



School Finance for High Achievement:

Improving Student Performance in Tough Times

This report describes a symposium conducted by New York State Education Department on September 13, 2011 in the Huxley Museum Theater at the Cultural Education Center in Albany. It includes a paper prepared by the State Education Department on fiscal challenges facing school districts, presentations by education researchers Marguerite Roza and Stephen Frank about rethinking education resource use for greater student achievement and a summary of the session.

New York State Education Department
Albany, NY 12234

www.p12.nysed.gov/mgtserv/

School Finance for High Performance: Improving Student Performance in Tough Times

The New York State Education Department, on behalf of the Board of Regents, invites you to a lively and provocative discussion on how school resources can most effectively support high student performance despite constrained State and local support. The symposium will offer an opportunity to consider the latest information and approaches for using school resources as levers for change and encouraging best practices. All attendees should read the required reading prior to attending the symposium.

Agenda

1. Welcome and Opening Comments – Regent James Tallon and Commissioner John B. King
2. Fiscal Challenges Facing Districts –New York State Education Department
3. Where Does the Money Go? How can school administrators think differently about how they spend school funds? – Marguerite Roza, Gates Foundation
4. Restructuring Resources for High-Performing Schools. What districts can do differently? – Stephen Frank, Educational Resource Strategies
5. Wrap Up – New York State Education Department

Required Reading List

- *Where do School Funds Go?*, Marguerite Roza
- *Restructuring Resources for High-Performing Schools: A Primer for State Policymakers*, Karen Hawley Miles & Karen Baroody and Elliot Regenstein, Educational Resource Strategies, June 2, 2011. Available at: <http://erstrategies.org/documents/pdf/ERS-Restructuring-Resources.pdf>
- Regents 2011-12 State Aid Proposal. Available at: <http://www.p12.nysed.gov/stateaidworkgroup/2011-12RSAP/RSAP1112final.pdf>
- *NYSED paper on fiscal challenges facing school districts – available September 2011*

Recommended Reading List

- *CFE v. State: Past, Present and Future*, Michael Rebell. NYSBA Government, Law and Policy Journal, Vol. 13, No. 1, Summer 2011.
- *Stretching the School Dollar*, Edited by Frederick M. Hess and Eric Osberg <http://nyslocalgov.org/>
- Report of the New York State Commission on Local Government Efficiency and Competitiveness: <http://nyslocalgov.org/>
- Report of the New York State Commission on Property Tax Relief: <http://www.cptr.state.ny.us/>

- *Why do some schools get more and others less? An examination of school-level funding in New York City.* Amy Ellen Schwartz, Ross Rubenstein and Leanna Stiefel. http://steinhardt.nyu.edu/research_alliance/publications

POLICY BRIEF

Fiscal Challenges Facing New York State School Districts

PREPARED FOR THE
REGENTS SCHOOL FINANCE SYMPOSIUM
BY
STAFF OF THE NEW YORK STATE
EDUCATION DEPARTMENT

SEPTEMBER 2011

ACKNOWLEDGEMENTS

The Department gratefully acknowledges the editorial, research, technical and policy analysis assistance provided by the New York State Education Department's State Aid Work Group and other colleagues of the New York State Education Department in preparing this paper. Contributors include:

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Fiscal Challenges Facing New York State School Districts

A prolonged economic recession coupled with increased pressure on school districts to raise student performance has resulted in states both embracing education reforms and limiting the growth of education funding. In New York State, the State and its school districts are looking to solve this problem. How can we contain costs while increasing learning opportunities and results? This paper presented to a School Finance Symposium of educators, policy makers and researchers on September 13, 2011 in Albany, New York, describes some of the fiscal challenges facing New York State school districts in order to better understand the context and as a result, the solution of getting greater efficiency and effectiveness from the education system.

The paper reviews legislative changes aimed at promoting reforms and cutting costs, the impact of the withdrawal of federal stimulus funds, major expenditure trends in schools, and demographic changes that affect school districts' financial stability.

This paper will provide the context for the Symposium topic of how school resources can most effectively support high student performance despite constrained State and local support. Panel presentations will address where the money goes and how schools can spend resources differently to support high student performance and an informed audience will discuss possible policy directions.

Each year the Board of Regents develops a proposal on State Aid to school districts and advocates for its enactment to educators and policy makers. This *School Finance Symposium* acknowledges the dramatic shift in the economic, political and education landscape over the past five years. In 2006, the State enacted a bold reform of State Aid funding for school districts, featuring a new Foundation Funding formula that was to be phased in, promising large increases in aid over the ensuing four years. In sharp contrast, as of 2011, school districts have experienced three years of frozen funding for Foundation Aid and two years of cuts in General Support for Public Schools and are facing the elimination in federal stimulus funding that mitigated State Aid reductions since 2008-09 by more than \$5 billion.

This Symposium seeks to engage New York's educational, research and policy making community in a conversation about aligning resources to support improved student achievement despite these economic constraints. While the current environment provides substantial challenges to overcome, it may also produce opportunities for change that might be overlooked in better times. This *School Finance Symposium* provides a favorable set of circumstances to identify potential changes to enhance teaching and learning in New York State. The Regents will consider the results of this Symposium as they develop their proposal on State Aid for the coming year.

This paper on *Fiscal Challenges Facing New York State School Districts* lays out the economic picture affecting school district budgets over the near future, including legislative changes impacting district revenues, cost and demographic trends and district responses to these changes, in order to establish the context for subsequent discussions of proposals and changes that have the potential to provide relief.

Revenue-Raising Options Have Been Constrained

The laws of 2011 enacted changes that both place a cap on local revenues for education and limit future general State support to public schools. In contrast to past trends, school districts will be forced to operate within revenue constraints.

A Tax Levy Cap Limits Local Revenue for Education. Beginning in 2012-13, districts' ability to increase property tax levies will be constrained. Specifically, districts may not increase their tax levy by more than the rate of inflation, as measured by the consumer price index (CPI), or 2 percent, whichever is less. For the 2012-13 school year, the State Financial Plan, supporting the enacted budget, estimates that annual change in the CPI will be 1.8 percent. With a total property tax levy of \$19.26 billion (not including the Big Five city districts) for 2011-12, that would mean a maximum annual increase of roughly \$400 million per year, excluding any overrides and exclusions.

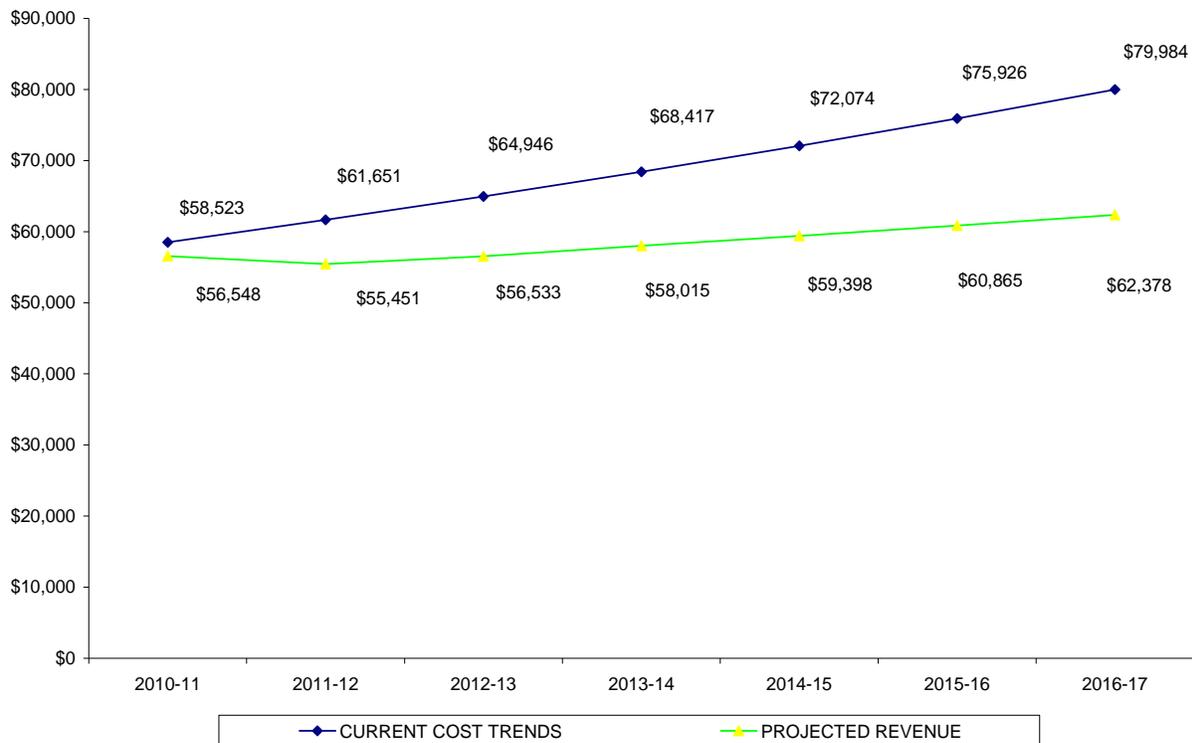
Cap on Future General Support for Public Schools. The tax levy cap is accompanied by a roughly parallel year-to-year growth in General Support to Public Schools (GSPS) determined by the rate of growth in personal income in New York State. For the 2012-13 school year, growth in GSPS will be limited to a 4.1 percent increase, or approximately \$805 million. Based on recent estimates of personal income growth for

New York State, State Aid increases are expected to be limited to about \$940 million in 2013-14 and \$835 million in 2014-15.

Expenditures Continue to Increase

Although school districts have made some progress in modifying overall expenditures, if historical patterns are continued, the rate of growth in school expenditures is estimated at 5.3 percent. Figure 1 shows that for school districts to stay within legislated caps, they will need to change their spending patterns. The chart presents the projected impact of the levy and state aid caps on school districts compared with current cost trends. If total expenditures continue to grow at the rate of 5.3 percent annually, 2016-17 school year expenditures would reach almost \$80 billion. Projected revenues, which assume the 2 percent cap on local revenue growth and no growth in federal aid or STAR, will reach only \$62.3 billion in 2016-17. Therefore, additional reductions in spending are likely to be necessary if the State is to stay within projected available revenues.

Figure 1: Impact of Caps on Local and State revenues for School Districts (in millions)



Slowing the Rate of Revenue Growth

Property Tax Levy Cap

Until a recent law change, if school district budgets were defeated, districts had the option to adopt a contingency budget or present the budget to voters a second time. Districts' whose budgets had been defeated twice were required to adopt a contingency budget in which they were held to a *spending* cap of 120 percent of the CPI or 4 percent whichever was less.

Chapter 97 of the Laws of 2011 created a new property tax cap which restricts tax levy increases for local governments, most school districts (except the Big Five fiscally dependent city school districts) and other smaller independent entities -- such as library, fire or water districts -- to no more than 2 percent, or the rate of inflation, whichever is lower. Localities can override the cap with a 60 percent vote either by their local governing body or, in the case of a school district, by the voting public.

Exemptions from the cap include some pension cost increases, certain large legal expenses (tort actions), and the local share of capital expenditures. If the budget is defeated the district can go to a contingency budget or present a second budget for a vote. If the second budget is defeated, the district must go on a contingency budget which includes only ordinary contingent expenses with the district held at a levy amount equal to the previous year's levy.

This policy change not only limits districts' ability to raise revenue, but it also heightens the need for the equitable distribution of funding. A percentage cap is affected by the size of the levy, which varies dramatically among New York State school districts.

Figure 2: Per Pupil Tax Levy by Property Wealth, Under the Tax Cap

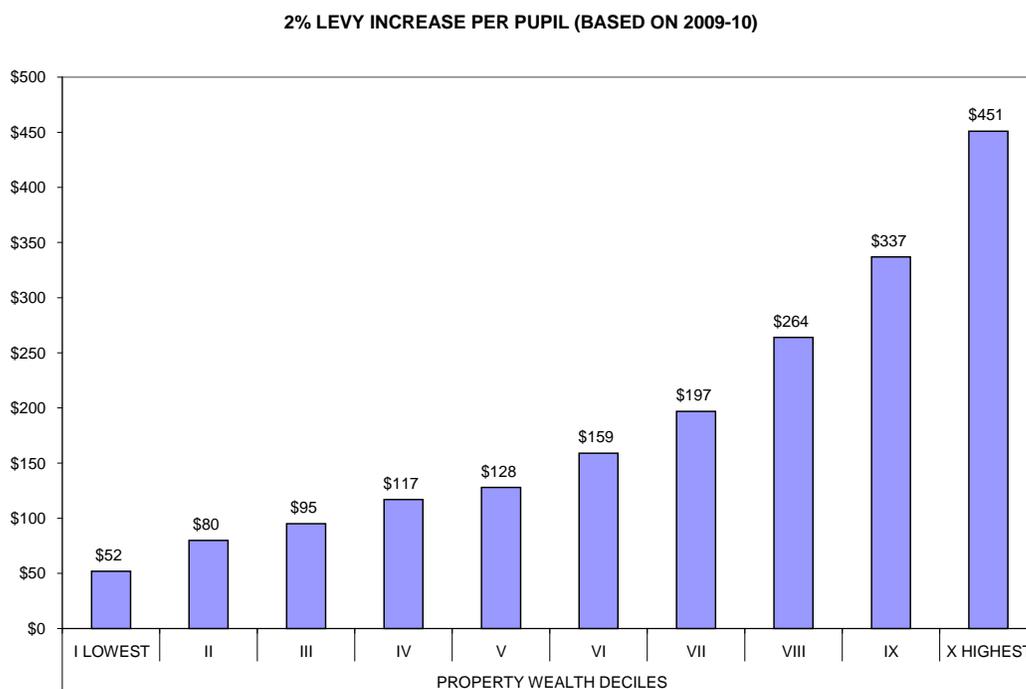


Figure 2 shows the levy increase per pupil that would be allowed under the cap for school districts ranked by property wealth. The wealthiest districts would be allowed a levy increase that is approximately nine times greater than the poorest districts.

Cap on Future General Support for Public Schools.

For the 2012-13 school year and thereafter, year-to-year growth in General Support to Public Schools will be limited by the rate of growth in personal income in New York State. Growth will be limited to \$805 million for the 2012-13 school year.

Formula-driven aids for school construction, transportation and shared services continue to grow, and the consequent increases are funded within the overall cap. Based on current trends, those increases are expected to be on the order of \$385 million in 2012-13, \$415 million in 2013-14, and \$445 million in 2014-15. In addition, a portion of the increase is set aside for two new competitive grant programs. Funding for the two new programs totals \$500 million over several years.

In 2011-12, a Gap Elimination Adjustment was also made a permanent part of the State Aid allocations. If growth in formula-driven aids and the grant set aside exceed the allowable increase, the new law provides that the Gap Elimination Adjustment will be increased to contain overall growth within legislated limits.

If programmed increases are less than the allowable increase, the Legislature may enact provisions to allocate the remaining amount, with specific priorities given to continuation of the extended phase in of Foundation Aid and reduction or elimination of the Gap Elimination Adjustment. Unless the Legislature and Executive enact a provision, Foundation Aid and the Gap Elimination Adjustment are continued at the previous year's levels.

New competitive award programs

This year, two new grant programs were established. A \$250 million School District Management Efficiency Award Program will reward districts for efficiencies in the administrative component of the budget, in pupil transportation capital and operating expenses and in non-personal service costs in the instructional component of the budget. A \$250 million School District Performance Improvement Awards Program will reward school districts for improvement in student achievement especially for historically underserved student populations.

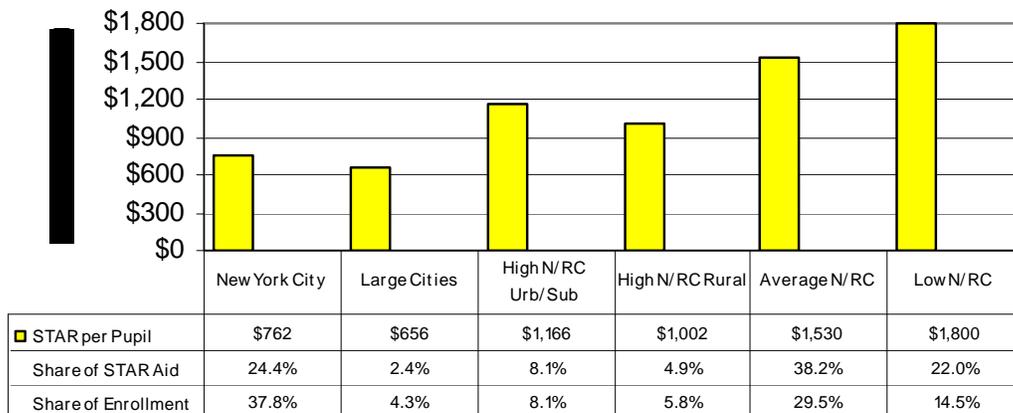
These programs are both competitive grant programs that are intended as incentives for districts that improve the efficiency of their operations and simultaneously improve student academic performance. Both are conceptually similar to the Federal Race to the Top program in that they use competitive grants to reward district performance and stimulate change. The grant programs are a new approach to providing State resources to school districts.

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. 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 the program heightens the need for the equitable distribution of funding.

Figure 3 provides details.

Figure 3: School Tax Relief (2010-11) by School District Need Categories



The Federal “Funding Cliff”

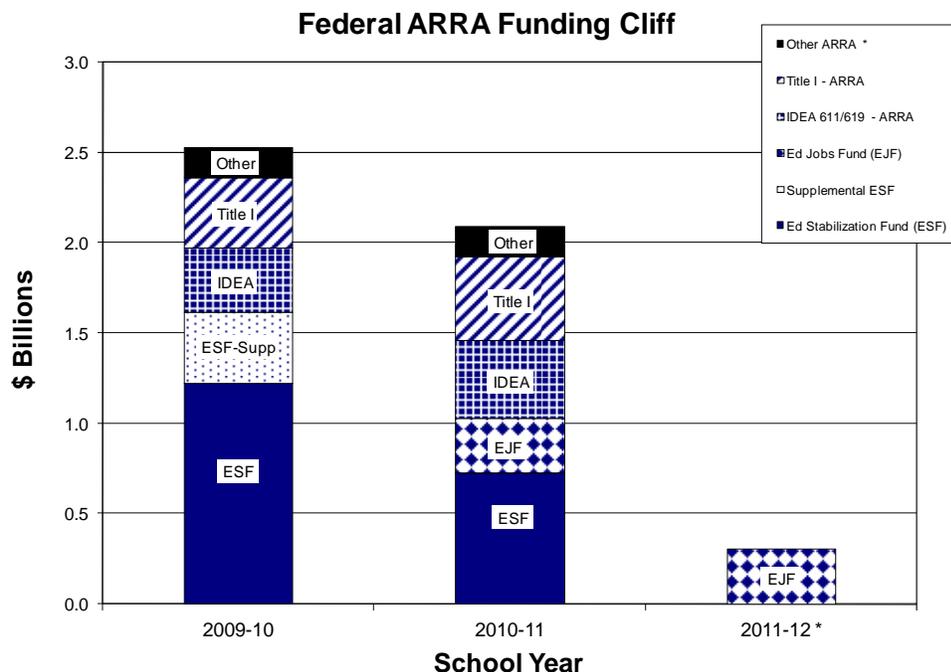
Over the past two years, State Aid has been supplemented with more than \$5 billion in one-time infusions of federal American Recovery and Reinvestment Act (ARRA) funding. These included:

- Education Stabilization Funds
- Education Jobs Fund
- Additional Title I funds
- Additional IDEA funds

These funds have helped to stabilize school district budgets. The inability of the economy to restore state revenues has created problems for school districts as they

attempt to continue current educational programs. Figure 4 shows the stimulus funds provided in 2009-10 and 2010-11 and the drop in these funds beginning in 2011-12. These funds will further decline in 2012-13 when Education Jobs Funds will expire.

Figure 4



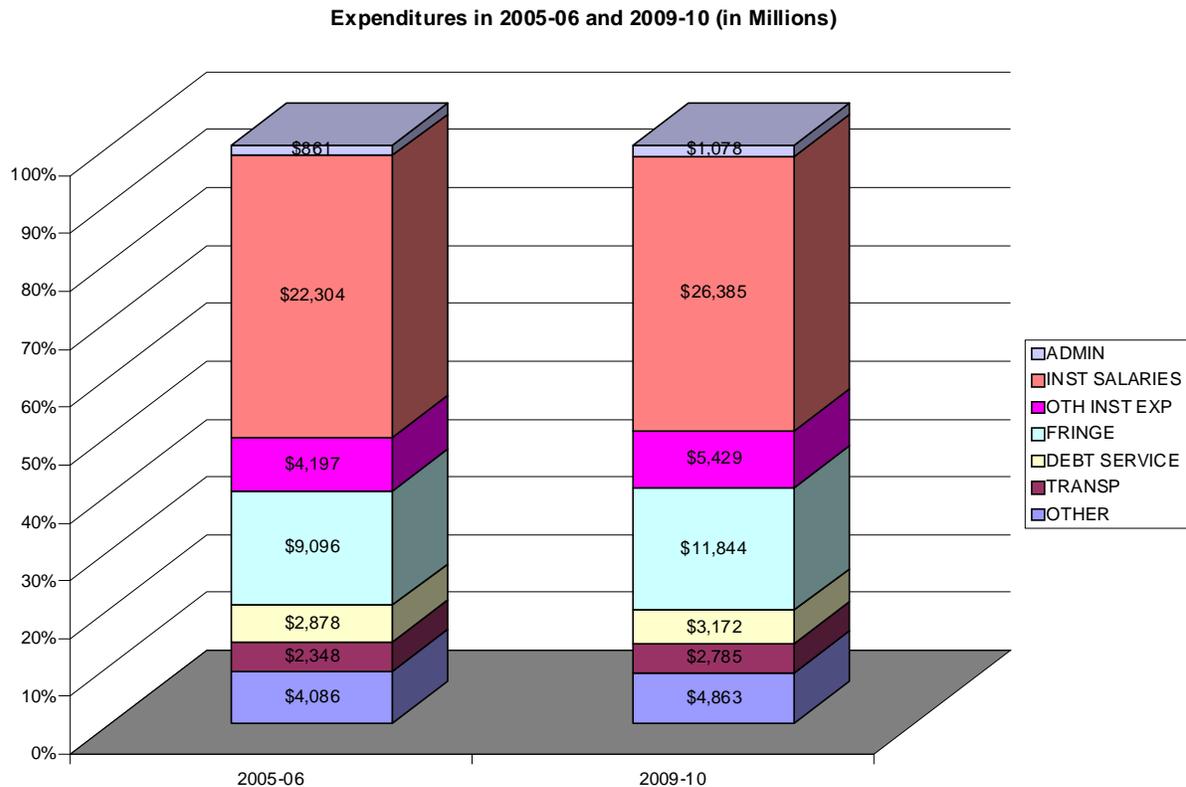
In addition, \$696 million in federal Race to the Top funds spread over four years will help school districts initiate new reforms to improve student achievement.

Education Expenses Continue to Increase

An examination of cost drivers in education over the past several years reveal the following major expenditure trends in school districts statewide. Total expenditures increased from \$45.8 billion to \$55.6 billion from 2005-06 to 2009-10, an increase of 21.4 percent. Instructional salaries accounted for \$4 billion of this increase, although the rate of increase was only 18.3 percent. Fringe benefits increased by \$2.7 billion; the rate of increase for fringe benefits during this period, at 30.2 percent, was the highest among the categories of expenditures. Other instructional expenditures, which includes expenditures for instructional technology and payments to charter schools increased at nearly the same rate at 29.4 percent; the total increase for this category was \$1.2 billion. Expenditures for administration increased at a rate of 25.2 percent, resulting in an increase of \$200 million. These increases are reflected in Figure 5.

Other costs that have significantly added to the cost of education include additional general education programs and programs for students with disabilities; and a large increase in school construction and modernization projects.

Figure 5: Increases in Districts' Expenditures, 2005-06 to 2009-10



Note: ADMIN expenses are for the board of education and central administration.

Board of Education. This item consists of expenditures related to the Board of Education. The data displayed were the sum of expenditures for: 1) the board of education, the district clerk's office, and the district meeting; 2) auditing services; 3) the treasurer's office; 4) the tax collector's office; 5) legal service; and 6) the school census.

Central Administration. This item consists of expenditures for central administration. Data displayed were the sum of expenditures for: 1) the chief school officer; 2) the business office; 3) the purchasing office; 4) the personnel office; 5) the records management officer; 6) public information and services; 7), indirect costs and other unclassified expenditures and fees for fiscal agents.

Factors That May Help Alleviate Fiscal Challenges

School District Efforts to Address Fiscal Challenges

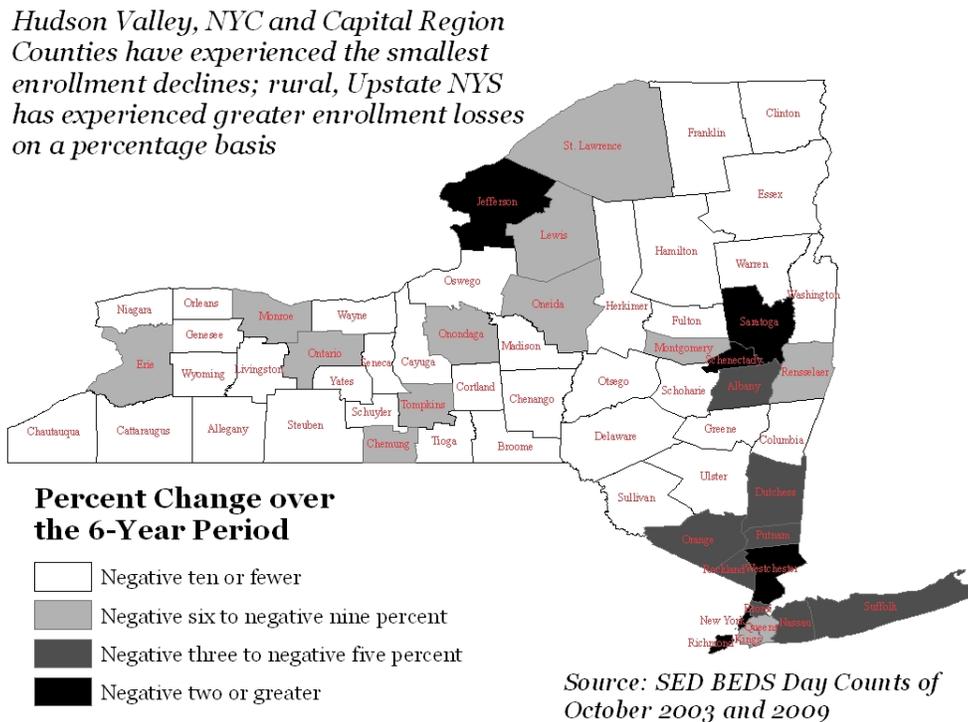
In the Property Tax Report Card that districts submitted in May 2011, which projected budgeted expenses for the 2011-12 school year compared with the 2010-11 school year that was about to close, districts projected an increase in budgeted expenditures of 1.4 percent. This projection required an average tax levy increase of 3.4 percent. New York State voters passed ninety-three percent of school district budgets, in large

part because of the responsible budgets that school districts put forward to voters. Anecdotally, many districts' modest budget increases were accomplished through a combination of negotiated contract changes to salaries and benefits, reductions in non-personnel expenses, attrition and staff reductions.

Enrollment Trends

Declining enrollments are evident in most parts of the state. Figure 6 shows enrollment losses which are greatest in rural New York but are also evident in districts in the Hudson Valley, NYC and Capital Region.

Figure 6: Average Percent Change in Student Enrollment By County, School Year 2003-04 to 2009-10



Mandate Relief Efforts

Statutory and regulatory changes also provided some mandate relief to school districts in 2011 and are listed below.

Statutory Mandate Relief:

- Preschool Census every other year, rather than annually;
- School bus planning based on actual ridership;
- Flexibility in auditing claims by allowing a deputy claims auditor and risk based claims auditing;
- Comptroller review and report on effectiveness of risk-based claims audit methodology;
- Shared superintendent program for small districts;
- Regional transportation services;
- Mandate Relief Council; and
- Regional transportation pilots

Regulatory Mandate Relief Enacted by the Board of Regents:

- Emergency repeal of requirement for school facility report cards in 8NYCRR 155.6;
- Emergency repeal of requirement for school bus idling reports in 8NYCRR 156.3(b);
- Flexibility with scheduling school bus driver safety training in 8NYCRR 156.3(h);
- Proposed repeal of 8NYCRR 136.3(e) relating to vision screenings for hyperopia; and
- Proposed amendment to 8NYCRR 80-4.3 to provide additional certification flexibility with regard to the assignment of teachers in school districts and BOCES to provide for more cost-efficient operations.

This year, the Board of Regents discussed and supported a number of important mandate relief measures. A comprehensive legislative package was introduced (S.5816) and included some of the provisions that were adopted this year. The Board will continue to advocate for these legislative changes and will evaluate additional special education options.

Statewide Proposals Support Greater Efficiency

In addition to legislative and regulatory changes related to mandate relief, in 2008 two executive commission reports proposed greater sharing of services and consolidation of school districts to make local governments more competitive and reduce the property tax burden. The *Local Government Efficiency and Competitiveness* and *Property Tax Relief* commissions, headed by former Lieutenant Governor Stan Lundine and (then) Nassau County Executive Thomas Suozzi, respectively, proposed numerous recommendations supporting district reorganization and shared service opportunities.

School Reorganization Process

The authority of the Commissioner of Education to restructure school districts is currently limited to proposing and/or approving reorganizations. Some type of local approval, such as a mandatory referendum, a permissive referendum, school board approval and/or approval of a district superintendent of schools is required in all reorganizations. Approval of the district superintendent of schools is required in partitioning school districts under section 2218 of Education Law. Both Commission reports noted earlier made recommendations to changing State law and granting the Commissioner additional authority in this area. Additionally, while the Commissioner may propose reorganizations at any time, there are defined steps that must precede such action. These include: a feasibility study by the school district boards to determine the costs and benefits as well the implementation process; a public information process; and a public support undertaking which can take the form of petitions or straw polls, i.e., advisory referendums. Once the Commissioner has proposed a school district reorganization, the procedures that must be followed vary depending on the type of reorganization, though most reorganizations end up in a public referendum. Under this existing legal framework, the State has experienced only three school reorganizations in the last decade.

Next Steps

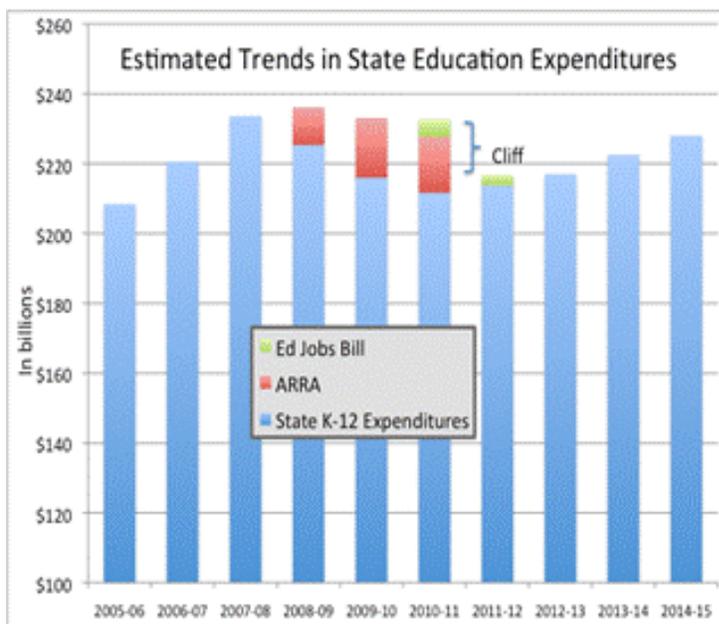
The fiscal challenges of decreased revenues and increasing expenditures confronting school districts now and into the foreseeable future are unprecedented. Now is an opportune time to explore options for change that may not have been fully considered in the past. Questions to consider include:

1. How do all of these factors fit together?
2. Where do school districts spend their money?
3. How can school administrators think differently about how they spend school funds?
4. What can the State and districts do to restructure resources for high performing schools?

Rethinking education resources use toward greater productivity

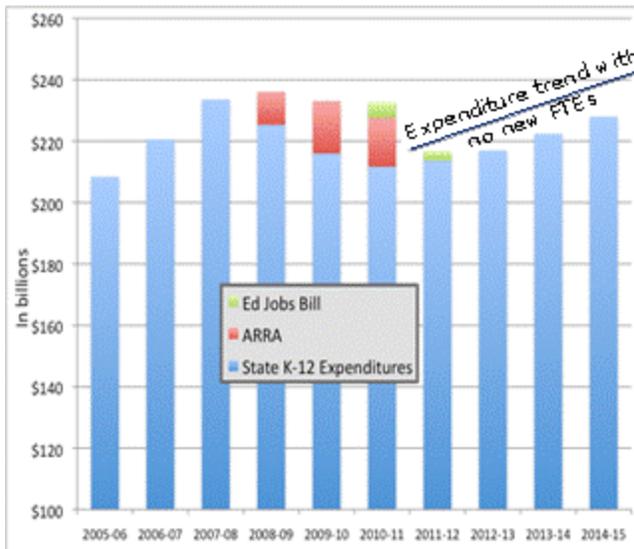
Marguerite Roza

What's happening to revenues?



- State funds: Many states continue to see shortfalls through 2011-12 with slower growth in following years.
- In some states (e.g. WA) local funds will increase; in others, local funds will drop (e.g. NJ).
- Federal: ARRA expires 2010-11. Jobs bill will have some spill over to 2011-12.

Built-in cost escalators drive up costs creating gaps



- Salaries rise 3.16% with step/column changes even without COLAs

- Attrition is now very low (<3%) bringing few savings

- Benefits costs rising 6% or more per year.

=> Flat (or less steep) revenue increases still leave gaps

A structural deficit:

Cost of maintaining the current system as is:

5.5-7%

Likely growth in economy:

0-4.5%

What we've been doing is not an option

Three paths forward:

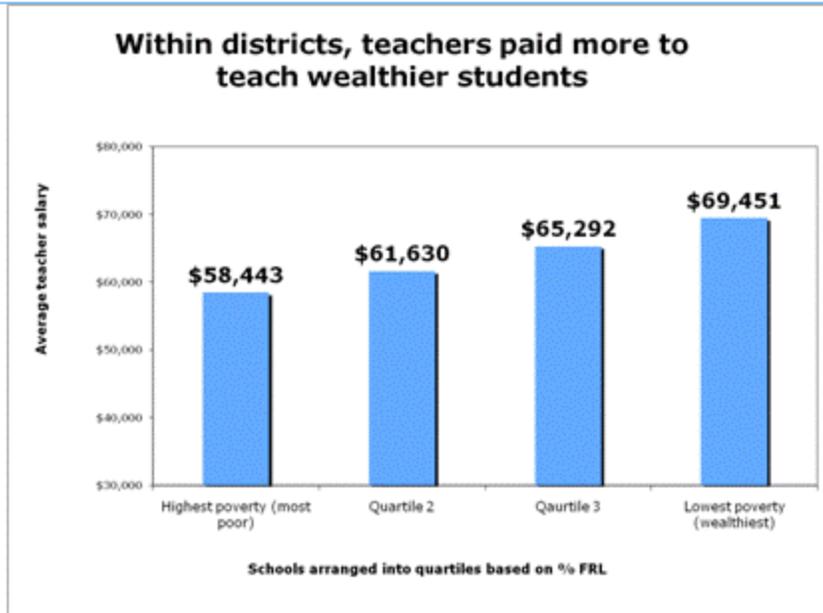
Scenario #1: Slow cuts that work to erode public education

Scenario #2: Tinker around the edges, trying to protect students and learning

Scenario #3: Redesign schooling to improve processes and outcomes, and sustainability

The Context:

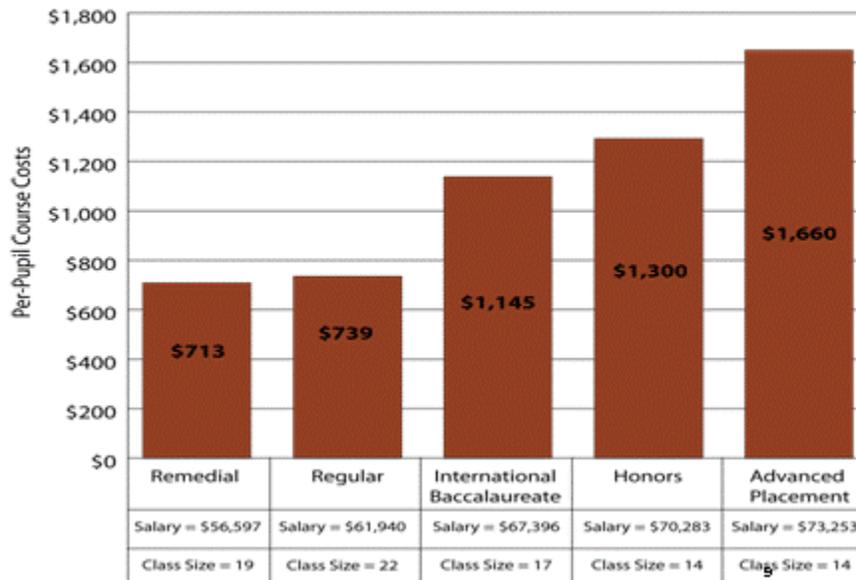
1. Resource allocation practices works drive resources in ways that conflict with goals
2. Resource constraints clarify tradeoffs
3. Rapidly changing schooling processes that enable dramatically different approaches to serving students.
4. State finance formulas matter



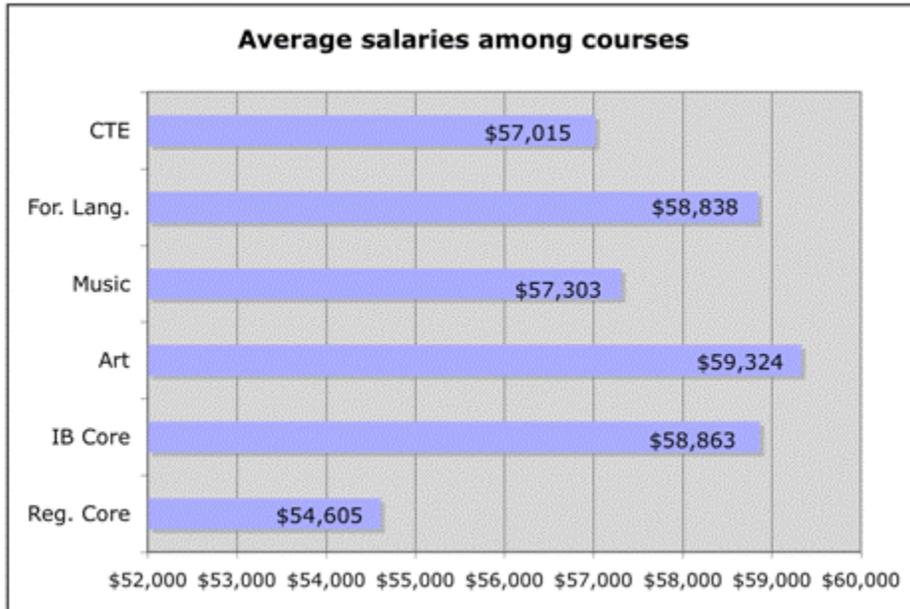
Source: CRPE analysis of 2008 data from an urban district.

Inside high schools, allocations reinforce achievement gaps

Advanced courses come at a higher price tag for the district



Source: CRPE analysis of 2008 data from an east coast urban district.



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Computing per player costs clarifies relative costs of athletics

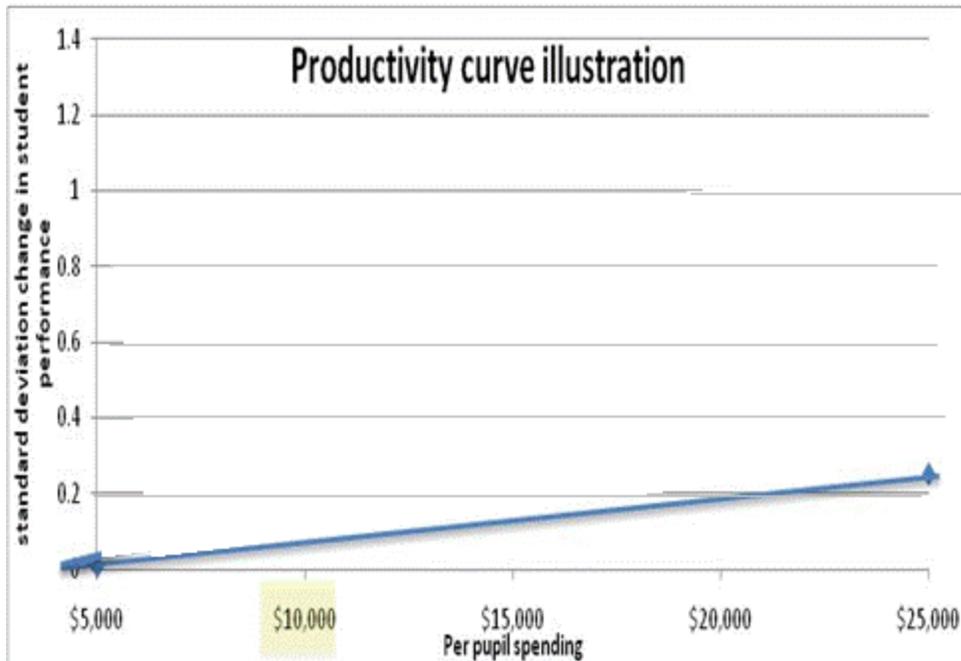


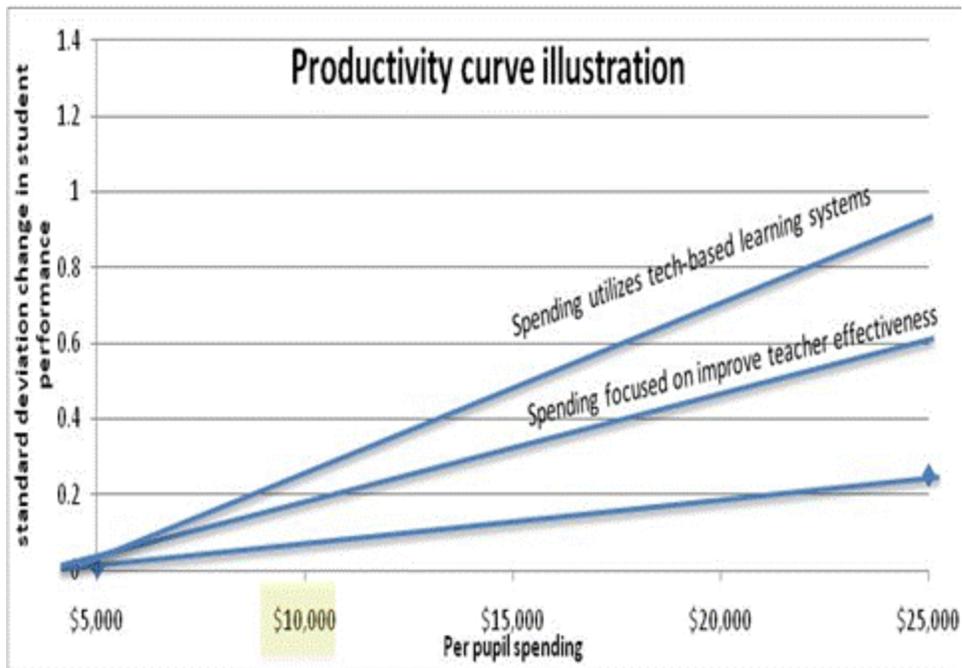
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Education processes are changing

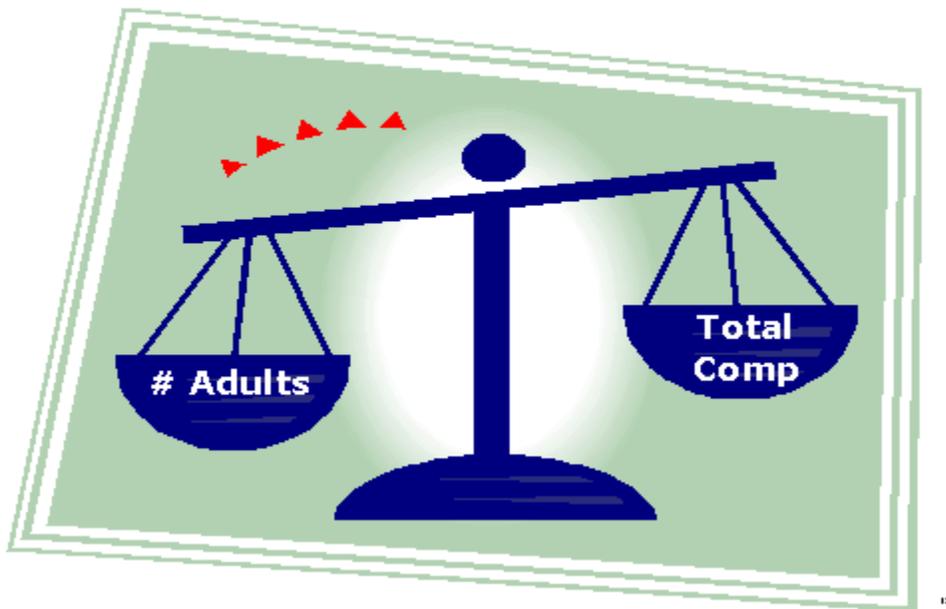
- Mass customization
- Technology based learning
- Information systems that inform teaching, learning, effectiveness
- New tools to improve instruction
- Expanded access to learning

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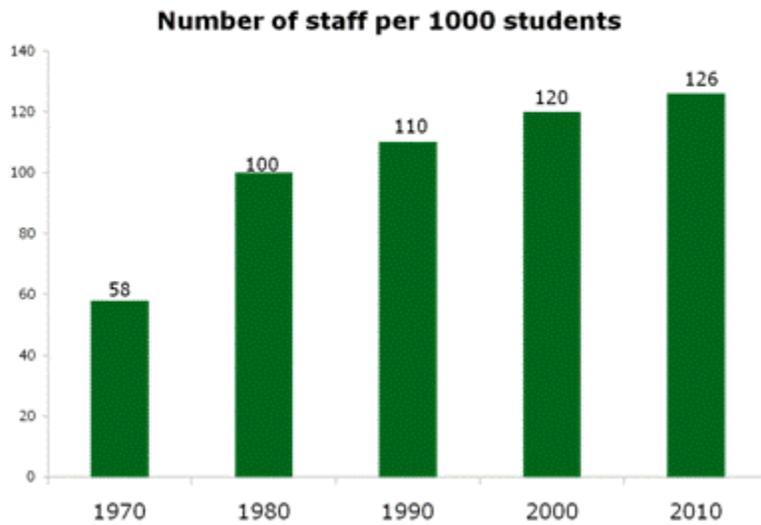




Fundamental Tradeoff:

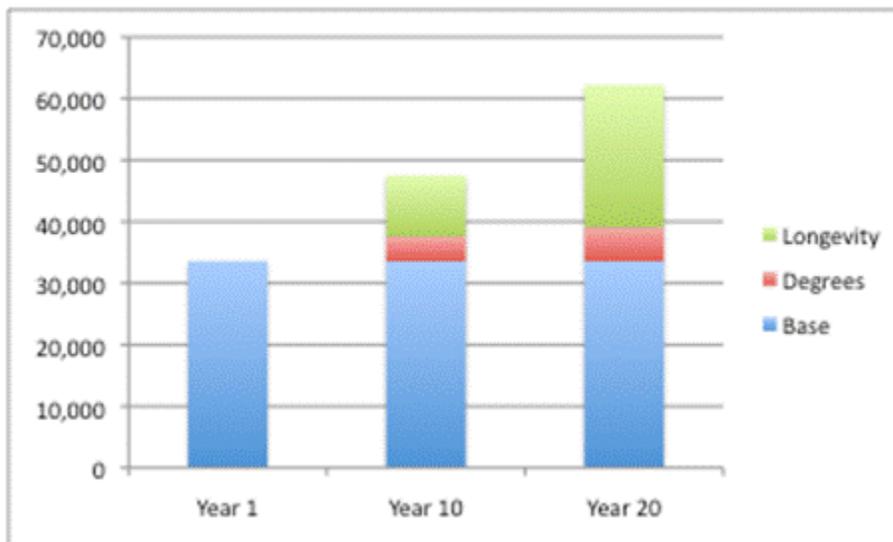


What will happen to staff in coming years?



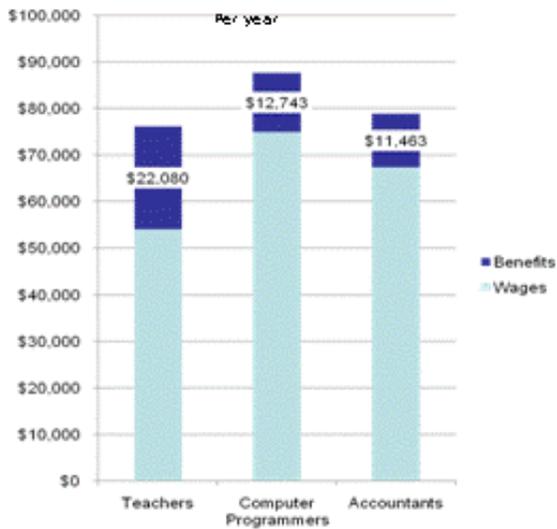
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Elements of teacher compensation



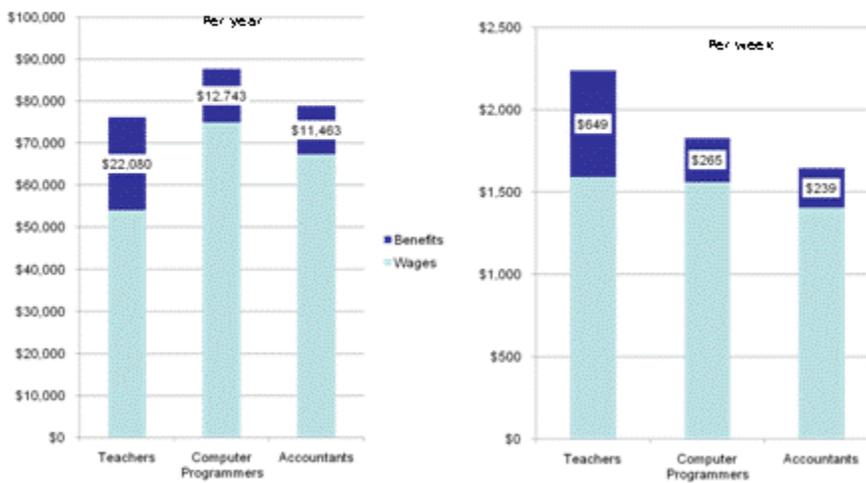
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Shorter work year drives up teacher benefit costs per week



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Shorter work year drives up teacher benefit costs per week



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State funding formulas

Funding formulas that:

- define terms of service delivery => inhibit adoption of innovations
- specify inputs => drive up costs (e.g. requiring master's degrees)
- protect district allocation levels => inhibit change (e.g. hold harmless, etc.)
- don't recognize student types => create inequities

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What does this mean for states...

Allocations must fund a system that:

- Does not attempt to perpetuate current system (e.g. should fund students, not systems and eliminate hold harmless).
- Enables (encourages!) resources to be used differently. Pushes districts with declining enrollment to downsize. Seeks variation and fosters new schooling processes.
- Unlocks current cost curves, and restores local levers to affect spending.
- Is more nimble, adopting best options for schooling processes as they emerge. Enables portability of funds.

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Transformation or Decline

How can states promote restructuring in tough times?

NY State Aid Forum, September 13, 2011

Presented by Stephen Frank

Education Resource Strategies

- We are a non-profit firm dedicated to helping school systems spend and organize time, talent and technology to create great schools at scale
- We partner with system leaders including Rochester and Syracuse to analyze spending, human resource, organization and student data to better align with high performance strategies
- We leverage insight from this work to provide lessons and tools for school leaders and those who support them
- Our work is grounded in over a decade of experience working with school districts across the country

School support and accountability context:

The System we **have**:



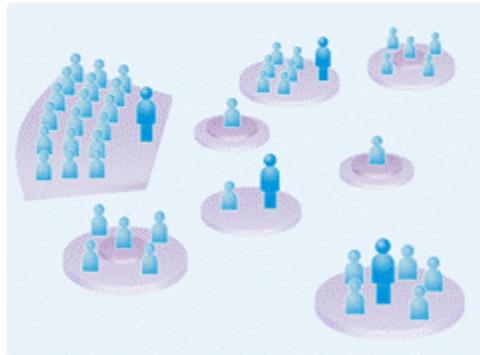
The System we **want**:



Across NY, we see examples of innovative, highly successful schools ...



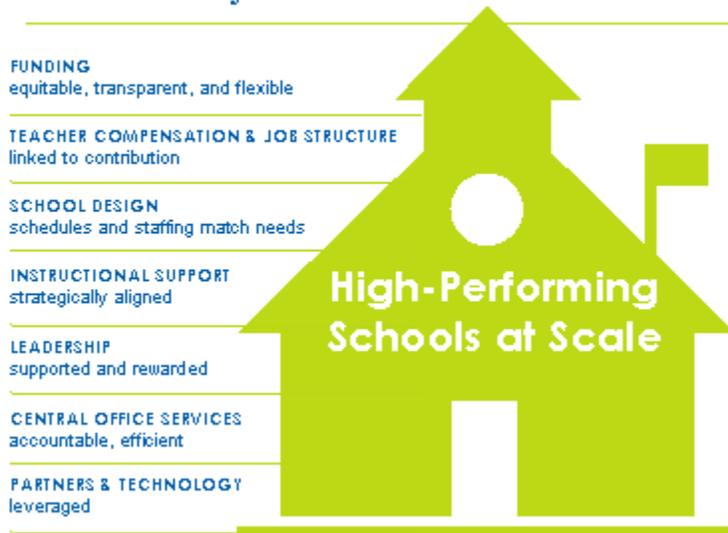
- Children's School of Rochester
- The School of One
- Syracuse Schools of Promise



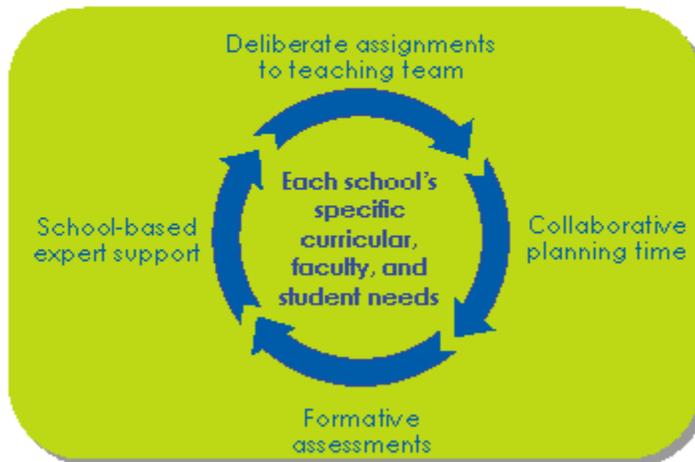
To craft and support a strategic vision, schools, too often, must opt out of district systems...



To make exceptional schools the norm, we need new systems...



...that move beyond autonomous, isolated teachers toward collaborative teams...



Education Business Strategy

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What can states do to help schools and districts transform at scale?

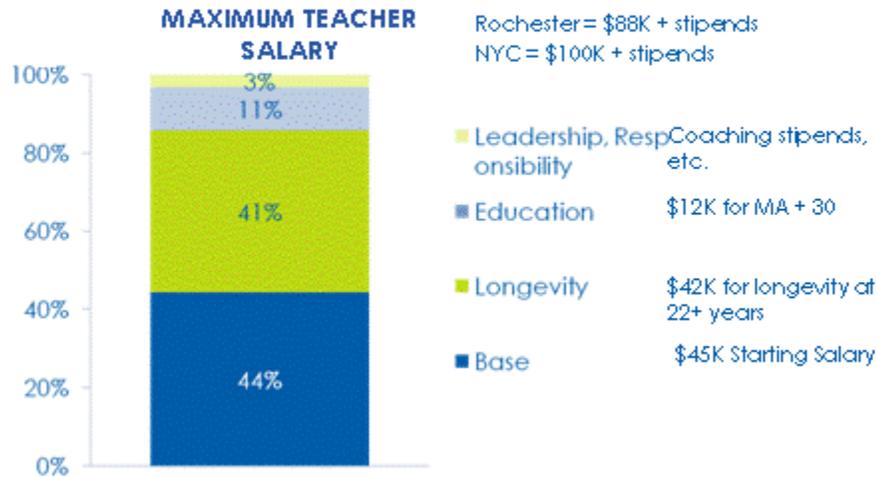
In New York, tens of billions of dollars are tied up in legacy structures that misalign resources, diverting them from better uses.... Four misalignments seem particularly salient...

1. **Restructure job and compensation structure to attract needed expertise and link to contribution**
2. **Rethink standardized class size model to target individual attention** by strategically raising class sizes and rethinking one-size-fits-all class size models for providing individual attention
3. **Shift special education spending toward early intervention and targeted individual attention** in general education settings where possible
4. **Optimize existing time to meet student and teacher needs and extend where needed**

Education Business Strategy

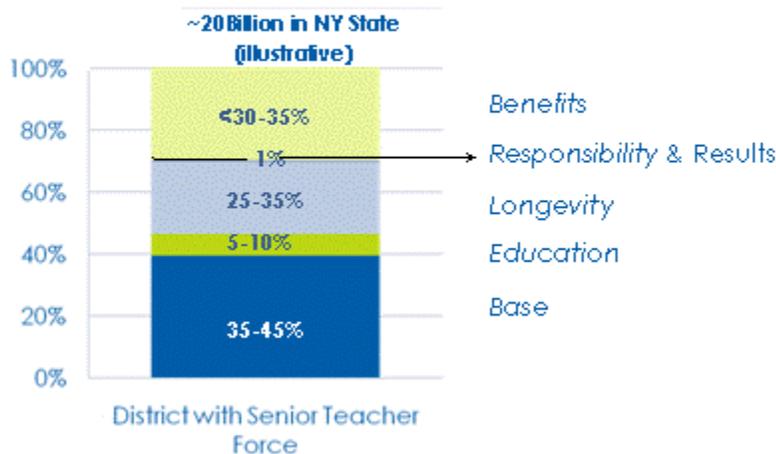
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In NY, education and longevity may consume \$5-8B of compensation investment of ~\$20B



In NYC, base of \$45K + \$12K for having a Master's Degree + 30 Credits, Longevity of \$42K in 22 years, top salary exceeds \$100K
 Education Business Strategy

While only ~1% of teacher compensation seems to be spent on responsibility & results



~1% figure is estimated by extrapolating work done in Syracuse, Rochester, and elsewhere and, as with all numbers shown here, is intended to be illustrative;

Longevity driven compensation can also create odd investments across position types...

Average Salaries and Ratios



Salary Ranges



Education Business Strategy

Preliminary - Not for Distribution

How can state policy makers support compensation innovation?

- Create incentives and provide models for new compensation structures
- Report information on salary levels by position and experience across more than
- Redirect pension and benefit dollars to make salaries more competitive earlier in a teaching career
- Eliminate tenure policies and poor supervision practices that allow ineffective teachers to stay in the profession
- Reconsider Triborough Law and civil service laws that make it difficult to manage and reward performance
- Promote teacher evaluation systems aligned with career progress that include observations and multiple measures
- Provide early retirement incentives for less-effective teachers nearing the end of their careers

Education Business Strategy

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Four of the highest priorities for restructuring that states influence include:

1. **Restructure job and compensation structure to attract needed expertise and link to contribution**
2. **Rethink standardized class size model to target individual attention**
by strategically raising class sizes and rethinking one-size-fits-all class size models for providing individual attention
3. **Shift special education spending toward early intervention and targeted individual attention** in general education settings where possible
4. **Optimize existing time to meet student and teacher needs and extend where needed**

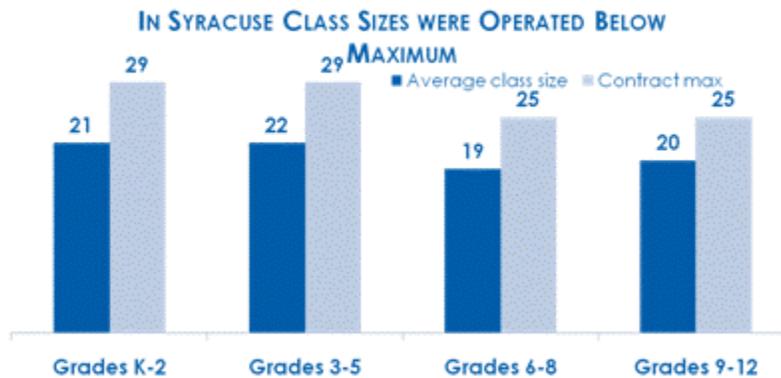
Moving beyond the one-teacher (or two-teacher) classroom...

“The fact is that one of the major factors maximizing the gulf between educational goals and accomplishments has been the way resources have been defined... There is a universe of alternatives one can consider and if we do not confront the universe, it is largely because we are committed to a way of defining who should be in the classroom... One teacher to one classroom is not an end in itself, but one means of providing more time for individual students when needed.”

-Seymour Sarason

The Culture of the School and the Problem of Change (p. 277)

Operating class sizes below maximums represents a \$2.4B state-wide investment in class size reduction...



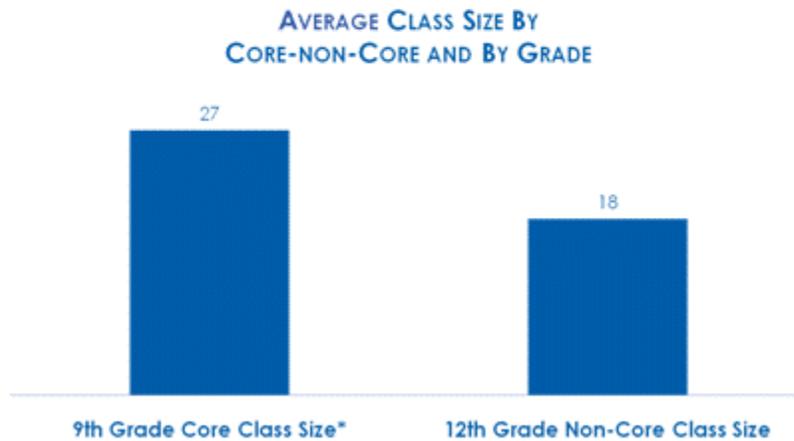
Source: Elementary Classrooms (as of Dec 2009), includes elementary across and K-2 across (grades K-2); excludes grades in the special ed 60%+, EL 60%+, includes Advanced Math classes, excludes across with 7th-8th program, excludes classes with mixed grade. Missing due to incorrect data.

Relevant Business Strategy

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Often, the smallest classes are not those the state would choose to invest more money in...

In many districts class sizes for core subjects are higher than non-core...



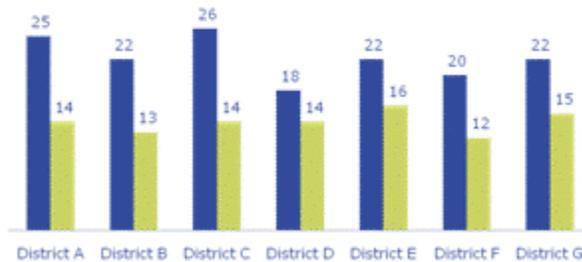
*Core class defined as ELA, Math, Science. Non-core defined as Art, Computer Science, Vocational Foreign Language. Source: Data A and B 9th and 12th grade course data (Source - Resource Mapping presentation)

Relevant Business Strategy

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Opportunities also exist to examine the difference between student-teacher ratio (12:1 in NY) and class sizes...

GENERAL EDUCATION CLASS SIZE VERSUS STUDENT-TEACHER RATIO – SELECT URBAN DISTRICTS
 ■ ERS Estimated Average General Ed Class Size



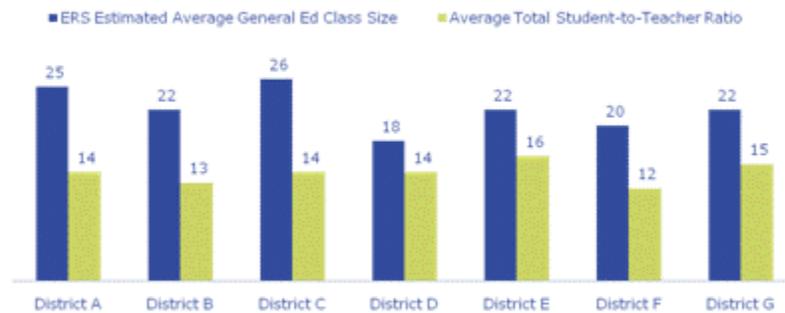
Source: ERS analysis and district data

This is caused by the need to cover planning periods and hire specialist teachers.

In Syracuse, half of the time of a secondary teacher was being spent in non-instructional duty or planning periods. And more than 20% of students were placed in special education.

Districts have more teaching staff, but use them for specialist positions outside of the core classroom and planning during the day

GENERAL EDUCATION CLASS SIZE VERSUS STUDENT-TEACHER RATIO



Source: ERS analysis and district data

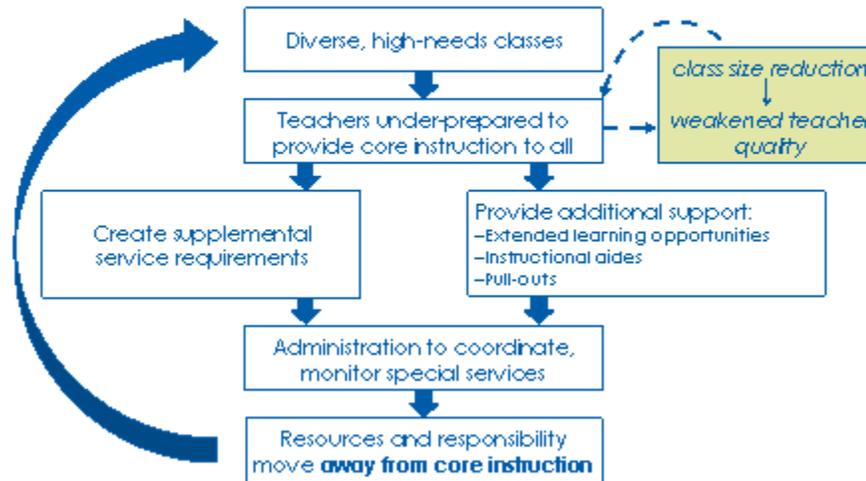
What can be done to rethink one-size-fits-all class size model and redirect special education spending to targeted individual attention for all students?

- Highlight the class size vs. teacher quality trade-off
- Strategically raise class sizes in non-core classes and later grades
- Encourage movement away from class size mandates in state regulations and contracts
- Encourage and support the effective implementation of multi-teacher classrooms that allow for flexible grouping and regrouping throughout the day
- Redefine individual attention as an outgrowth of effective assessment and differentiation and not as the result of smaller group and class sizes

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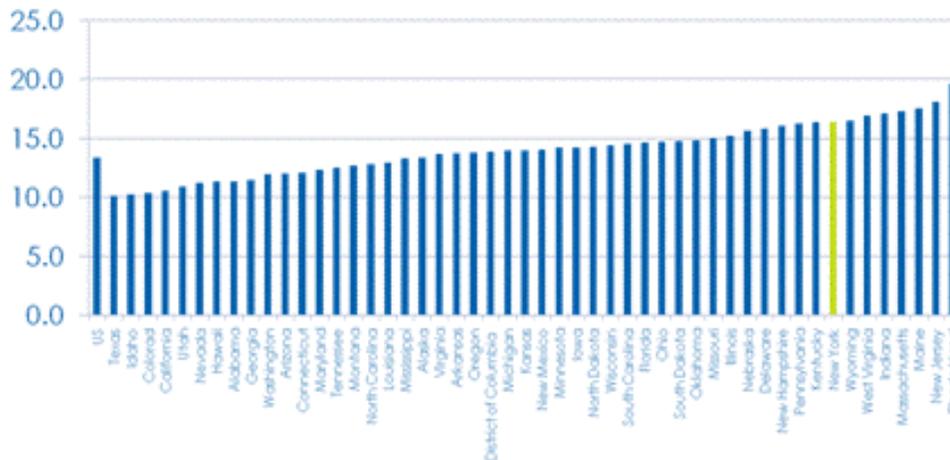
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A cycle of isolation and specialization pulls students with additional needs out of general education classrooms



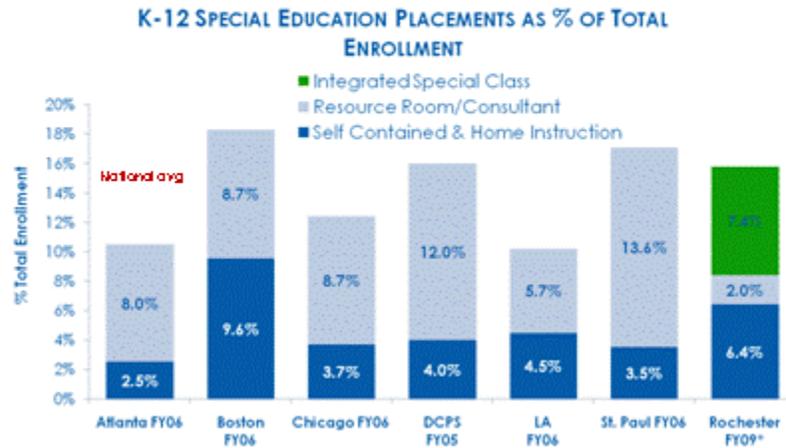
State placement in special education ranges from 10 to ~20% due, in part, to state funding formulas

Special education placements (ages 3-21 as percent of public school enrollment)



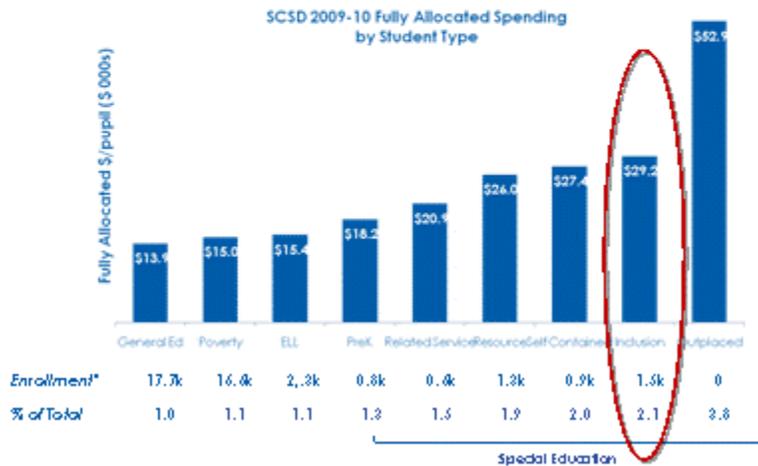
*A recent non-peer-reviewed estimate of education placement in urban settings put the national average and the urban average at 17%.

The percentage of students served in separate settings also varies ...



*Rochester 2009 enrollment includes an analysis with a diagnosis of category of disability. Source: ER7 Benchmark Database, revision data from U.S. DCK Programs, JCP Special Education (PMI). Tot contains of special education as 60% or more time in special education setting.

New York districts we have studied have shifted toward a “co-teaching” inclusion model...



To make this significant investment effective, districts must do more than combine classes...

Regular Ed Student
 Inclusion Student

Elementary Inclusion Classroom (8:1)

Keys to success?

- ✓ Shared curriculum and understanding of student needs amongst teachers
- ✓ Collaboration time to review student progress jointly and to coordinate curriculum
- ✓ Teachers share joint accountability for the success of students
- ✓ Variety of strategies for co-teaching and differentiating instruction

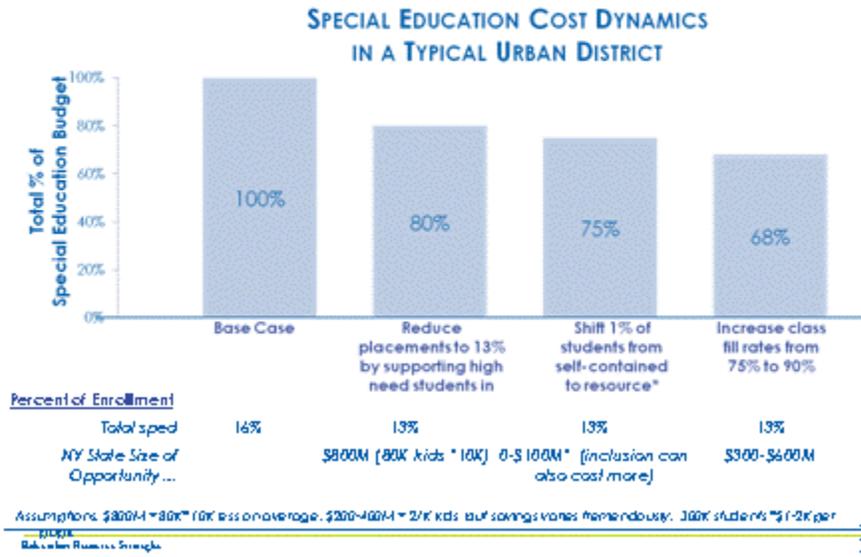
Education Research Strategy

Reduced placement, better models and efficient staffing can free resources to better support these needy students...



Education Research Strategy

The opportunity to redirect dollars can come from meeting student needs in different ways and using cost-effective practice



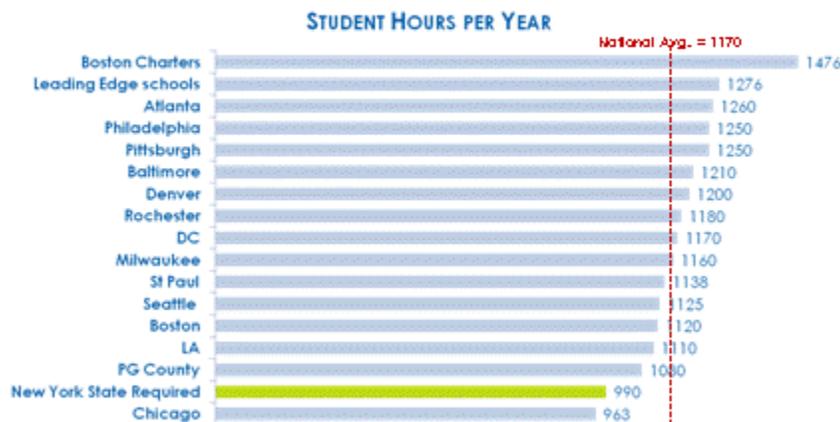
What can state policymakers do?

- Review special education spending to reduce compliance spending and unplanned extra spending on subscale programs
- Clarify federal guidance and provide incentives that enable districts to use special education dollars for early intervention strategies
- Revise standards and hold districts accountable for special education student outcomes, allowing flexibility in the provision of instruction for special education students in general education settings
- Compare policies to those of other states to determine best practices
- Offer incentives for dual-certification
- Invest in technology to improve special education administration and compliance

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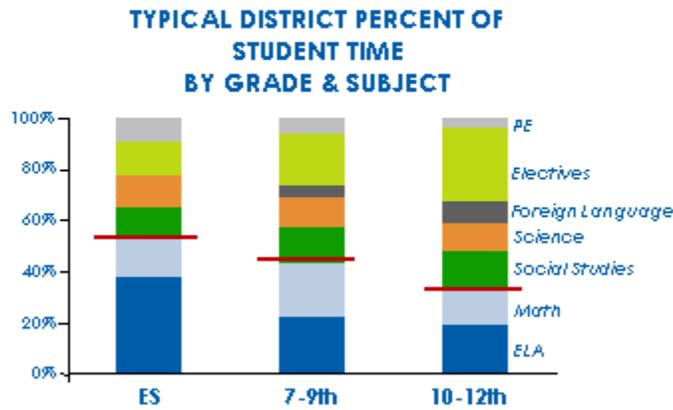
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New York State's mandated hours per year are less than districts ERS has studied except Chicago's notoriously short school day...

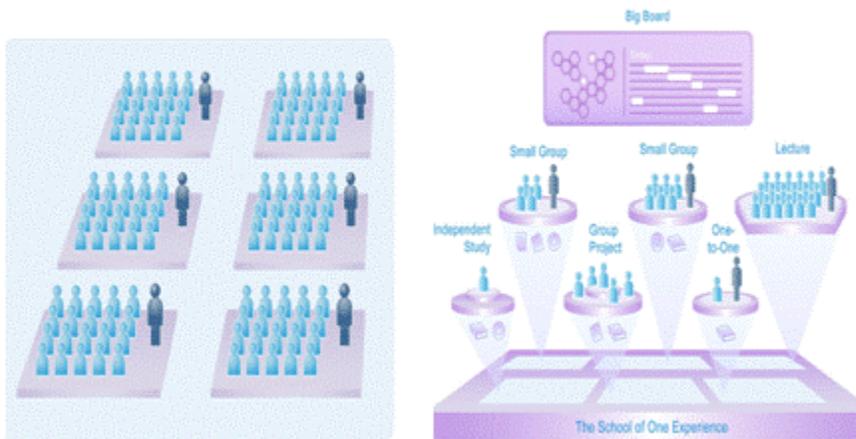


Source: District figures are from Eric and Aronson in *Urban High Schools: Lessons for School Systems* (Frank, 2010) and from ERS analysis for the Aspen CDF network. Leading Edge school figures are from Thomas, R. A., and K. M. Mack, 2008, *Strategic Design: Lessons from Leading Edge Small Urban High Schools*, Watertown, MA, Education Resources Strategies Center; school figures are from Eric and Aronson (2009) *Out of the Ordinary* and Eric and Aronson.

...Districts are often constrained by state requirements in how they dedicate time to priority academic subjects, especially in secondary grades



Moreover Carnegie Units, based on hours, reinforce a rigid definition of “class” that inhibits creativity...



What can state policymakers do?

- Adopt a longer school day statewide , but replace specific course requirements with tougher tests
- Move away from hours-based courses (Carnegie Units) toward learning driven measure of course completion
- Leverage technology as a way to rethink the definition of a course and the ways that students receive instruction

What are the priorities for NY state? Can we leverage tough times to...

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School Finance for High Achievement: Improving Student Performance in Tough Times

A SUMMARY

The New York State Education Department conducted a School Finance Symposium on September 13, 2011 in the Huxley Museum Theater at the Cultural Education Center in Albany. The symposium focused on a paper prepared by the State Education Department on fiscal challenges facing school districts, and presentations by education researchers Marguerite Roza and Stephen Frank about rethinking education resource use for greater student achievement and a summary of the session. The following is a summary of the Symposium.

- Materials prepared for the session are posted online at www.p12.nysed.gov/mgtserv/.
- Seventy-six persons attended the symposium including representatives of educational associations and interest groups, practitioners, researchers, representatives of the Legislature and Executive branch, Department staff and 12 members of the Board of Regents.
- Regent Tallon opened the symposium noting that it was a forum for sharing ideas. Times have changed. Let's leave with a better understanding of the factors that influence the educational environment.
- Commissioner noted our future depends on education and asked participants to think about the choices at the state and local level and what would best benefit students.
- Burt Porter (NYSED) presented data on fiscal challenges facing school districts. They are faced with how to manage a sizable gap between revenues and expenses while meeting the needs of students. He noted that for 2012-13, approximately \$370 million will be available for school districts after expense-based aids and new grants are paid. The fiscal challenges are unprecedented.
- Bob Lowry (NYSCOSS) noted that school leaders are holding down taxes and spending. Two-thirds of districts are concerned about diminishing reserves. Small school districts are especially concerned that one can't cut what one doesn't have. Districts have eliminated about five percent of their positions. More affluent communities are more concerned about the local tax cap while poorer districts are more concerned about the state aid cap.
- Questions and comments concerned the distribution of resources and the widening gap between have and have-not school districts.
- Marguerite Roza (Gates Foundation) presented three scenarios—slow cuts, tinkering around the margins and total redesign. Education is changing rapidly. Districts have many options for using resources differently.
- John Sipple (Cornell University) described tools to facilitate long range financial planning using data will help people make strategic decisions.
- Discussion included how states can remove barriers to school finance that support student learning such as waivers for innovation and revising formulas to remove process driven factors. States can also feature model programs. Ms Roza noted that states systematically under fund poor students.
- Stephen Frank (Education Resource Strategies) discussed the need to get rid of structural cost inefficiencies over time and at scale. This can involve 30 to 40 cents on the dollar in some school districts. Job embedded collaboration for teachers, formative assessments, new

compensation structures for teachers, and using class sizes strategically are some promising strategies. Also promising is redirecting special education dollars to strengthen early education. NYS has higher than average special education placements as a percent of total enrollment. Co-teaching in NYS is more expensive than other models around the country.

- Student time is the biggest resource and New York requires less time than other states. We need to think of alternatives to the traditional classroom model.
- Michael Rebell (Teachers College, Columbia University) examined the issues in terms of the provision of a sound basic education to all students. Budget cuts ignored the impact on providing a SBE. That's been left out of the conversation. We need to add an evaluation of whether changes will reduce service below the level of a SBE. We must be careful that flexible uses of class sizes don't deny students a SBE. The incidence of special education in New York is too high. Response to Intervention is an example of a great approach. We need to work to bring special education numbers down but must ensure dollars are available to support student needs in general education. We need to redefine what a SBE is.
- Regent Tallon closed the session with thanks to Department staff, panel members and participants for devoting time to the symposium. His goals were to introduce in a clear way the very different financial circumstance in which we find ourselves, and to begin a discussion about the financial dimension of the debate about how our education community moves forward.
- Commissioner King closed the session with a challenge to go into this academic year with a commitment to improve education for New York State pupils.
- The Department invites comments from interested parties; you may submit them by email to: EMSCMGTS@mail.nysed.gov.