganization. The Regents recommend changes to the school district reorganization process to better support the New York State education reform agenda. The goals of the Regents reform agenda are to:

- a) Adopt internationally-benchmarked standards and assessments that prepare students for success in college and the workplace;
- b) Build instructional data systems that measure student success and inform teachers and principals how they can improve their practice;
- c) Recruit, develop, retain, and reward effective teachers and principals; and
- d) Turn around the lowest-achieving schools.

In order to better focus school district reorganization on student achievement, the Regents recommend a multi-tiered approach:

- Consolidate school districts on a broader level, including consideration of county- or BOCES-wide districts, through use of a Commission charged with creating a new structure of school district reorganization that supports greater educational opportunities, improved efficiency and reduced costs;
- Consider various options including regional high schools, which address district and community goals for increasing access to enriched coursework and maximizing efficiencies of scale; and
- Provide adjustments to aids to support the school district reorganization process.

Commission on School District Reorganization to Improve Student Achievement

The proposed Commission will examine New York State's 1958 Master Plan for School District Reorganization and make recommendations for the reorganization of school districts consistent with today's need for education reform and cost reduction and the capacity of technology to support shared operations. The result of this work will be a legislative proposal that recommends a new Master Plan for School District Reorganization to Improve Student Achievement. The Commission will review existing

incentives and disincentives that affect school district reorganization to improve student achievement and make recommendations as needed.

Provide Adjustments to State Aids to Support the Reorganization Process

The State should enact adjustments to aid formulas to better support school district reorganization that encourages education reform. These adjustments might include:

- a. Link to Foundation Aid (rather than 2006-07 Operating Aid);
- b. Restructure Reorganization Incentive Operating Aid to support reorganization approved by SED toward the goal of improving student achievement and reducing costs over the long term.
- c. Provide an efficiency penalty deduction for aid to school districts which are recommended for reorganization on the State's Master Plan but elect not to reorganize; and
- d. Eliminate aid provisions that discourage reorganization by small districts (e.g., Sparsity, 98 percent Building Aid, etc.) with viable partners.

BOCES as Regional Leader

Boards of Cooperative Educational Services (BOCES) help increase the effective and efficient delivery of educational services in New York State through shared services with school districts. The District Superintendent is both chief executive of the BOCES and the Commissioner's representative in the field to promote education reforms and solve local problems. District Superintendents are increasingly being asked to serve as Regional Leader as well as Regional Service Provider. Recommendations include increasing the role of the District Superintendent and BOCES as Regional Leader and Regional Service Provider. These include:

- Encourage BOCES participation in regional transportation pilots required by the laws of 2010 to identify legislative and other obstacles in implementing regional pupil transportation.
- Extend the existing BOCES capacity to provide all BOCES services available to school districts to charter schools as well.
- Maintain BOCES Aid where Cooperative Service Agreements support the Regents reform agenda.
- Provide authority for State agencies to contract with BOCES to provide education services that they are otherwise required by law to provide, including but not limited to, the operation of Committees on Special Education and the provision of special education and related services. Such agencies may include the Office of Children and Family Services, Office of Mental Health, Office for People With Developmental Disabilities, and the Division of Corrections.

- Advocate for the enactment of the legislative proposal to allow BOCES to do claims auditing for component school districts as part of the Central Business Office shared service.

Eliminate the Salary Cap on District Superintendents

The Regents recommend enhancing the ability of BOCES and the State to attract and retain qualified individuals to serve as District Superintendents of schools by eliminating the current cap on salaries and certain benefits while maintaining limitations on payments for accrued leave at the time of retirement or other separation from service.

Promote Shared Business Offices Run by BOCES

The Boards of Cooperative Educational Services (BOCES) Central Business Office shared service can have a direct financial impact on participating districts by decreasing school district costs for financial management. Central Business Office shared services may also create greater efficiencies in other district costs, such as the impact of long range budget planning on district commitments for employee salaries and benefits over time. Other benefits associated with participation in a BOCES Central Business Office include a greater focus by administrators on educational issues; greater expertise at the Central Business Office in areas such as budgeting and multi-year forecasting; and improved efficiencies and internal controls in the management of the district's finances. The Department should encourage boards of education to participate in the Central Business Office service where appropriate, within limits established by law, regulation and professional auditing standards.

Achieve More Economies with Pupil Transportation

Transportation Aid is an expense-based aid which has been increasing rapidly. School districts currently spend approximately \$2.8 billion for pupil transportation, for which they receive \$1.5 billion in State Aid or approximately 54 percent of the expense. This represents an average annual increase of approximately six percent.

Chapter 378 of the Laws of 2010 authorized the Commissioner of Education to conduct one or more pilot programs to assist school districts in the formation of regional transportation systems. The Department has invited school districts, BOCES and other entities to participate in local regional pilot programs which will estimate and analyze the extent to which savings can be achieved through the formation of regional pupil transportation systems. Services may include such areas as home to school transportation, transportation to and from special education programs, shared transportation programs with another school district, shared transportation to charter schools and non-public schools, transportation for field trips and extracurricular activities, and cooperative bus maintenance and management. Staff should work with pilot participants to identify obstacles to cost effective sharing and recommend solutions.

In addition the State should reconsider the structure of the Transportation Aid formula to provide incentives for cost effective service delivery. All districts should explore cost efficiencies in pupil transportation.

Promote High Performance School Buildings

There is ample support in the building industry for high performance “green” school facilities which can be developed at comparable, or minimally higher costs, than traditional building expenditures but which more than pay for themselves with building longevity and reduced annual energy costs. While school districts may need to secure more funding initially, the significant financial and operating benefits over the lifetime of high performance buildings merit State-level consideration. It is anticipated that green design buildings will reduce energy consumption by about 25 percent. Buildings using green design and long lasting materials also offer an environment that is more conducive to learning. Studies on air quality, temperature control and natural lighting have substantiated the benefits of green buildings in the educational arena. Use of green building design should be considered in any evaluation of State support for school construction.

Restructure Building Aid

The persistent growth for Building Aid in a time of steadily decreasing enrollments in most of New York State suggests a fundamental re-examination of the purpose of Building Aid is in order. Basic questions, such as “Have we met the existing need for school construction in New York State?” or “What are New York’s long-range plans for school facilities?” need to be asked. Building Aid is approximately \$2.4 billion in 2010-11 and has increased an average of 10 percent each year since 2005-06.

The current cost allowance formula determines the maximum cost to be aided when a district undertakes a building project. The formula is considered complex and has multiple moving parts making it difficult to determine the appropriate maximum cost allowance for an adequate facility. It can impede long range planning and force districts to design spaces at odds with their educational program goals in order to secure the greatest amount of State funding. In addition, modifying some existing facilities’ funding provisions would facilitate more targeted disbursement of State funding for capital construction.

Recommendations

Simplify the maximum cost allowance calculation, by providing a cost allowance based on a certain allotment of space and cost per enrolled pupil, to facilitate better long-range planning and ensure a more efficient use of State funds.

Establishing a blue ribbon panel to restructure Building Aid from the ground up could help to address a wide range of issues. The panel should be charged with addressing the following issues:

- How can the State best protect the \$50 billion investment in school facilities the State and local districts have made since the Building Aid incentives went into effect in 1998?
- How can the State promote quality standards and use of technology including green design schools to improve building quality and reduce costs over the long run?
- What is the proper balance between support for building maintenance and capital construction?

The panel should also consider recommendations to improve the effective support of school construction for projects approved in the future including but not limited to:

- Eliminate the 10 percent Building Aid incentive or limiting the incentive to critical projects;
- Eliminate the Selected Aid Ratio which gives school districts the choice of the most favorable Building Aid Ratio (State share) going back to 1981-82;
- Tie the incidental cost allowance to the actual cost of construction instead of an arbitrary 20 percent (elementary) or 25 percent (secondary) of the construction maximum cost allowance.
- Limit Building Aid to no more than one project on the same building in a five-year period;
- Eliminate Building Aid for projects with a useful life of less than 15 years;
- Eliminate Building Aid for Energy Performance Contracts which by law are required to pay for themselves out of savings obtained through the installation of energy savings measures;
- Eliminate Building Aid for school districts with viable reorganization partners who do not reorganize; and
- Limit Building Aid for new projects for one year while the blue ribbon panel studies restructuring Building Aid.

Explore Statewide Health Insurance Plan Options for School District Employees

Health insurance for active and retired school employees is a cost area that has tripled over the past 15 years. The State should explore the potential of a statewide health insurance plan to save costs while maintaining services. Cost savings should be explored as possible measures to contain school district employee health care costs, including:

- 1) Examining options for expanding the coverage pool; and
- 2) Exploring the potential of other options for cost containment.

Staff will explore evidence from other states and examine the cost-effectiveness of various approaches.

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Definitions of Need/Resource-Capacity Categories of New York State School Districts—January 2011

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 for 2010-11 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

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 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 WYANDANCH580232 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 COMMON
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

2011-12 Regents Proposal

Formula Components

General Purpose Aid

Foundation: The 2011-12 Foundation Aid is the sum of the 2010-11 Foundation Aid plus a Phase-in Foundation Increase (if the Phase-in Foundation Increase is zero, districts use the Selected Foundation Aid). Districts are guaranteed no less than 95 percent of the 2010-11 Foundation Aid and aid cannot exceed a 15 percent increase over the 2010-11 Foundation Aid. The Phase-in Foundation Increase is 2.24 percent of the positive result of the product of: Selected Total Aidable Foundation Pupil Units (TAFPU) multiplied by Selected Foundation Aid, minus the 2010-11 Foundation Aid. Selected Foundation Aid is the greater of \$500 or Formula Foundation Aid. Formula Foundation Aid is the positive result of (a) a district-adjusted foundation amount which is the basic foundation amount for 2010-11 (\$5,685) multiplied by the consumer price index (1.017) multiplied by a phase-in foundation percent (1.1314) multiplied by a Regional Cost Index (RCI) multiplied by a Pupil Need Index (PNI) less (b) an expected minimum local contribution. The Selected TAFPU is based on Average Daily Membership (ADM) including dual enrollment plus additional weightings for: students with disabilities (including dual enrolled SWD) at 1.41, summer school at 0.12 and declassification pupils at 0.50. The PNI is 1 plus the Extraordinary Needs percent (based on economic disadvantage (weighted at .65), Limited English Proficiency (weighted at .50) and sparsity) and ranges between 1 and 2. The expected minimum local contribution is the product of Selected Actual Value per 2009-10 Total Wealth Foundation Pupil Units (TWFPU) and 0.0131 multiplied by an Income Wealth Index (which is based on 2008 Income and ranges from .65 to 2.0). TWFPU is based on ADM and eliminates additional weightings. For Foundation Aid, Selected Actual Value (AV) is the lesser of 2008 AV or the average of 2008 AV and 2007 AV.

Academic Enhancement: This aid is not continued for 2011-12.

Charter School Transitional: Transitional aid is provided for districts whose charter school enrollment exceeds 2 percent of resident public school enrollment or whose charter school payments exceed 2 percent of total general fund expense.

High Tax: If 2009-10 Approved Operating Expense per TAPU for Expense is greater than the State Average (\$12,250) and the Income Wealth Ratio is less than 2.5 and the Tax Effort Ratio (i.e., 2008 residential levy as a percent of 2008 Income) is greater than 3.2 percent (i.e., 1.14 times the State average), then aid is the greater of \$50,000 or the product of \$250 multiplied by the State Sharing Ratio multiplied by 2010-11 public enrollment.

Operating Reorganization Incentive: For districts that reorganize after July 1, 2007 but before July 1, 2011, Operating Reorganization Incentive Aid is up to 40 percent of 2006-07 Formula Operating Aid, provided that the sum of 2006-07 Formula Operating Aid and Operating Reorganization Incentive Aid is limited to 95 percent of 2009-10 Approved Operating Expense. For districts that reorganize on or after July 1, 2011, Operating Reorganization Incentive Aid is up to 40 percent of the current year's Foundation Aid, provided that the sum of the current year's Foundation Aid and Operating Reorganization Incentive Aid is limited to 95 percent of 2009-10 Approved Operating Expense.

Early Childhood Education

Full Day Kindergarten Conversion: For eligible districts, aid is based on Selected Foundation Aid per pupil multiplied by the increase in full day kindergarten enrollment from the base year to the current year.

Universal Pre-Kindergarten: The 2011-12 maximum grant is the sum of the 2010-11 Universal Pre-K grant payable (which can't exceed the 2010-11 maximum allocation) plus an increase calculated as the grant per pupil multiplied by the 2011-12 additional aidable pre-K pupils. The grant per pupil for the increase is 0.50 multiplied by the Selected Foundation Aid per pupil. The 2011-12 additional aidable pre-K pupils equal the phase-in factor multiplied by the result of the 2011-12 unserved count minus the 2010-11 base aidable pre-K pupils (BAPP). The 2010-11 BAPP is the lesser of the number of pupils the district applied to serve in 2010-11 or the 2010-11 maximum aidable pre-K pupils. The 2011-12 unserved count is the product of 0.85 multiplied by the remainder of the 2009-10 total public and non-public kindergarten count minus the 2010-11 resident four-year old pupils served in section 4410 programs for more than four hours per day. The phase-in factor for 2011-12 is 0.25. The 2011-12 maximum pupils are the sum of the 2010-11 BAPP and the 2011-12 additional aidable pre-k pupils.

Support for Pupils with Disabilities

Excess Cost - Private: Aid is for public school students attending private schools for students with disabilities. Net tuition expense is multiplied by the 2008 AV/2009-10 TWPU Aid Ratio ($1 - (0.15 * \text{Combined Wealth Ratio})$), minimum 0.50, maximum 1.0).

Excess Cost – Public High Cost: Aidable high cost expense per pupil must exceed 3.0 times the district's 2009-10 Approved Operating Expense/TAPU for Expense. The net aidable expense is then multiplied by the 2008 AV/2009-10 TWPU Aid Ratio ($1 - (0.51 * \text{Combined Wealth Ratio})$), minimum 0.25, maximum 1.0).

BOCES/Career and Technical Education

BOCES: BOCES Aid is included for administrative, shared services, rental and capital expenses. Save-harmless is not continued. Approved expense for BOCES Administrative and Shared Services Aids is based on a salary limit of \$30,000. Aid is based on approved 2010-11 administrative and service expenses multiplied by the greater of: (a) the State Sharing Ratio (i.e., the SSR is the greater of: $1.37 - (1.23 * \text{Combined Wealth Ratio})$ or $1.0 - (0.64 * \text{Combined Wealth Ratio})$ or $0.80 - (0.39 * \text{Combined Wealth Ratio})$ or $0.51 - (0.22 * \text{Combined Wealth Ratio})$) but with a minimum of .10 and a maximum of .90 or (b) the permanent law aid ratio choice minus .050. The permanent law choice is the greater of the 2008 AV/2009-10 RWADA Aid Ratio: $(1 - (.51 * \text{RWADA Wealth Ratio}))$ or the millage ratio: $1 - (.008 / \text{the BOCES tax rate})$, with a .36 minimum and .90 maximum. Rent and Capital Aids are based on 2011-12 expenses multiplied by the greater of: (a) the State Sharing Ratio but with a minimum of .00 and a maximum of .90 or (b) the result of: (the 2008 AV/2009-10 RWADA Aid Ratio with a .00 minimum and a .90 maximum), minus .050. Payable aid is the sum of these aids.

Special Services Academic Improvement: Academic Improvement Aid equals the 2008 AV/2009-10 TWPU Aid Ratio $(1 - (.59 * \text{Combined Wealth Ratio}))$ with a .36 minimum multiplied by an amount, multiplied by the 2010-11 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16. The amount is \$100 plus the result of \$1,000 divided by the Combined Wealth Ratio (with a maximum of 1.0).

Special Services Career Education: Career Education Aid equals the 2008 AV/2009-10 TWPU Aid Ratio $(1 - (.59 * \text{Combined Wealth Ratio}))$ with a .36 minimum multiplied by \$3,900, multiplied by the 2010-11 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16.

Special Services Computer Administration: Computer Administration Aid equals the 2008 AV/2009-10 TWPU Aid Ratio $(1 - (.51 * \text{Combined Wealth Ratio}))$ with a .30 minimum multiplied by approved expenses not to exceed the maximum of \$62.30 multiplied by the Fall 2010 public school enrollment with half-day kindergarten weighted at 1.0.

Instructional Materials Aids

Hardware and Technology: Aid is based on 2010-11 approved instructional computer hardware expenses (acquisition and limited repair and staff development expenses) up to the product of \$24.20 multiplied by the 2010-11 public and nonpublic enrollment multiplied by the 2008 AV/2009-10 RWADA Aid Ratio $(1 - (.51 * \text{RWADA Wealth Ratio}))$.

Library Materials: Aid is based on 2010-11 approved library materials expenses up to the product of \$6.25 multiplied by the 2010-11 public and nonpublic enrollment.

Instructional Materials: Aid is based on 2010-11 approved textbook and computer software expenses up to the product of \$73.23 multiplied by the 2010-11 resident public and nonpublic enrollment.

Expense-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 2010-11 AV/RWADA Aid Ratios or the Current 2008 AV/2009-10 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 2008 AV/2009-10 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 high need supplemental building aid ratio option is continued but the low income aid ratio option and the Tuckahoe provision are discontinued. Aid is not estimated for those prospective and deferred projects that had not fully met all eligibility requirements as of the November 2010 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 Pre-K - 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 Pre-K – 6 = 135 square feet per pupil
 - Grades 7 - 9 = 165 square feet per pupil
 - Grades 7 - 12 = 185 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 Pre-K – 6 = \$174 per square foot
 - Grades 7 - 9 = \$183 per square foot
 - Grades 7 - 12 = \$183 per square foot

The allowed cost per square foot would be adjusted monthly by the change in the construction cost index.

4. The current regional cost factor methodology would remain unchanged.

Building Reorganization Incentive: Building Reorganization Incentive Aid on capital outlay, lease and debt service is subject to the same requirements as regular Building Aid. Aid is provided for reorganization projects that have been approved by voters within ten years of district consolidation.

Transportation: Non-capital aid is based upon estimated approved transportation operating expense plus capital expenses multiplied by the greater of: (a) a new Transportation Aid Ratio with a .9 maximum and a .05 minimum or (b) the result of the permanent law selected aid ratio minus .020. 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 permanent law selected aid ratio is the highest of 1.263 multiplied by the State Sharing Ratio or $1.01 - (.46 * RWADA \text{ Wealth Ratio})$ or $1.01 - (.46 * Enrollment \text{ Wealth Ratio})$, plus a sparsity adjustment. The sparsity adjustment is the positive result of 21 minus the district’s 2008-09 enrollment per square mile, divided by 317.88. The State Sharing Ratio is the greater of: $1.37 - (1.23 * Combined \text{ Wealth Ratio})$ or $1.0 - (0.64 * Combined \text{ Wealth Ratio})$ or $0.80 - (0.39 * Combined \text{ Wealth Ratio})$ or $0.51 - (0.22 * Combined \text{ Wealth Ratio})$, with a maximum of .90. The new Transportation Aid Ratio is the sum of the State Sharing Ratio plus 10 percent of the foundation aid sparsity factor plus 10 percent of the non-public index. The non-public index is: (the district ratio of 2009-10 resident non-public enrollment to 2009-10 resident public enrollment, minus the average of 0.149) / (2.036), with a minimum of 0.

Summer School Transportation: Transportation Aid for summer school programs is based on estimated approved transportation operating expense multiplied by the Transportation Aid Ratio described above. Aid is 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 education⁵. 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.

Three Critical Methodological Questions

⁵ 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

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
- 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 six tests. The tests were:

- Mathematics A;
- Global History;
- U.S. History;
- English;
- Living Environment 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 2005-06, 2006-07 and 2007-08 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 six 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 eight examinations (Fourth Grade English Language Arts, Fourth Grade Mathematics, high school Mathematics A, Global History, U.S. History, English, Living Environment and Earth Science) in 2005-06, 2006-07 and 2007-08. 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.

518 school districts met this standard, including: 6 High Need Urban/Suburban districts, 90 High Need Rural districts, 290 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. 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 2005-06, 2006-07 and 2007-08 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.

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) calculated for the 2010-11 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: Cost Indices for Labor Force Regions in New York State:

North Country	1.000
Mohawk Valley	1.036
Southern Tier	1.061
Western NY	1.103
Central NY	1.130
Finger Lakes	1.133
Capital District	1.149
Hudson Valley	1.392
Long Island/New York City	1.544

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 expenditures⁶ (including an estimated amount for fringe benefits) as adjusted by the Regents Regional Cost Index calculated in 2009. 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 eight previously identified examinations had a score that was at Level 3 or above. Districts in which on average less than 80 percent of the students tested 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 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

⁶ Instructional expenditures include teacher salaries, other instructional salaries, BOCES, tuition, equipment and other expenditures.

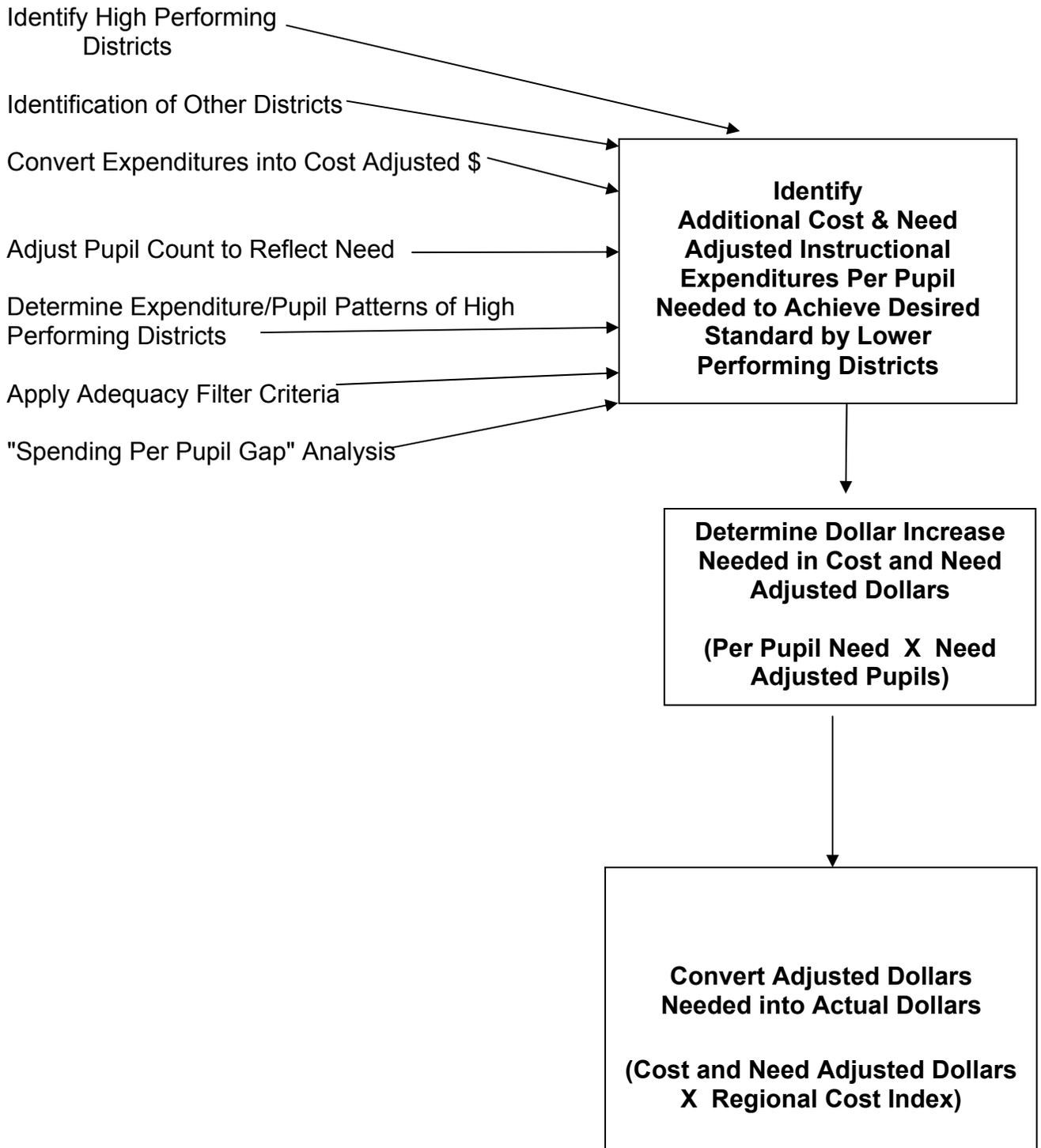
³ Average daily membership plus resident students attending other districts plus resident students attending charter schools plus incarcerated youth, as applicable.

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



Update to 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 56 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 (2009)		
Labor Force Region	Index Value	Purchasing Power of \$1,000 by Region
Capital Distict	1.149	\$870
Southern Tier	1.061	\$943
Western New York	1.103	\$907
Hudson Valley	1.392	\$718
Long Island/NYC	1.544	\$648
Finger Lakes	1.133	\$883
Central New York	1.130	\$885
Mohawk Valley	1.036	\$965
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

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

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 59 of the 94 occupational titles used in the Oregon study.⁸ However, due to gaps in employment data within many of New York State's ten Labor Force Regions, 56 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 (roughly 75% in New York State), 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, 38 titles had both employment and wage data, 14 were plugged with wage data, and an additional four employment titles were plugged where data was available statewide and for nine of the ten labor force regions. In all, 56 occupational titles were used for this analysis.

Statewide Median Wage

The first step in generating a regional cost adjustment from the list of 56 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 56 titles for the state as a whole (for example, the total number of people

⁸ See <http://www.oms.nysed.gov/faru> for a discussion of alternate methods.

working in the title “pharmacist” across the state), and multiplying that amount by the median annual wage for that title (14,200 pharmacists * \$97,054). This result was then summed for all titles, and then divided by the total number of employees in all 56 occupational titles (1,015,670). This produced a weighted annual median wage of \$77,489 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 56 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 56 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 56 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 56 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 56 titles of the index. For example, the number of pharmacists statewide was 14,200, which was then divided by 1,015,670 (the total number of workers in the state in these 56 titles.) This yielded a title weight of 0.014. (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 56 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 = 38). 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.

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 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 2007 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 724 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 New York State OES survey samples approximately 9,500 establishments on a semiannual basis. Sampling occurs during the second and fourth quarters of the year, yielding a combined sample of approximately 57,000 establishments over six semiannual panels. Each semiannual panel represents a one-sixth sample of the full 3-year sample plan. The full 3-year sample allows the production of estimates at fine levels of geography, industry, and occupational detail. Each year the oldest two panels of data are dropped and replaced by two new panels of sampled data before the estimates are recalculated. Employment numbers are from New York State’s Long-Term Occupational Projections base employment numbers and are updated every two years.

⁹ See U.S. Department of Labor, “Inter-area 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)

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. General and Operations Managers
2. Advertising and Promotions Managers
3. Marketing Managers
4. Sales Managers
5. Public Relations Managers
6. Administrative Services Managers
7. Computer and Information Systems Managers
8. Financial Managers
9. Compensation and Benefits Managers
10. Industrial Production Managers
11. Purchasing Managers
12. Transportation, Storage, and Distribution Managers
13. Construction Managers
14. Engineering Managers
15. Medical and Health Services Managers
16. Property, Real Estate, and Community Association Managers
17. Social and Community Service Managers
18. Purchasing Agents, Except Wholesale, Retail, and Farm Products
19. Cost Estimators
20. Employment, Recruitment, and Placement Specialists
21. Training and Development Specialists
22. Management Analysts
23. Accountants and Auditors
24. Budget Analysts
25. Financial Analysts
26. Loan Officers
27. Computer Programmers
28. Computer Software Engineers
29. Computer Systems Analysts
30. Network and Computer Systems Administrators
31. Civil Engineers
32. Electrical Engineers
33. Industrial Engineers
34. Mechanical Engineers

35. Industrial Engineering Technicians
36. Electrical and Electronic Engineering Technicians
37. Clinical, Counseling, and School Psychologists
38. Substance Abuse and Behavioral Disorder Counselors
39. Child, Family, and School Social Workers
40. Medical and Public Health Social Workers
41. Mental Health and Substance Abuse Social Workers
42. Librarians
43. Graphic Designers
44. Public Relations Specialists
45. Writers and Authors
46. Dietitians and Nutritionists
47. Pharmacists
48. Physician Assistants
49. Physical Therapists
50. Recreational Therapists
51. Speech-Language Pathologists
52. Medical and Clinical Laboratory Technologists
53. Medical and Clinical Laboratory Technicians
54. Recreation Workers
55. Residential Advisors
56. Interviewers, Except Eligibility and Loan

2009 Regional Cost Index
Revised Department of Labor Regions

Capital District

Albany
Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

Central New York

Cayuga
Cortland
Madison
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
Montgomery
Oneida
Otsego
Schoharie

North Country

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

Southern Tier

Broome
Chemung
Chenango
Delaware
Schuyler
Steuben
Tioga
Tompkins

Western New York

Allegany
Cattaraugus
Chautauqua
Erie
Niagara

Appendix A

SUMMARY OF AIDS AND GRANTS AS REQUESTED IN THE 2011-12 REGENTS PROPOSAL ON SCHOOL AID

Aid Category	2010-11	2011-12	Change	
	School Year	School Year	Amount	Percent
	(-----Amounts in Millions-----)			
I. General Purpose Aid				
Formula Foundation Aid	\$14,893.62	\$13,922.08	-\$971.54	-6.52
Plus: Cap on Losses/Minimum Increase	0.00	971.63	971.63	NA
Less: Cap on Increases	0.00	0.00	0.00	NA
Foundation Grant Subtotal	14,893.62	14,893.71	0.09	0.00
Academic Enhancement Aid	27.02	0.00	-27.02	-100.00
Charter School Transition Aid	23.22	25.11	1.89	8.15
High Tax Aid	204.77	52.03	-152.74	-74.59
Operating Reorganization Incentive Aid	2.86	2.86	0.00	0.00
General Purpose Aid Subtotal	15,151.49	14,973.71	-177.78	-1.17
Full Day Kindergarten Conversion Aid	1.36	1.64	0.28	20.74
Universal Prekindergarten Aid	393.01	437.73	44.72	11.38
Sum of General Purpose Aids	\$15,545.86	\$15,413.08	-\$132.78	-0.85
II. Support for Pupils with Disabilities				
Private Excess Cost Aid	330.45	342.73	12.29	3.72
Public Excess Cost Aid	454.14	482.62	28.48	6.27
Supplemental Public Excess Cost Aid	4.31	0.00	-4.31	-100.00
Sum	\$788.90	\$825.35	\$36.45	4.62
III. BOCES/Career and Technical Education Aid				
BOCES Aid	701.69	694.03	-7.66	-1.09
Special Services Academic Improvement Aid	51.45	50.68	-0.77	-1.50
Special Services Career Education Aid	123.89	126.34	2.45	1.98
Special Services Computer Administration Aid	35.76	36.88	1.12	3.14
Sum	\$912.78	\$907.93	-\$4.85	-0.53
IV. Instructional Materials Aids				
Computer Hardware Aid	37.88	37.93	0.04	0.11
Library Materials Aid	19.17	19.40	0.23	1.20
Software Aid	45.20	0.00	-45.20	-100.00
Textbook Aid	181.03	0.00	-181.03	-100.00
Textbook Aid	0.00	229.37	229.37	NA
Sum	\$283.28	\$286.70	\$3.41	1.20
V. Expense-Based Aids				
Building Aid	2,467.08	2,633.49	166.41	6.75
Building Reorganization Incentive Aid	21.50	25.89	4.39	20.41
Transportation Aid	1,563.94	1,599.74	35.80	2.29
Summer Transportation Aid	4.99	5.00	0.01	0.22
Sum	\$4,057.51	\$4,264.12	\$206.61	5.09
Computerized Aids Subtotal	\$21,588.33	\$21,697.17	\$108.84	0.50

VI. All Other Aids

Bilingual Education	12.50	12.50	0.00	0.00
BOCES Spec Act, <8, contract	0.68	0.70	0.02	3.70
Bus Driver Safety Training Grants	0.40	0.40	0.00	0.00
Education of OMH/OPWDD	69.00	76.00	7.00	10.14
Education of Homeless Pupils	15.23	17.23	2.00	13.14
Employment Preparation Edn. (EPE)	96.00	96.00	0.00	0.00
Incarcerated Youth	18.00	19.50	1.50	8.33
Learning Technology Grants	3.29	3.29	0.00	0.00
Less: Local Contribution due for certain students	-49.52	-54.50	-4.98	10.06
Native American Building Aid	22.36	5.00	-17.36	-77.64
Native American Education Aid	35.00	32.00	-3.00	-8.57
Roosevelt	6.00	6.00	0.00	0.00
School Health Services	13.84	13.84	0.00	0.00
Special Act School Districts	2.70	2.70	0.00	0.00
Supplemental Valuation Impact Grants	3.80	0.00	-3.80	-100.00
Teacher Centers	0.00	0.00	0.00	NA
Teacher - Mentor Intern	0.00	0.00	0.00	NA
Teachers of Tomorrow	25.00	25.00	0.00	0.00
Urban-Suburban Transfer Aid	2.73	2.73	0.00	0.00
Sum	\$276.99	\$258.38	-\$18.61	-6.72
Total General Support for Public Schools	\$21,865.32	\$21,955.55	\$90.23	0.41

VII. Aid Adjustments

Gap Elimination Assessment	-2,138.07	0.00	2,138.07	-100.00
FMAP Reduction	-131.51	0.00	131.51	-100.00
Sum	-\$2,269.58	\$0.00	\$2,269.58	-100.00

VIII. Federal ARRA Apportionments

Gap Elimination Adjustment Restoration	725.92	0.00	-725.92	-100.00
Education Jobs Fund	607.59	0.00	-607.59	-100.00
Teacher - Mentor Intern	2.00	0.00	-2.00	-100.00
Sum	\$1,335.51	\$0.00	-\$1,335.51	-100.00

Grand Total	\$20,931.25	\$21,955.55	\$1,024.30	4.89
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Appendix B

ANALYSIS OF AID CHANGES UNDER THE 2011-12 REGENTS PROPOSAL

TOTAL COMPUTERIZED AID WITH AID ADJUSTMENTS

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2010-11	2011-12	2010-11	Change	Percent Change	% of Total Change	Change per pupil		
	Decile Range		Enrollment	AID	BASE						
1	0.001	0.077	177,579	448,042,340	438,473,727	9,568,613	2.18	0.92	54		
2	0.081	0.201	227,446	929,952,740	927,772,341	2,180,399	0.24	0.21	10		
3	0.202	0.401	246,331	1,276,121,870	1,240,755,687	35,366,183	2.85	3.38	144		
4	0.410	0.730	225,768	1,444,990,142	1,369,052,256	75,937,886	5.55	7.27	336		
5	0.733	1.070	168,653	1,322,555,848	1,233,492,517	89,063,331	7.22	8.52	528		
6	1.076	1.472	130,824	1,213,887,631	1,130,144,516	83,743,115	7.41	8.01	640		
7	1.473	2.041	119,174	1,243,336,360	1,163,826,731	79,509,629	6.83	7.61	667		
8	2.061	2.601	100,108	1,204,984,836	1,148,324,626	56,660,210	4.93	5.42	566		
9	2.616	3.438	95,432	1,235,491,283	1,161,159,197	74,332,086	6.40	7.11	779		
10	3.444	10.139	92,014	1,237,037,108	1,162,329,235	74,707,873	6.43	7.15	812		
STATE (Excl. BIG 5)			1,583,329	11,556,400,158	10,975,330,833	581,069,325	5.29	55.61	367		
New York City			1,448	1,031,958	8,537,269,532	8,127,245,949	410,023,583	5.05	39.24	397	
Big 4 Cities			1.247	5,895	118,509	1,603,498,959	1,549,682,338	53,816,621	3.47	5.15	454
STATE			2,733,796	21,697,168,649	20,652,259,120	1,044,909,529	5.06	100.00	382		

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2010-11	2011-12	2010-11	Change	Percent Change	% of Total Change	Change per pupil		
	Enrollment	AID	BASE						
NYC	1,031,958	8,537,269,532	8,127,245,949	410,023,583	5.05	39.24	397		
Big 4	118,509	1,603,498,959	1,549,682,338	53,816,621	3.47	5.15	454		
Urban/Suburban High Need	221,243	2,374,552,972	2,250,078,989	124,473,983	5.53	11.91	563		
Rural High Need	159,099	2,078,895,919	1,961,437,489	117,458,430	5.99	11.24	738		
Average Need	807,341	5,828,582,231	5,504,695,066	323,887,165	5.88	31.00	401		
Low Need	395,646	1,274,369,036	1,259,119,289	15,249,747	1.21	1.46	39		
STATE			2,733,796	21,697,168,649	20,652,259,120	1,044,909,529	5.06	100.00	382

ANALYSIS OF AID CHANGES UNDER THE 2011-12 REGENTS PROPOSAL

TOTAL COMPUTERIZED AID WITHOUT TRANSPORTATION, BUILDING AND BUILDING INCENTIVE

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2010-11	2011-12	2010-11	Change	Percent Change	% of Total Change	Change per pupil		
	Decile Range		Enrollment	AID	BASE						
1	0.001	0.077	177,579	336,354,867	335,749,816	605,051	0.18	0.07	3		
2	0.081	0.201	227,446	680,434,239	680,384,500	49,739	0.01	0.01	0		
3	0.202	0.401	246,331	966,721,662	938,303,918	28,417,744	3.03	3.39	115		
4	0.410	0.730	225,768	1,122,452,053	1,059,451,757	63,000,296	5.95	7.52	279		
5	0.733	1.070	168,653	1,018,280,697	948,714,545	69,566,152	7.33	8.30	412		
6	1.076	1.472	130,824	942,099,837	879,599,244	62,500,593	7.11	7.46	478		
7	1.473	2.041	119,174	986,697,085	931,649,103	55,047,982	5.91	6.57	462		
8	2.061	2.601	100,108	950,271,081	898,782,959	51,488,122	5.73	6.14	514		
9	2.616	3.438	95,432	985,652,533	936,020,504	49,632,029	5.30	5.92	520		
10	3.444	10.139	92,014	991,135,354	932,719,899	58,415,455	6.26	6.97	635		
STATE (Excl. BIG 5)			1,583,329	8,980,099,408	8,541,376,245	438,723,163	5.14	52.33	277		
New York City			1,448	1,031,958	7,108,815,751	6,741,548,888	367,266,863	5.45	43.81	356	
Big 4 Cities			1.247	5,895	118,509	1,344,138,459	1,311,826,692	32,311,767	2.46	3.85	273
STATE			2,733,796	17,433,053,618	16,594,751,825	838,301,793	5.05	100.00	307		

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2010-11	2011-12	2010-11	Change	Percent Change	% of Total Change	Change per pupil		
	Enrollment	AID	BASE						
NYC	1,031,958	7,108,815,751	6,741,548,888	367,266,863	5.45	43.81	356		
Big 4	118,509	1,344,138,459	1,311,826,692	32,311,767	2.46	3.85	273		
Urban/Suburban High Need	221,243	1,986,434,383	1,896,092,355	90,342,028	4.76	10.78	408		
Rural High Need	159,099	1,600,678,588	1,516,501,942	84,176,646	5.55	10.04	529		
Average Need	807,341	4,439,611,720	4,180,774,734	258,836,986	6.19	30.88	321		
Low Need	395,646	953,374,717	948,007,214	5,367,503	0.57	0.64	14		
STATE			2,733,796	17,433,053,618	16,594,751,825	838,301,793	5.05	100.00	307