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

FROM: James A. Kadamus

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

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

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

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

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

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

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

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

Figure 1

Regents State Aid Proposal

New York State

(all figures in millions)

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

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

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

Figure 2

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

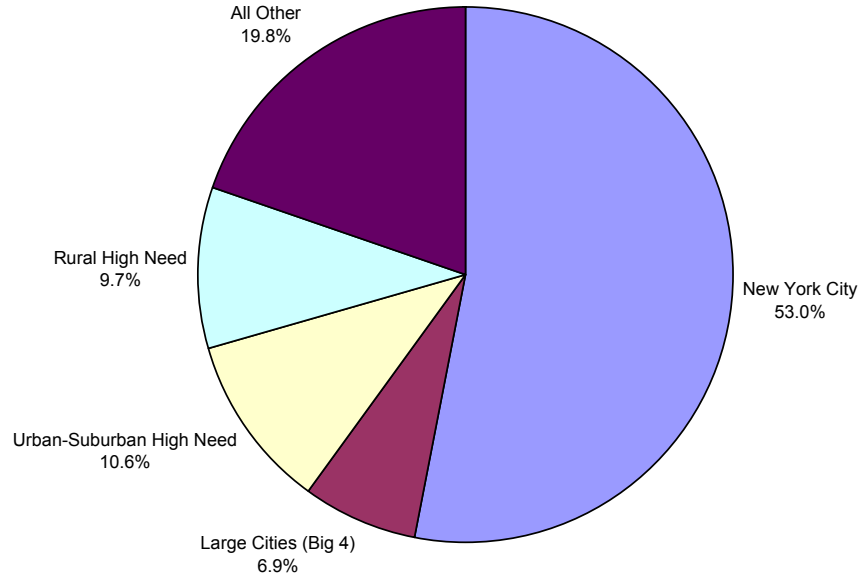


Figure 3

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

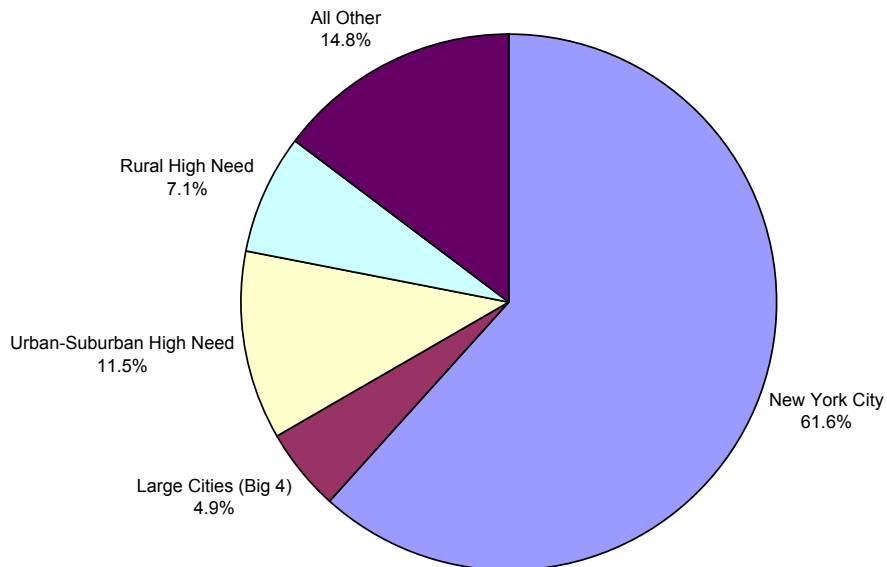


Figure 4

Computerized State Aid Increases How They Are Distributed

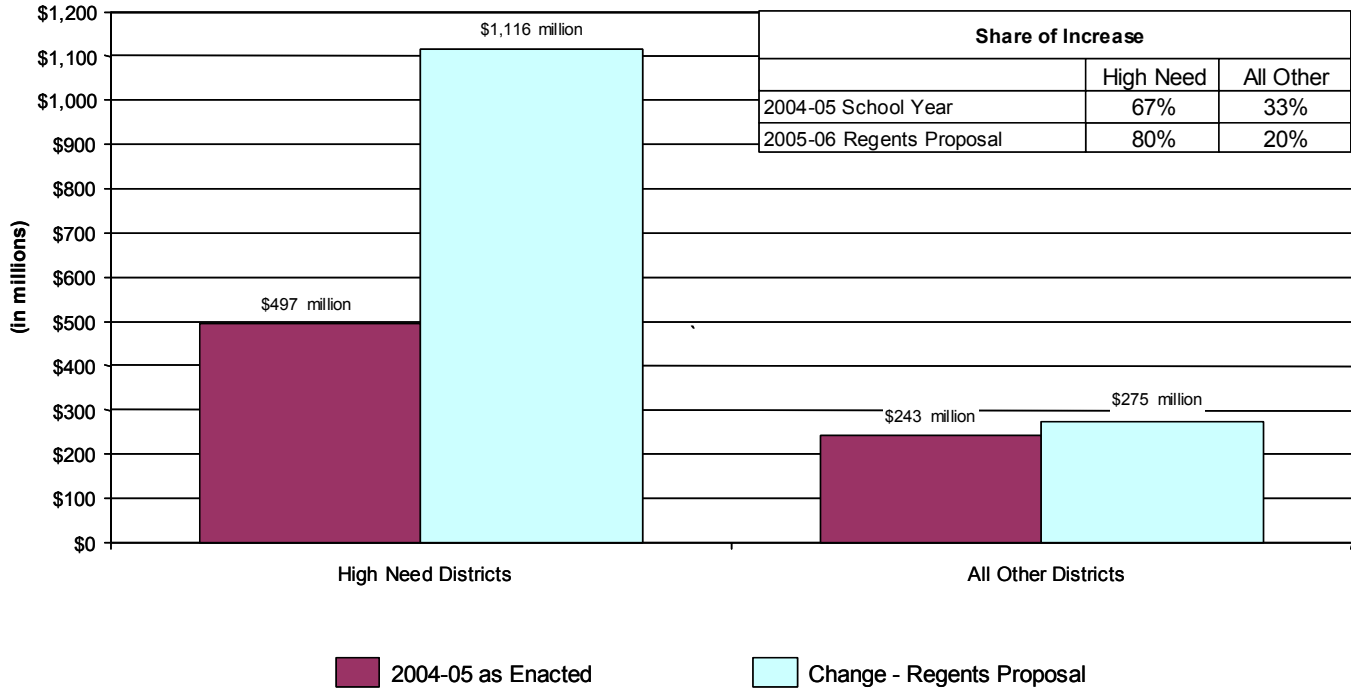
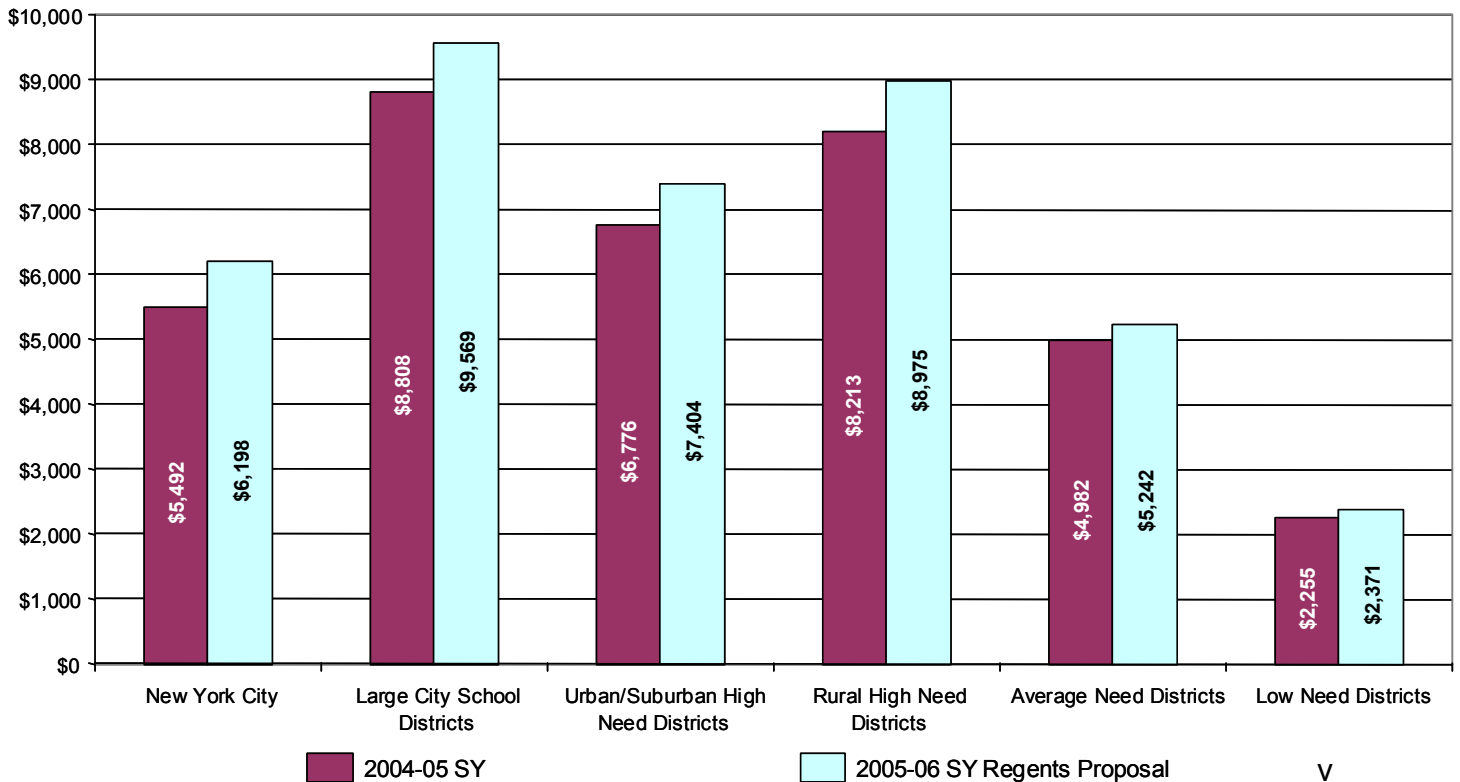


Figure 5

Distribution of Computerized Aid per Enrolled Pupil



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

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

REGENTS CONCEPTUAL PROPOSAL

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

**Figure 6
Elementary-Level Mathematics**

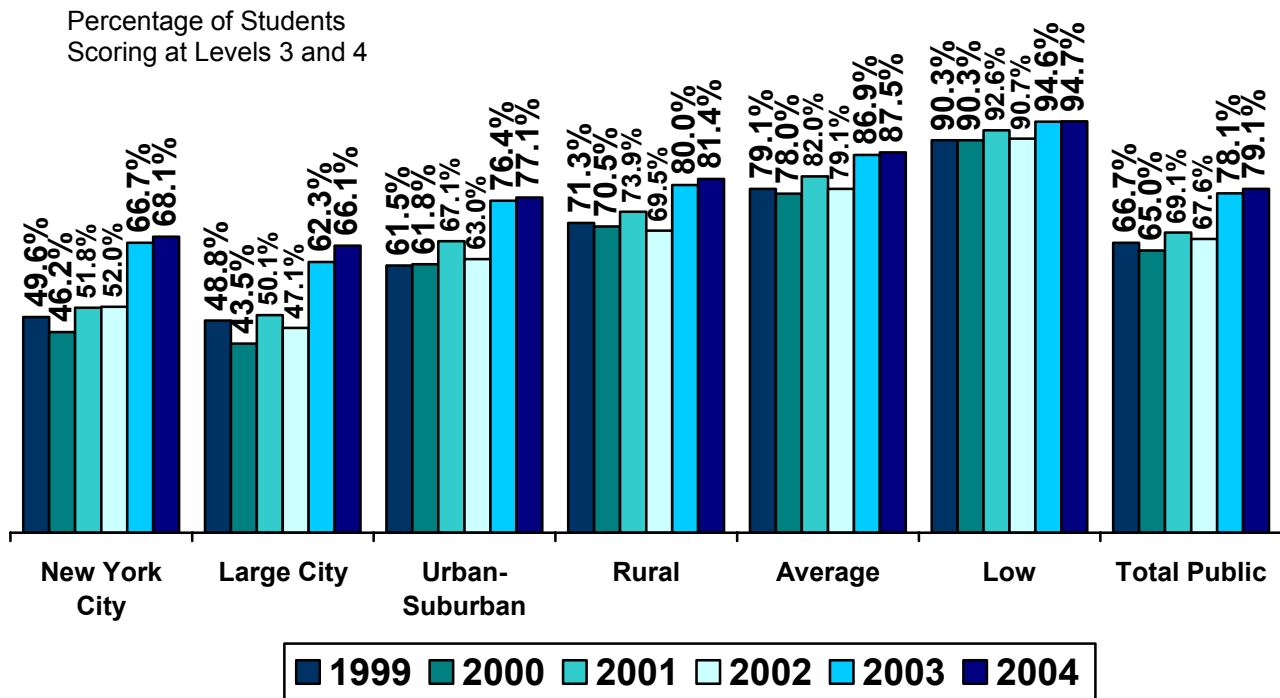
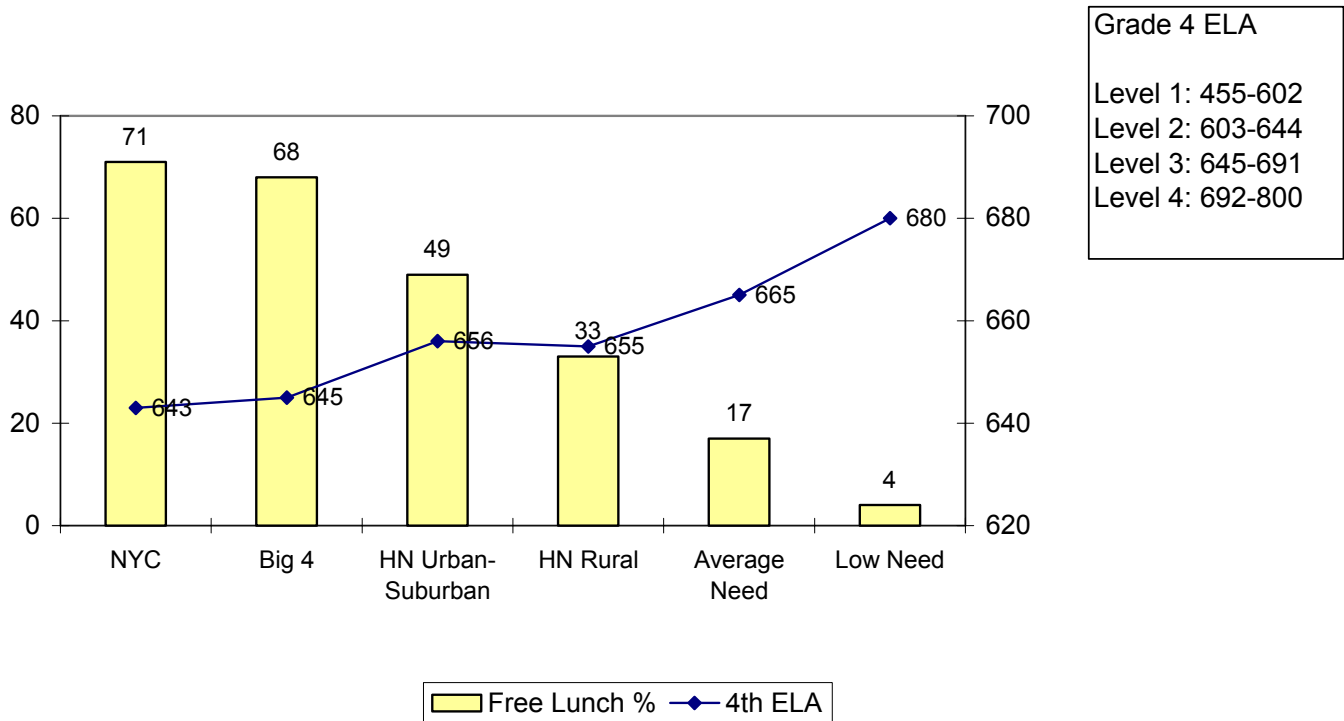


Figure 6 also shows a troubling achievement gap. Figure 7 further shows that, as the percent of students in poverty declines, as measured by students eligible for free lunch, achievement on the Grade 4 English language arts examination increases. As poverty increases, results worsen.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

The Regents Plan Accurately Measures The Cost Of Student Success.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Special Education Aid

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

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

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

Universal Pre-K Funding

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

Building Aid

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

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

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

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

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

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

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

Recommendations to relieve overcrowding:

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

Recommendations to improve the cost-effectiveness of school construction:

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

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

Recommendation to protect the investment in school facilities:

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

Regional Services and the Big Five City School Districts

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

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

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

Aid For Limited English Proficient Students

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

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

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

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

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

A. School Accountability

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

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

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

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

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

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

B. District Accountability

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

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

rapidly improving.

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

Enhance Technical Assistance and Support

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

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

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

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

Improve Data and Information Systems

A. Financial Condition Indicator System

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

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

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

B. Student Data Information System

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

C. State Aid and Grants Management Systems

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

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

Enhanced Audit Capacity

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

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

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

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

REGENTS RESPONSE TO THE REPORT OF THE CFE REFEREES

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

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

A Statewide Solution

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

Sustainability

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

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

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

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

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

Regents State Aid Proposal for 2005-06

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

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

Phase In for Full Implementation

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

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

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

Response to Specific Issues Raised by CFE Referees

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

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

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

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

Categorical Aid Programs

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

Supporting Adequate School Facilities

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

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

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

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

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

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

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

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

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

Additional Cost Studies

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

Enhancing Accountability/Effective Use of New Resources

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

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

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

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

A Professional Wage-Based Cost Index

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

Local Effort

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

Assessing an Adequate Education

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

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

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

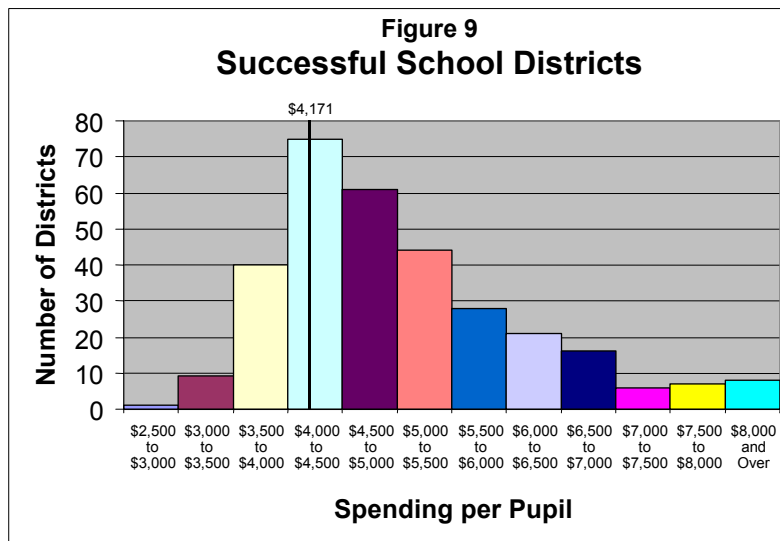
⁴ See a description of Augenblick's study in J. Guthrie and R. Rothstein, *Enabling 'Adequacy' to Achieve Reality*, 20

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

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

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

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



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

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

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

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

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

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

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

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

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

Technical Supplement

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

Need/Resource Capacity Category Definitions

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

Need/Resource Capacity Category	Definition
High N/RC Districts	
New York City	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.

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

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

High Need School Districts 2005-06 School Year

Albany County

010100	ALBANY
010500	COHOES
011200	WATERVLIET

Allegany County

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

Broome County

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

Cattaraugus County

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

Chautauqua County

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

Chemung County

070600	ELMIRA
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Chenango County

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

Clinton County

090201	AUSABLE VALLEY
090301	BEEKMANTOWN
090901	NORTHRN ADIRON
091200	PLATTSBURGH

Columbia County

101300	HUDSON
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Cortland County

110101	CINCINNATUS
110200	CORTLAND
110304	MCGRAW
110901	MARATHON

Delaware County

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

Dutchess County

130200	BEACON
131500	POUGHKEEPSIE

Erie County

140600	BUFFALO
141800	LACKAWANNA

Essex County

150203	CROWN POINT
150901	MORIAH
151501	TICONDEROGA

Franklin County

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

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

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

Rensselaer County

490601	LANSINGBURGH
491200	RENSSELAER
491700	TROY

Rockland County

500402	EAST RAMAPO
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St. Lawrence County

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

Schenectady County

530600	SCHENECTADY
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Schoharie County

540901	JEFFERSON
541001	MIDDLEBURGH
541401	SHARON SPRINGS

Schuyler County

550101	ODESSA MONTOUR
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Seneca County

560501	SOUTH SENECA
561006	WATERLOO CENT

Steuben County

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

Suffolk County

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

Sullivan County

590501	FALLSBURGH
590901	LIBERTY
591302	LIVINGSTON MAN
591401	MONTICELLO

Tioga County

600101	WAVERLY
600903	TIOGA

Tompkins County

610901	NEWFIELD
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Ulster County

620600	KINGSTON
622002	ELLENVILLE

Warren County

630918	GLENS FALLS CO
631201	WARRENSBURG

Washington County

640601	FORT EDWARD
640701	GRANVILLE
641301	HUDSON FALLS

Wayne County

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

Westchester County

660900	MOUNT VERNON
661500	PEEKSKILL
661904	PORT CHESTER
662300	YONKERS

Yates County

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

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

2004-05 Aids and Grants

Computerized Aids

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

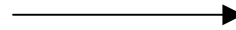
Other Aids and Grants

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

Regents Proposal for 2005-06

Foundation

Grant



(Replaces all aids to the left)

Other Aids

Other Aids and Grants

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

2005-06 Regents Proposal Formula Components

Foundation Aid

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

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

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

Support for Extra Time and Help

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

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

Support for Students with Disabilities

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

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

BOCES/Career and Technical Education

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

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

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

Instructional Materials Aids

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

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

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

Expensed-Based Aids

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

eligibility requirements as of the November 15, 2004 database.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Method of Calculation

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

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

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

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

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

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

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

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

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

1. Title Weight = same as above.

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

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

Regional Cost Index
Counties in Labor Force Regions

Capital District

Albany
Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

Central New York

Cayuga
Cortland
Onondaga
Oswego

Finger Lakes

Genesee
Livingston
Monroe
Ontario
Orleans
Seneca
Wayne
Wyoming
Yates

Hudson Valley

Dutchess
Orange
Putnam
Rockland
Sullivan
Ulster
Westchester

Long Island/New York City

Nassau
New York City
Suffolk

Mohawk Valley

Fulton
Herkimer
Madison
Montgomery
Oneida
Schoharie

North Country

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

Southern Tier

Broome
Chemung
Chenango
Delaware
Otsego
Schuyler
Steuben
Tioga
Tompkins

Western New York

Allegany
Cattaraugus
Chautauqua
Erie
Niagara

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

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

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

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

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

ANALYSIS OF AID CHANGES UNDER THE 2005-06 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS *

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

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

B. BY NEED/RESOURCE CAPACITY CATEGORY

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

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

ANALYSIS OF AID CHANGES UNDER THE 2005-06 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS WITHOUT TRANSPORTATION, BUILDING AND BUILDING INCENTIVE

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

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

B. BY NEED/RESOURCE CAPACITY CATEGORY

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

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