

***New York State Board of Regents
Proposal on
State Aid to School Districts
For School Year 2012-13***

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

Regents Proposal on State Aid to School Districts for School Year 2012-13

Executive Summary

The challenges of promoting the Regents Reform agenda and strengthening student outcomes for all subgroups in the context of a severe fiscal decline are considerable. The overarching goal of this proposal is to support and improve the educational system for all students in New York State by re-engaging the Foundation Aid approach to funding school districts with a progressive funding formula while ensuring that no school district will lose Foundation Aid.

The Regents recommend the State appropriate all funds available to education within legal limits as a method for strengthening New York's economy through education. This includes \$755 million in increased funds for General Support to Public Schools and \$50 million for the first year of implementation of performance improvement and management efficiency grants authorized in the 2011 budget. The Regents recommend the State take a multi-year approach and implement improvements in the distribution of expense-based aids for school construction, pupil transportation and shared services, thereby freeing more resources in the future to support continued growth in Foundation Aid. The Regents recommend strategic use of BOCES as regional leaders, multi-district reorganizations, regional high schools, continued mandate relief and support for options for addressing health insurance costs for school district employees. The Regents recommend that 73 percent of these funds be allocated to high need school districts and 27 percent to all others to strengthen the provision of educational opportunity in school districts with the least ability to raise revenues locally.

Exhibit A shows the aid the Regents recommend by major category of State support with an overall increase of \$755 million in support for school districts in 2012-13. Exhibit B shows the distribution of computerized State Aid changes for high need school districts and all other school districts from 2011-12 to what is proposed for 2012-13. Exhibit C shows the distribution of computerized aid for each enrolled student in the State and compares the estimated amount of aid per student in 2011-12 with the proposed amount per student in 2012-13. Exhibit C shows that, under the Regents proposal, aid increases for all categories of school districts with the greatest increases experienced for high need school districts.

Exhibit A

2012-2013 Regents State Aid Proposal NEW YORK STATE

(all figures in millions)

Program	2011-12 School Year	Regents 2012-13 Request	Regents - Change from Base
General Purpose Aid	<u>\$12,991</u>	<u>\$13,482</u>	<u>\$491</u>
Foundation Aid	\$14,894	} \$12,949	
Academic Enhancement Aid	\$27		
High Tax Aid	\$205		
Supplemental Public Excess Cost Aid	\$4		
Gap Elimination Adjustment	(\$2,557)		
Adjusted Foundation Aid Subtotal	\$12,573	\$12,949	\$376
Charter School Transitional Aid	\$27	\$31	\$4
Formula High Tax Aid	\$0	\$58	\$58
Reorganization Incentive Operating Aid	\$3	\$3	\$0
General Purpose Aid Subtotal	<u>\$12,603</u>	<u>\$13,041</u>	<u>\$438</u>
Aid for Early Childhood Education	\$388	\$441	\$53
Support for Pupils with Disabilities	<u>\$792</u>	<u>\$861</u>	<u>\$69</u>
Private Excess Cost Aid	\$317	\$363	\$46
Public High Cost Excess Cost Aid	\$475	\$498	\$23
BOCES\Career and Technical Ed.	<u>\$917</u>	<u>\$940</u>	<u>\$23</u>
BOCES Aid	\$704	\$721	\$17
Special Services - Aid for Academic Improvement	\$51	\$51	\$0
Special Services - Career Education Aid	\$125	\$130	\$5
Special Services - Computer Admin. Aid	\$37	\$38	\$1
Instructional Materials Aids	<u>\$281</u>	<u>\$289</u>	<u>\$8</u>
Hardware & Technology Aid	\$37	\$39	\$2
Library Materials Aid	\$19	\$20	\$1
Software Aid	\$46	\$47	\$1
Textbook Aid	\$179	\$183	\$4
Expense-Based Aids	<u>\$4,236</u>	<u>\$4,397</u>	<u>\$161</u>
Building Aids	\$2,630	\$2,721	\$91
Transportation Aids	\$1,606	\$1,676	\$70
Computerized Aids Subtotal	<u>\$19,217</u>	<u>\$19,969</u>	<u>\$752</u>
All Other Aids	<u>\$284</u>	<u>\$287</u>	<u>\$3</u>
Total GSPS	<u>\$19,501</u>	<u>\$20,256</u>	<u>\$755</u>

Exhibit B

Computerized State Aid Changes How They Are Distributed

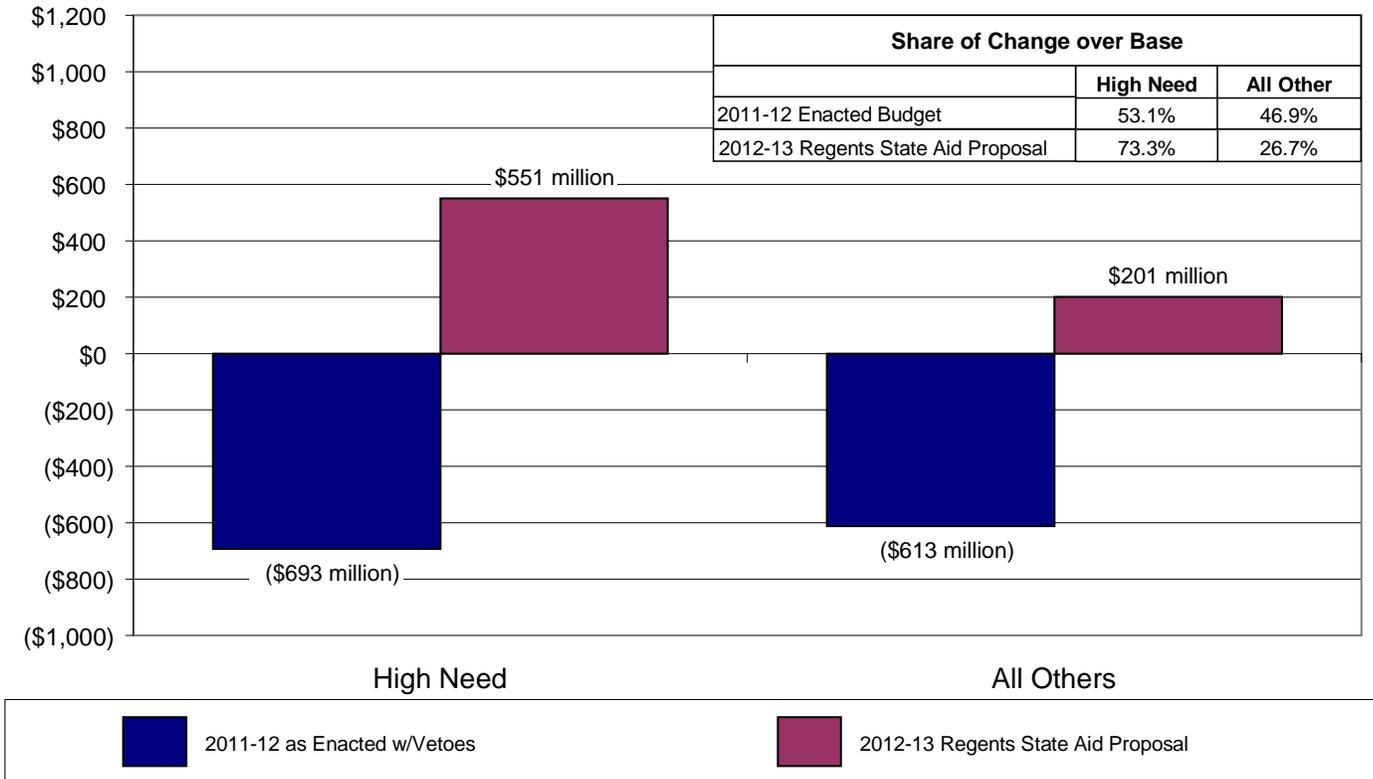
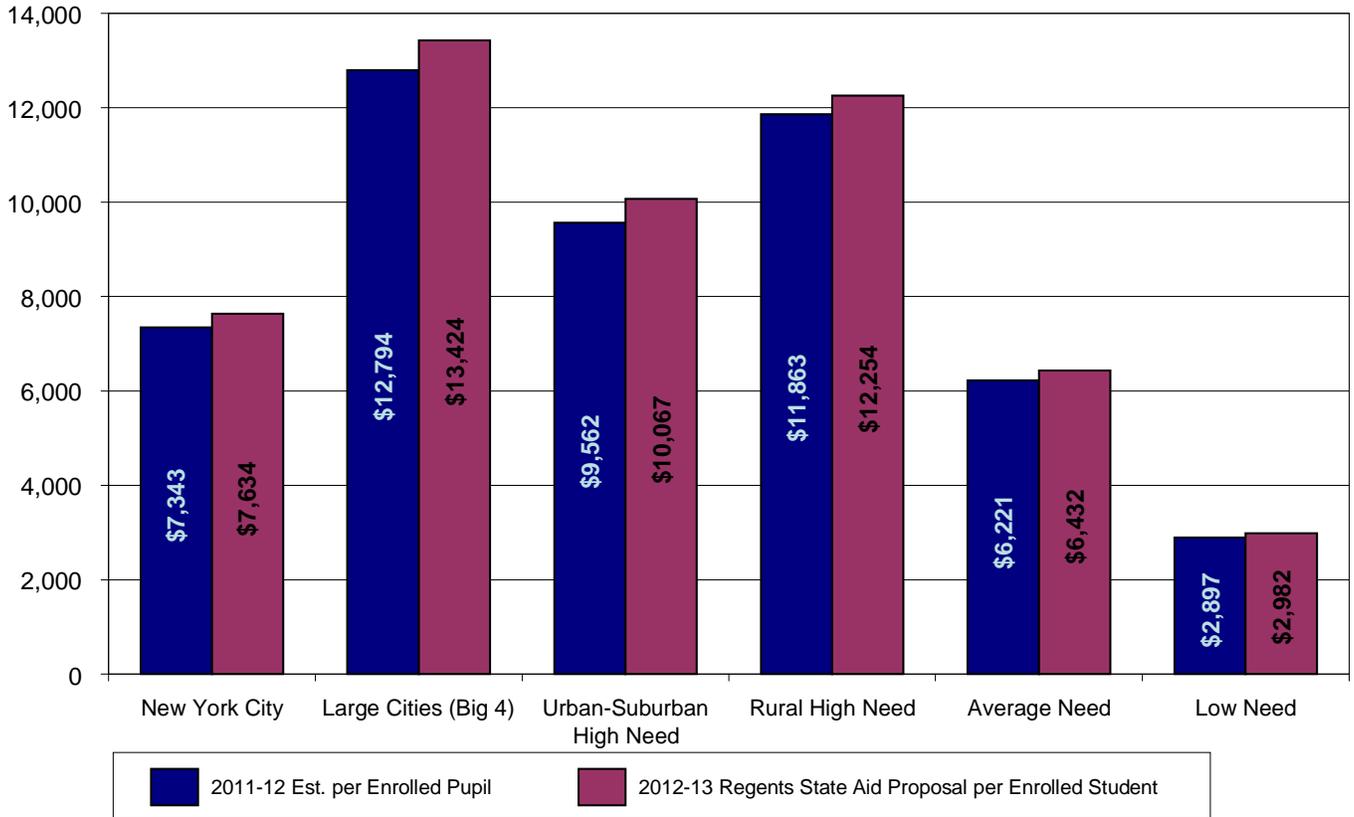


Exhibit C

Distribution of Computerized Aid per Enrolled Pupil



Introduction

The Regents Reform agenda to improve teaching and learning in New York State is underway as school districts and BOCES work to implement teacher evaluation systems and Common Core curriculum and instructional approaches, develop longitudinal data systems to provide accountability from preschool through high school, college and work, and support struggling schools. The Regents have changed the focus from minimal competency to proficiency to ensure success for students following their high school education.

At the same time, a prolonged national economic slow down has resulted in states and school districts limiting education funding. New York State and its school districts are seeking solutions to operating more effectively in the midst of a difficult economy. This proposal provides key recommendations to answer the following question. How can we contain growth in costs, in response to constrained revenues in an unprecedented fiscal crisis, while increasing learning opportunities and student outcomes that support college and career readiness?

A review of the fiscal challenges facing New York State school districts sets the context within which the Board of Regents will advocate for a State Aid proposal. Legislative changes aimed at promoting reforms and cutting costs are presented, along with the impact of the withdrawal of federal stimulus funds, major expenditure trends in schools, and demographic changes that affect school districts' financial stability. The challenges facing school districts include the need to implement reforms to raise student achievement leading to college and career readiness juxtaposed alongside a dire economy for school district budgets now and into the future.

Value of Investing in Education

Our future global economic competitiveness requires that our State's educational system graduate high school students who can enter college or begin their careers with the capacity for critical thinking and the demonstration of high-level skills. Some students fall into this category, but not nearly enough. Recent data for New York State reveals that only 73 percent of all students who started ninth grade in 2006 graduated four years later (84 percent white; 58 percent black; and 57 percent Hispanic). While the four-year graduation rate does represent a slow but steady improvement from prior years, the achievement gap between student subgroups continues to represent a challenge. When measures of college and career readiness are factored in, the results are even more discouraging. A mere 37 percent of all high school graduates were considered sufficiently proficient to effectively engage in college and careers when indicators of future success were reviewed. Among student subgroups the indicators of college and career readiness were even more dismal with 13 percent of black students and 15 percent of Hispanic students considered ready.¹

Investing in education is key to New York State's economic recovery. The Regents Reform Agenda aims to increase the productivity of New York State schools by focusing on and improving the quality of teaching and learning. These reforms provide a clear

¹ Source: NYSED Office of Information and Reporting Services, 2010.

path to college and career readiness. Since New York State won the Race to the Top competition and the award of \$696 million, it has reached out to educators and administrators in many significant ways. For example, approximately 500 educators have received intensive training on the Common Core, Data Driven Instruction and teacher evaluation at three events involving 9 days and over 75 hours of focused, interactive professional development. These educators in turn have returned to school districts and engaged teachers and principals in their regions in these efforts to strengthen teaching and learning. A better educated population will ensure greater competitiveness of New York State in the nation and of the United States in the world. A better educated population is less likely to need costly social services and incarceration. While these reforms are teaching educators how to do more with less, the use of resources in support of the reform will be critical to its ultimate success. This proposal seeks to identify those key investments and changes to the existing school finance system to support a highly productive and efficient education system.

State Aid is Capped and Local Revenue-Raising Options are Constrained

Foundation Aid Formula

The Foundation Aid approach to funding school districts was enacted into law beginning in the 2007-08 school-year. The foundation formula had several goals including adequate funding for a sound basic education in response to the Campaign for Fiscal Equity decision; increased flexibility through the consolidation of about 30 existing aids; and transparency and predictability by reducing the number of formula components. The Foundation Formula has four basic components:

- 1) A base amount per pupil reflecting the cost to educate students, as determined by the amount spent by successful school districts;
- 2) A regional cost index to ensure a dollar of State Aid can buy a comparable level of goods and services around the State ;
- 3) An expected minimum contribution by the local community; and
- 4) The pupil need index recognizing added costs for providing extra time and extra help for students with special circumstances.

At the time the State enacted the formula it was anticipated that Foundation Aid would provide districts with an additional \$5.5 billion to be phased in over a four-year period. In 2007-08, districts received an additional \$1.1 billion and in 2008-09 another \$1.2 billion. With the onset of the State's fiscal crisis the Foundation Aid phase-in was halted in 2009-10 and has been frozen at 2008-09 levels since that time. There is a disproportionate effect of freezing aid on high need, low wealth school districts, which rely most heavily on State funds as the largest portion of their total budgets, and have more limited capacity to raise additional revenue through tax increases.

Gap Elimination Adjustment

A Gap Elimination Adjustment (GEA), first enacted by the Legislature in 2009 and made a permanent section of law in 2011, seeks to close the gap between the budgeted State expenditures and revenues available to support them. In 2009-10, the \$1.5 billion Deficit

Reduction Assessment (DRA) was offset through the use of federal stimulus funds. However, in 2010-11 the GEA reduced State Aid to districts by \$2.1 billion and, while this reduction was somewhat offset by the availability of federal stimulus funds, district losses eroded the gains made through the Foundation Aid phase-in. The 2011-12 GEA reduced aid by \$2.6 billion in a manner which provided high need and average need districts with the largest per pupil cuts.

As the GEA is now a permanent part of law, the Regents are seeking a solution that addresses the needs of high need and average need districts.

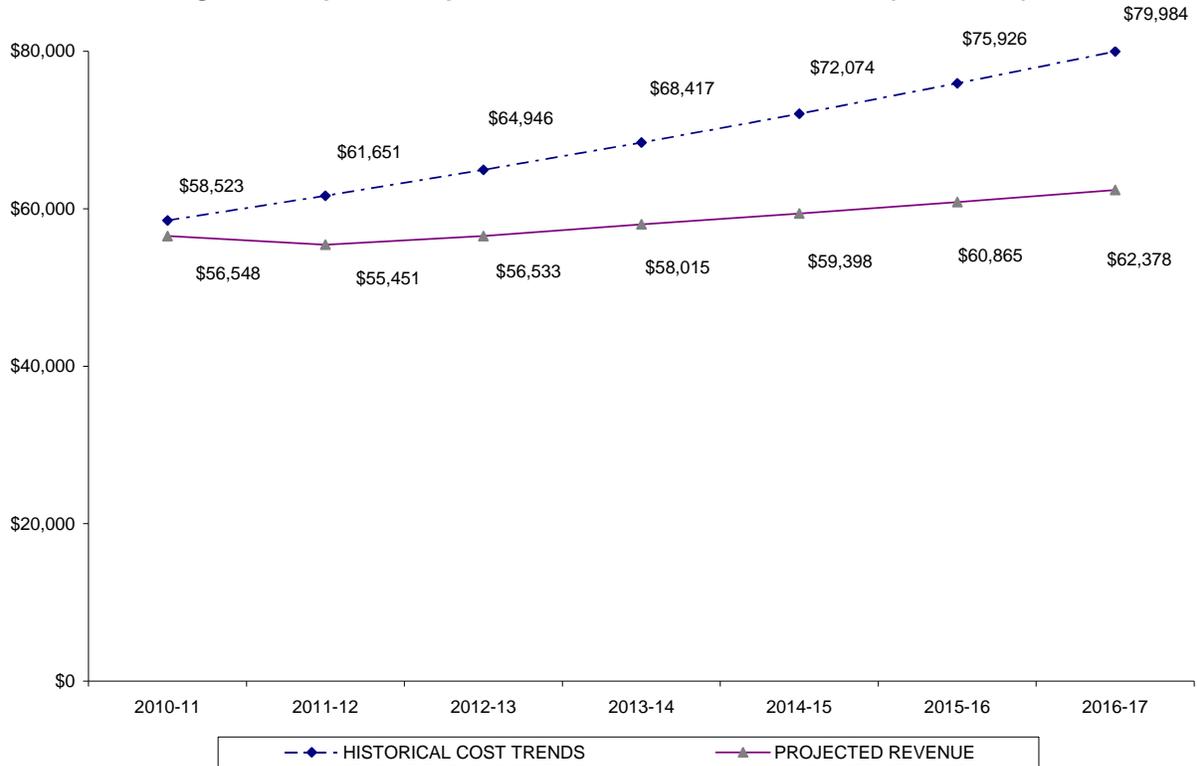
A Tax Levy Cap Places Limits on Local Revenue for Education

Beginning in 2012-13, districts' ability to increase property tax levies will be constrained. The new property tax cap law, enacted in 2011, restricts tax levy increases for local governments, most school districts and other smaller independent entities, such as library, fire or water districts. The Big Four city school districts are not subject to the tax cap although the Big Four cities' total budgets, including school districts, are subject to the tax cap imposed on municipalities. New York City is exempted from the cap.

Under the tax cap, school districts may not increase their tax levy by more than the rate of inflation, as measured by the consumer price index (CPI), or 2 percent, whichever is less plus an allowance for certain increases in pension costs, tort actions and local capital costs, without a super majority vote of 60 percent. In cases, where the district does not have a budget approved by the voters and adopts a contingency budget the tax levy is frozen to the prior year's levy.

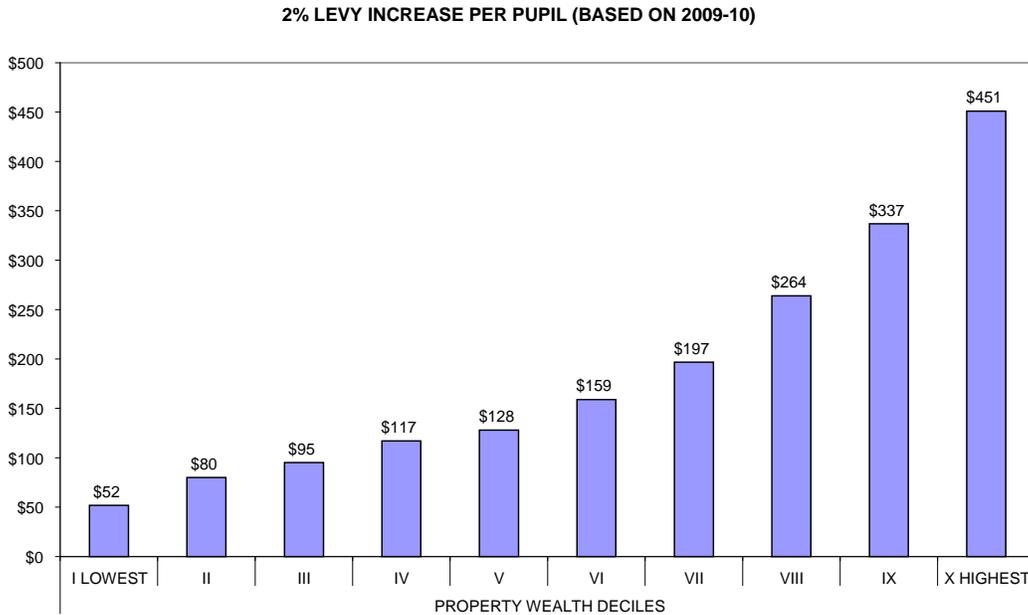
Figure 1 presents the projected impact on the levy and State Aid caps on school districts compared with historical cost trends.

Figure 1: Impact of Caps on Revenues for School Districts (in millions)



The tax levy cap not only limits districts' ability to raise revenue, it also heightens the need for the equitable distribution of funding. A percentage cap is affected by the size of the levy, which varies considerably among districts. The cap is especially restrictive for low property wealth districts that are significantly limited in the amount of revenue that they can raise with each percentage point increase in the levy. Figure 2 shows the levy increase per pupil that would be allowed under the cap for school districts ranked by property wealth. The wealthiest districts would be allowed a levy increase that is approximately nine times greater than the poorest districts.

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



Cap on Future General Support for Public Schools

The current law states that for the 2012-13 school year, and thereafter, the tax levy cap will be accompanied by a cap on General Support to Public Schools (GSPS). The cap on General Support to Public Schools will be limited to the rate of growth in personal income in New York State. This is estimated to be about 4.1 percent or approximately \$805 million in 2012-13 based on a five year average. For future years, this cap will be based on a one year change which will likely result in greater volatility.

All State payments to school districts and BOCES for GSPS aids, including expense-based aids such as building aid, transportation aid and shared services aids, must be paid from funds available within the overall cap. The GSPS aids are estimated to cost an additional \$265 million in 2012-13. In addition, \$50 million of the overall increase is set aside for two new competitive grant programs for performance improvement and management efficiency. Funding for the new competitive grant programs will continue over the coming years.

Beginning in 2012-13, if growth in GSPS aids and the competitive grant set-aside exceed the allowable increase, the Gap Elimination Adjustment will be increased to contain overall growth within legislated limits. If programmed increases are less than the limit established by the growth in income, the Legislature may enact provisions to allocate the remaining amount, such as with specific priorities given to continuation of

the extended phase-in of Foundation Aid and reduction or elimination of the GEA. Unless the Legislature and Executive enact a provision, Foundation Aid and the GEA are continued at previous year's levels.

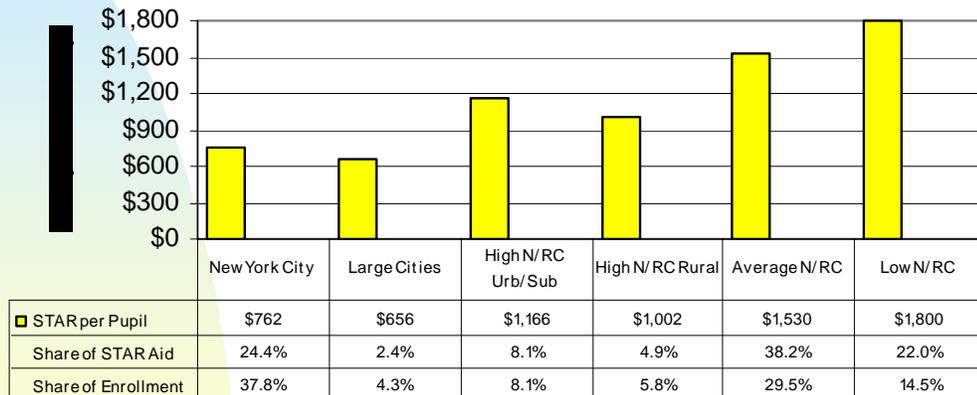
New Competitive Award Programs

Two competitive grant programs, intended as incentives for supporting school district efficiency and improved student academic performance, will begin in 2011-12 and be spread over several years. A \$250 million School District Management Efficiency Award Program will reward districts for efficiencies in the administrative component of the budget, in pupil transportation capital and operating expenses and in non-personal service costs in the instructional component of the budget. A \$250 million School District Performance Improvement Awards Program will reward school districts for improvement in student achievement especially for historically underserved student populations.

School Tax Relief

In addition to school aid, New York State provides property tax exemptions to New York State homeowners. The School Tax Relief (STAR) Program provides Basic and Enhanced STAR Property Tax Exemptions to New York State homeowners for their primary residence. Basic STAR is available to anyone who owns and resides in their own home. Enhanced STAR is available to senior homeowners whose incomes do not exceed a statewide standard. The State makes approximately \$3 billion in payments each year to school districts to compensate them for reduced property tax receipts. Since STAR payments are linked to the value of the properties the program heightens the need for the equitable distribution of funding. Figure 3 provides details.

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



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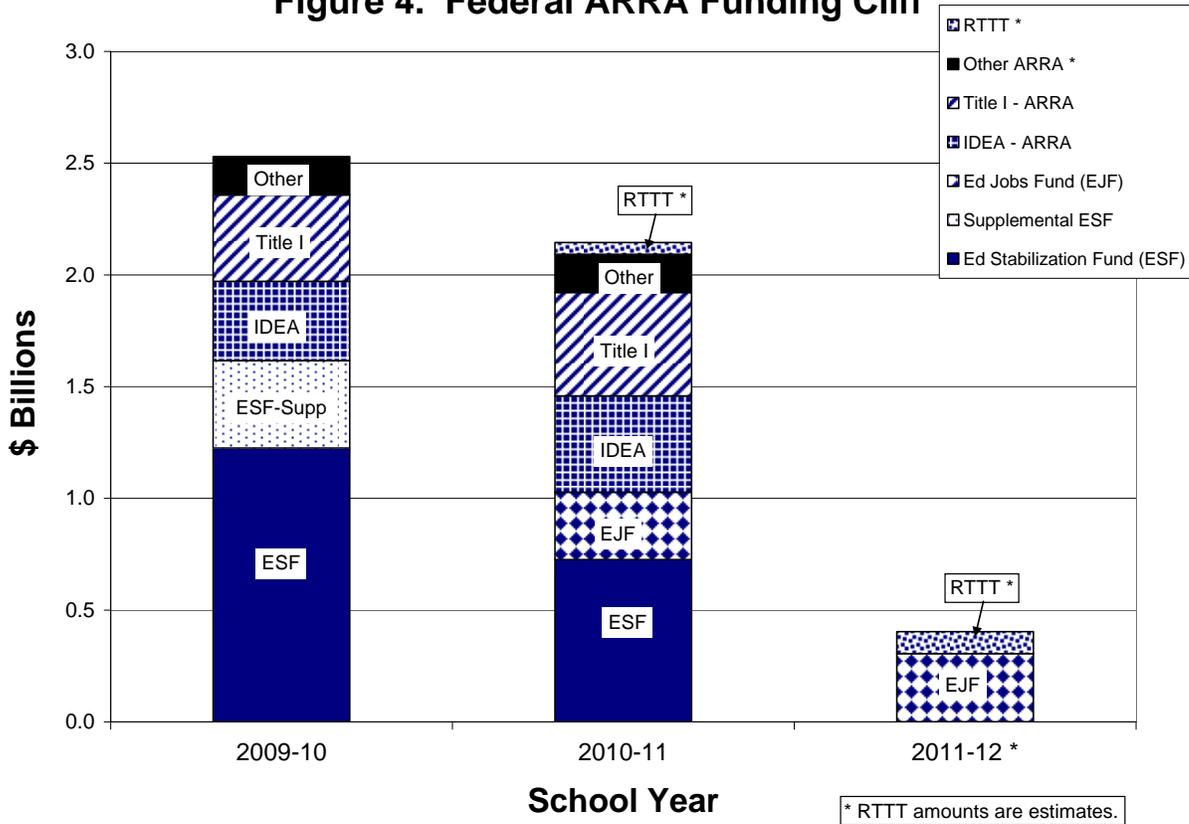
The Federal “Funding Cliff”

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

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

While these funds have helped to stabilize school district budgets, the inability of the economy to restore State revenues has created problems for school districts as they attempt to continue current educational programs. Figure 4 shows the stimulus funds provided in 2009-10 and 2010-11 and the drop in these funds beginning in 2011-12. These funds will further decline in 2012-13 when Education Jobs Funds will expire. In addition, \$696 million in federal Race to the Top funds spread over four years will help school districts initiate new reforms to improve student achievement.

Figure 4. Federal ARRA Funding Cliff

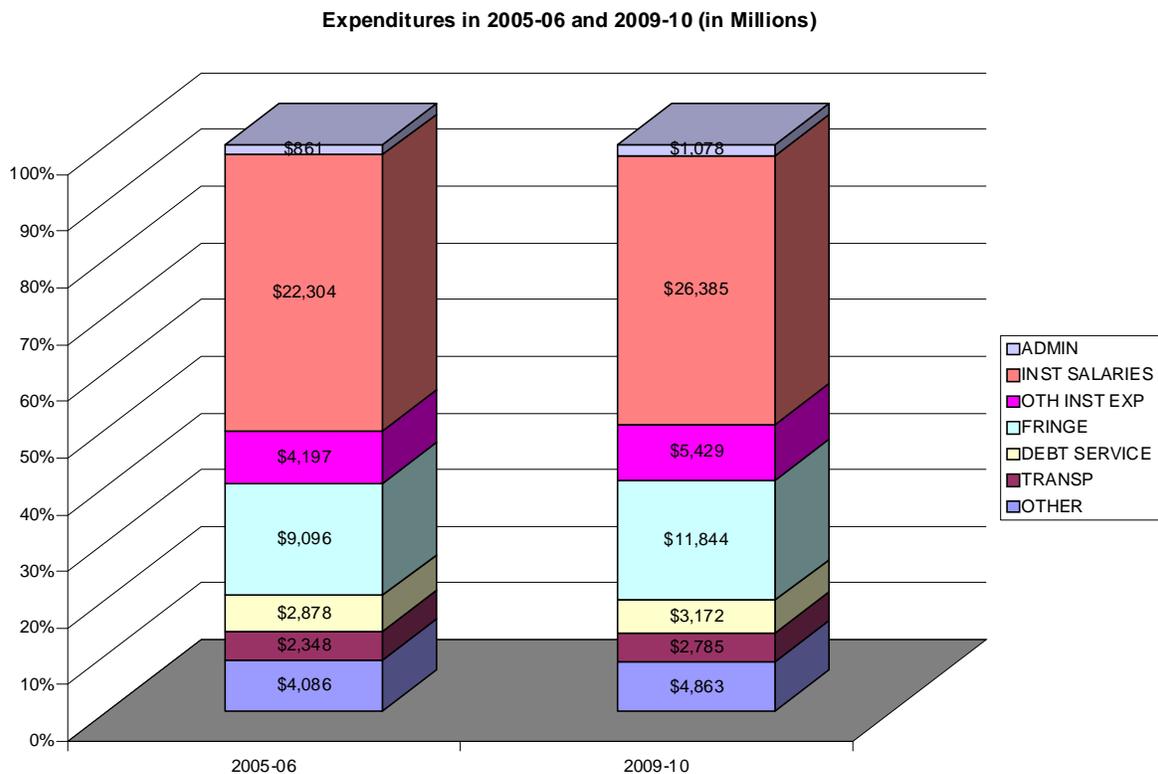


Education Expenses Continue to Increase

Although the historical rate of growth in school expenditures has been 5.3 percent school districts have made some progress in modifying the rate of growth of overall expenditures. The chart in Figure 5 presents the projected impact of the levy and State Aid caps on school districts compared with historical cost trends. If total expenditures were to continue to grow at the rate of 5.3 percent annually, 2016-17 school year expenditures would reach almost \$80 billion. Projected revenues, which assume the two percent cap on local property tax levy growth and no growth in federal aid or STAR, will reach only \$62.3 billion in 2016-17. Therefore, considerable reductions in spending and programs will be necessary if the State is to stay within projected available revenues.

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

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



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

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

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

Decreased tax revenues and financial market losses have also negatively affected all levels of government and are exacerbated by demographic changes resulting in enrollment declines and growing numbers of retired personnel. Expenses for teacher retirement, employee health and other instructional expenses, including charter school payments, have increased from two to more than three times over the same period. Retirement contributions that are required to be paid by districts have increased significantly, due in part to the increasing number of retirees in the system, as well as the performance of retirement fund investments. The volatility of the stock market has resulted in districts paying more in retirement contributions in this weakened economy, compounded by a growing number of retirees for whom school districts must support health care and retirement costs.

Initial data submitted by school districts for expenses incurred in the 2010-11 school year reflected a \$135 million reduction from the prior year estimates, showing that moderation in spending by districts may be beginning to slow the rate of the increase in formula-driven aids.

Additional Factors That Affect Spending

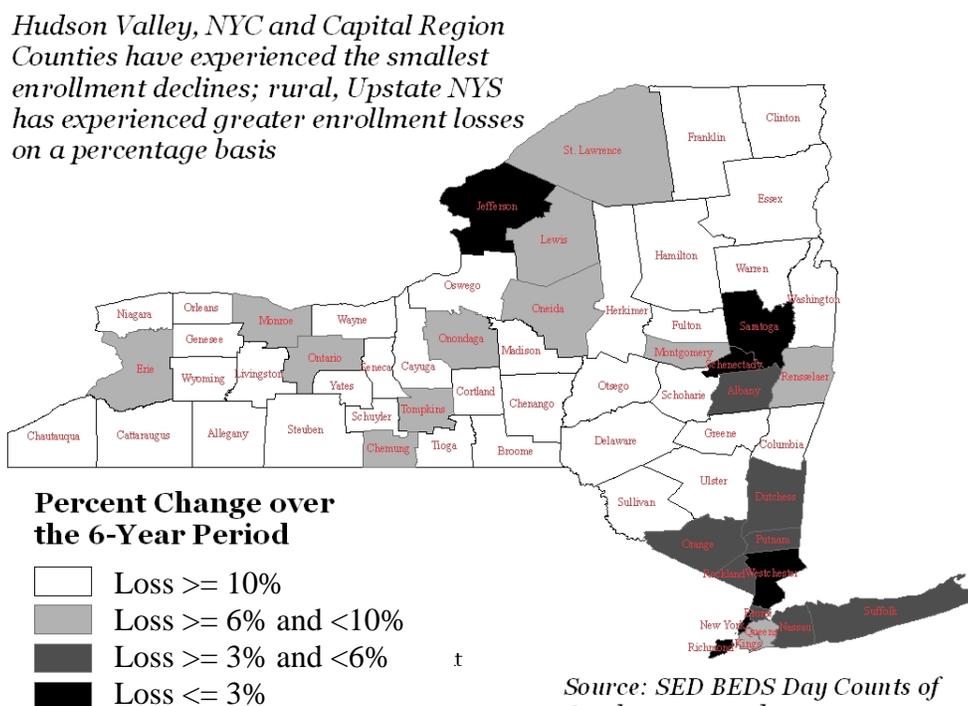
School District Efforts to Address Fiscal Challenges

In the Property Tax Report Card that districts submitted in May 2011, which projected budgeted expenses for the 2011-12 school year compared with the 2010-11 school year that was about to end, districts projected an increase in budgeted expenditures of 1.4 percent. This projection required an average tax levy increase of 3.4 percent. New York State voters passed 93 percent of school district budgets, in large part because of the responsible budgets that school districts put forward to voters. Anecdotally, many districts' modest budget increases were accomplished through a combination of negotiated contract changes to salaries and benefits, reductions in non-personnel expenses, attrition and staff reductions, including lay offs.

Enrollment Trends

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

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



Mandate Relief Efforts

Statutory and regulatory changes also provided some mandate relief to school districts in 2011 and are listed below. Further, in November 2011 the Board of Regents reviewed and accepted a list of mandate relief recommendations for special education services. Public hearings were conducted around the State and over 700 comments received in response to the mandate relief items which were initially proposed in May 2011. Regulatory and legislative amendments would align State requirements for special education students with the federal Individual with Disabilities Act (IDEA) legislation. Currently, State laws and regulations exceed those mandated by IDEA.

Statutory Mandate Relief

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

Regulatory Mandate Relief Enacted by the Board of Regents:

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

In the spring of 2011, the Board of Regents discussed and supported a number of important mandate relief measures. A comprehensive legislative package was introduced (S.5816) and included some of the provisions that were adopted this year. The Board has approved a Regents Legislative Proposal on mandate relief for 2012 that would continue and expand upon the remaining proposals advanced earlier this year.

As part of this continuing effort, the Regents identified and sought public comment concerning a number of legislative and regulatory changes that would provide mandate relief in special education, without adversely impacting services for students with disabilities. The Regents directed Department staff to prepare legislative and regulatory language in the following areas to:

CSE and CPSE Membership

- Propose legislation to amend section 4402 of the Education Law to more closely align the membership of the CSE to the federal IEP team membership.
- Propose legislation to amend section 4410 of the Education Law to more closely align the membership of the CPSE to the federal IEP team by repealing the requirement that the CSE membership must include an additional parent of a child with a disability.

Preschool Evaluations

- Propose legislation to repeal the requirement in section 4410(4)(b) of the Education Law that the parent selects the preschool evaluator.
 - In selecting the evaluator, the district must consider the parent's expressed preference, if any, for the evaluator.
- Propose legislation to amend section 4410(9-a) of the Education Law to establish that all school districts are automatically approved evaluators of preschool students suspected of having a disability without the need to submit an application to the Department.
- Propose regulations to amend section 200.16(c), (e) and (f) of the Regulations of the Commissioner of Education, as needed, to require the preschool initial evaluation be completed within 60 calendar days of receipt of parent consent to evaluate.

Individual Evaluations

Repeal the requirement in section 200.4(b)(2) that, when a school psychologist determines that it is unnecessary to administer an individual psychological evaluation as part of a reevaluation of a school age student with a disability, he or she must prepare a written report of that determination.

Planning and Reporting Requirements

- Propose legislation to repeal section 4402(1)(b)(3)(h) that the school district must provide a form to parents of certain children with disabilities who are veterans of the Vietnam War for a report to the Division of Veterans' Affairs for research purposes.
- Propose legislation to repeal the requirement in section 4402(1)(b)(3)(d-2) that boards of education develop plans and policies for appropriate declassification of students with disabilities.

Approval of Certain Early Intervention Programs

Propose legislation to repeal section 4403(18) of the Education Law that the Commissioner of Education must approve the provision of early intervention services by approved preschool providers.

Commissioner's Appointment to State-Supported Schools

Propose legislation to repeal the requirements in section 4201 of the Education Law that the Commissioner make appointments to State-supported schools and that the State-supported schools evaluate the student in addition to the evaluation conducted by the school district.

Statewide Proposals Support Greater Efficiency

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

School Reorganization Process

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

Regional High Schools are an approach to reorganizing school districts for greater efficiency and effectiveness. The law authorizing Central High School Districts, revoked in 1944, was reinstated in 1981 to enable the formation of central high school districts in Suffolk County, only. In 1999, one school district was formed from the reorganization of two local districts, Eastport Union Free School District and South Manor Union Free

School District. Department staff have been exploring whether this or other approaches to regional high schools may prove beneficial in other counties in the State. This option may be particularly useful in improving the instructional programs in school districts on the verge of “educational insolvency” or the inability to provide a quality educational program.

Recommendations

Support a More Efficient and Effective Foundation Aid

With Foundation Aid frozen since 2009-10 and two years of cuts in General Support for Public Schools (GSPS) using the Gap Elimination Adjustment (GEA) method, the progress that was made during the first two years of the Foundation Aid phase-in has been eroded.

The cap on GSPS will limit the increase in new State revenues available to school districts to about \$805 million (the capped maximum) less the increase in GSPS aids and grants (including the State’s share of expense-based aids and the annual portion of the competitive grant programs), resulting in approximately \$400 - \$500 million for allocation to school districts. This amount is insufficient to support the elimination of the 2012-13 proposed \$2.6 billion GEA and re-start the phase-in of the foundation formula. A multi-year approach is needed to restore the “foundation” to Foundation Aid.

Therefore, while funding options available within the Regents State Aid proposal are limited, definitive steps need to be taken to simplify the approach to funding school districts in 2012-13 and to make the distribution of funding more progressive. It is proposed that amount of aid districts received in 2011-12 for Foundation Aid, High Tax Aid, Academic Enhancement Aid and Supplemental Excess Cost Aid less the GEA reduction provide the Foundation Aid base for moving forward and that any funds available within the State Aid cap be used to restart the Foundation Aid phase-in with a new target for full phase-in set for 2019-20. The approach is similar to when Foundation Aid was created in 2007-08 by consolidating a number of categorical aids. In addition, the Foundation Aid formula should be updated with more current enrollment numbers, measures of student need and regional cost index.

Expense-Based Aids

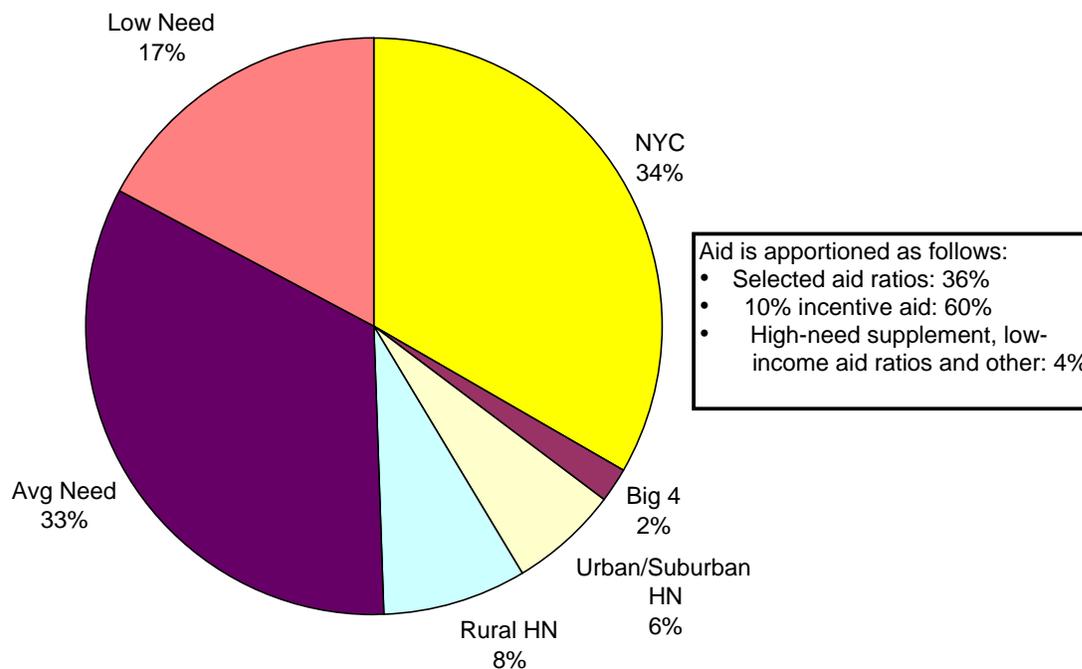
By supporting more aggressive cost-containment measures in the expense-based aids, the Regents propose to shift a greater percentage of State resources allotted for the General Support for Public Schools toward instructional educational costs. This will have an impact on State Aid for future years. The Regents are not proposing changes for this year because school districts have already incurred expenses. This proposal recommends changes in State Aid be enacted now for future years based on projects that voters (or school boards in cities with more than 125,000 inhabitants) approve for school districts on or after July 1, 2012 to avoid the rapid growth of expense based aids.

Increased Accountability for Sound and Sustainable School Buildings

Expense-based aids, such as Building Aid, continue to grow while State revenues needed to sustain the P-12 educational system are dwindling. The cost of Building Aid in 2010-11 was estimated to be approximately \$2.4 billion, which represents an increase of approximately 10 percent each year since 2005-06. While increases in Building Aid continue at an unsustainable rate, the total amount for General Support to Public Schools (GSPS) declined by 3.3 percent for the current school year. If State revenues continue to be constrained and as the State pays more to support the continual increase in Building Aid there is a commensurate reduction in funds available to support education costs overall.

It is imperative that the State move toward ensuring there is a balance between State support for school construction and State support for instruction. Toward this end, the State needs to modify the incentives that exist within the current funding approach. Building Aid formula enhancements, such as aid ratio enhancements and the choice of building aid ratios, have driven up the cost of school construction and diminished the accountability of the funding system. In 2010-11 approximately \$446 million of the total cost of Building Aid was due to formula enhancements of which \$223 million reflects aid to low need and average need districts. Figure 7 shows the distribution of Building Aid attributed to formula enhancements to groups of school districts.

Figure 7: The Distribution of Building Aid Attributed to Formula Enhancements



The following option provides recommendations for modifying Building Aid to contain costs within the current funding system.

Modify Building Aid

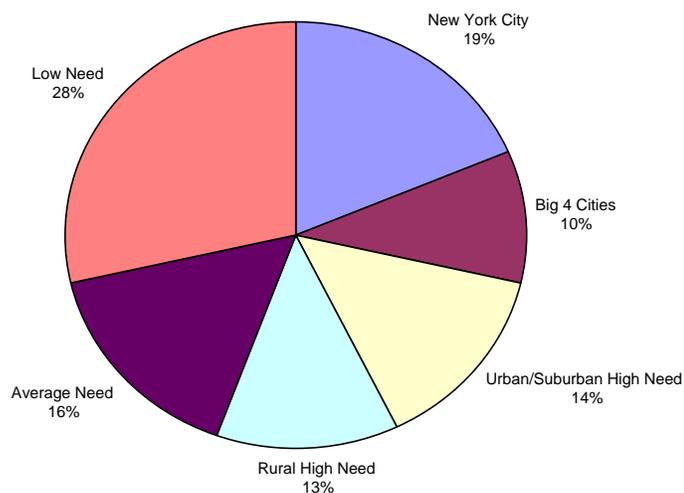
Even without a full restructuring of Building Aid, there are several options for controlling costs while continuing to provide students with sound and sustainable school buildings. Modifying some existing funding provisions would facilitate a more targeted disbursement of State funding for capital construction. The Regents recommend applying these changes prospectively. Some options include:

Eliminate Incentive Aid

In 1998 school districts uniformly received a ten percent increase in their State reimbursement rate for Building Aid. This “ten percent incentive aid” was enacted to spur capital investment in public school facilities and supporting them in becoming 21st century learning centers, as well as to eliminate problems associated with deteriorating facilities caused by aging structures and deferred maintenance.

School districts across the State took advantage of this incentive and in many districts State funds enabled significant infrastructure expansion and modifications with only a small local taxpayer match. Since the incentive was enacted in 1998, the State has approved over \$50 billion in public school infrastructure. The goal of encouraging school districts to invest State and local funds in their facilities has been accomplished and the additional State expense, i.e., the ten percent incentive, should be eliminated. It is estimated that once implemented this measure will save the State \$296 million annually. Figure 8 shows the distribution of 2011-12 Building Aid resulting from the ten percent incentive.

Figure 8: 2011-12 Distribution of Building Aid Attributed to 10 Percent Incentive

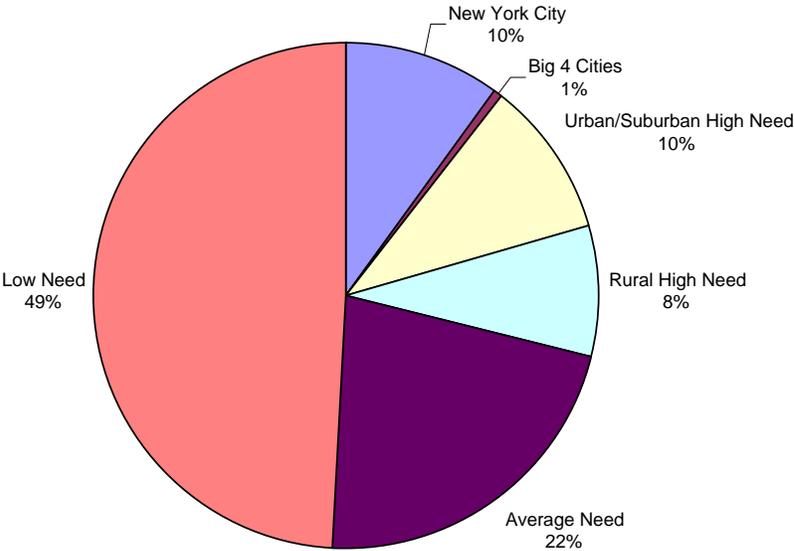


Eliminate the Selected Building Aid Ratio

School districts are given the option of selecting their most favorable Building aid ratio, or the State’s share of funding capital projects, dating back to 1981-82. In many cases, the ratio selected does not reflect the district’s current fiscal capacity. Those districts that have experienced an increase in wealth over the past 30 years can avoid paying their fair share of capital projects by passing on an increased share to the State. Alternatively, districts that have grown less wealthy over time opt to use the current building aid ratio as it results in a greater State share for capital construction. This results in the State paying more than needed to compensate districts for their ability to raise revenues locally.

Eliminating the selected aid ratio will require all districts to use their current aid ratio thereby reimbursing all districts according to their current fiscal capacity. In order to not retroactively change a district’s reimbursement schedule, it is recommended that the selected Building aid ratio be eliminated for new projects beginning in 2012-13. It is estimated that eliminating the selected Building aid ratio will save the State approximately \$175 million annually. Figure 9 presents the distribution of 2011-12 Building Aid attributed to aid ratio choices.

Figure 9: 2011-12 Distribution of Building Aid Attributed to Aid Ratio Choices



Discontinue State Support for Excessive Amounts of Incidental Costs

Another economic inefficiency results from the “incidental cost loophole” in which districts are allowed to implement large incidental projects for relatively small

construction work. The problem stems from the method by which the Department is required to calculate a district's allowable incidental costs associated with capital projects. Specifically, a Maximum Cost Allowance (MCA) or reasonable cost estimate is established for each project. The Department also calculates an incidental cost allowance which provides funding for construction related costs, including consulting and attorney fees, construction management, costs of publishing, advertising and public bidding, land acquisition and site work, etc. An incidental cost allowance of 20 percent is permitted for elementary schools and 25 percent for secondary schools. Therefore, a large high school project with an MCA of \$50 million would generate an incidental cost allowance of \$12.5 million for ancillary activities. Currently, State law would permit such a district to spend a minimum of \$10,000 in capital costs (of the entire \$50 million in MCA) to be eligible for the entire incidental allowance of \$12.5 million, and thus the term, "incidental cost loophole". In the current economic climate it is unreasonable to continue to allow districts to access the full amount of the incidental costs tied to the MCA for a capital project without embarking on the project. The funds generated by this loophole have been used to pay for projects and activities that are not directly related to the instruction of students. It is estimated that eliminating the incidental cost loophole will save approximately \$100 million or more annually.

It is recommended that any incidental costs permitted be tied to the *actual* cost of the construction project or that the State allow the loophole only for site improvements that relate to the infrastructure of the facility such as paving, safety, storm damage, etc. It is also recommended that a process be established via research and investigation, whereby exceptions would be allowed where structural issues might have a greater incidental cost than the actual construction cost.

Achieve Additional Savings from Sustainable Design and Building Practices

Long term savings can be achieved by adopting cost beneficial strategies that make the most efficient use of resources, including sustainable construction and long life cycle products. Requiring that districts select long lasting materials, such as high quality flooring, when constructing or renovating a facility makes good economic sense and provides the greatest cost benefit ratio. Currently, the amortization period the State uses may not necessarily reflect the useful life of the improvement of the building.

During these difficult economic times the State must be more strategic with its limited resources on building improvements or facility related purchases without a reasonable useful life. This is especially relevant when the improvement, or facility related expenditure, is rendered useless before the minimum time period for reimbursement (fifteen years) is reached. Therefore, it is recommended that a capital expense have a minimum useful life of 15 years in order to be eligible for Building Aid.

In addition, districts that adopt sustainable construction practices will require fewer State and local resources in the future. It is also cost-effective to require that school buildings comply with high performance design standards, such as the *best value based on life cycle cost*. Studies have shown that high performance school designs potentially save 20 times the initial investment over the life of the improvement as a result of energy efficiency, life cycle cost, low maintenance, and other items.

Support for high performance schools must be in concert with the practical application of implementing more far reaching energy savings approaches. State resources are most effectively used when there is a mutual benefit to both the State and the local entity. While renewable energy such as wind, geothermal, biomass and other green energy forms may be appropriate from the perspective of becoming more energy self-sufficient, the returns on investment make these impractical for using Education funding. For example, solar and wind systems have 80 year financial paybacks and geothermal heating systems cost the State 300 percent of a traditional high efficiency heating system. It is proposed that the State will pay State Aid on the reasonable amount of a traditional system. Should the locality choose to invest in reusable energy sources such as those mentioned herein, they would bear the costs of these projects.

Transitioning to Building Aid Changes²

In implementing the changes the Regents recommend on Building Aid, the needs and circumstances of individual school districts should be considered in the transition to the new funding system. A focus on transition is key to the success of the proposal. The Regents recommend the State continue Building Aid incentives for districts that have not yet taken significant advantage of them or have projects in the pipeline and still have buildings in need of critical facility upgrades.

Pupil Transportation

Regional Transportation Pilots

In New York State, 2.5 million children ride school buses and/or take public transportation to and from school each day. The expense-based Transportation Aid that partially supports the cost of this endeavor has been increasing at a rate of about five percent, or \$83 million, each year, which primarily reflects the increase in fuel costs. In 2008-09, school districts spent approximately \$2.8 billion for pupil transportation, for which they received \$1.5 billion in Transportation Aid or approximately 54 percent of the expense. Approximately 230 districts, or 34 percent, are reimbursed at the maximum Transportation aid ratio of 90 percent.

Chapter 378 of the Laws of 2010 authorized the Commissioner of Education to conduct pilot programs to assist school districts in the formation of regional transportation systems to begin addressing the issue of, “how can school districts contain costs while providing quality service delivery?” Four BOCES, representing 41 school districts, conducted pilots.

The purpose of the pilots is to quantify savings that can be associated with best practices. An inventory of best practices, and identification of current obstacles to efficiency, is being developed and savings quantified.

² This paragraph was added to the Regents proposal after discussion with the Regents Subcommittee on State Aid at its January 2012 meeting.

It is recommended that the multiple aid ratio choice be eliminated for Transportation Aid and that aid be made more progressive and responsive to school districts' current fiscal capacity, i.e., more strategically target aid to the highest need districts and support greater flexibility for shared pupil transportation services.

BOCES as Regional Leader

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

- Extend the existing BOCES capacity to provide all BOCES services available to school districts to charter schools as well.
- Maintain BOCES Aid at current levels where Cooperative Service Agreements support the Regents reform agenda.
- Make BOCES Aid more progressive .by eliminating the multiple aid ratio choices and refining the computation of the State share to better reflect districts' fiscal capacity.
- Provide authority for State agencies to contract with BOCES to provide such agencies with educational services that they are otherwise required by law to provide, including but not limited to, the operation of Committees on Special Education and the provision of special education and related services. Such agencies may include the Office of Children and Family Services, Office of Mental Health, Office for People with Developmental Disabilities, and the Division of Corrections.
- Provide authority for BOCES to provide services to the Big Four city school districts (Yonkers, Rochester, Syracuse and Buffalo), in addition to the career and technical education services currently authorized by law. These city districts should be given the authority to contract with BOCES in critical service areas where BOCES' capacity is greater than that of the respective city. Such services can include:
 - Arts and cultural programs for students;
 - Technology services provided through BOCES; and
 - School health services

Support for School District Organization for High Performance

Economy of scale has been identified as one barrier to the efficient delivery of services that effectively prepare students for college and career. Districts in some regions of the State may benefit from additional shared opportunities for students. A broad view of consolidation of programs and services supports streamlining the delivery of instructional and non-instructional programs to expand and strengthen academic opportunities, especially for students in high need rural areas that may be fiscally challenged to provide the breadth of opportunities available to students in more affluent urban and suburban areas.

Options to expand statewide reorganization efforts should continue to be explored, specifically regional or county level reorganization options that might create economies of scale, preserve or expand programmatic opportunities for students and provide a broader, equity-enhancing tax base. Montgomery County, Maryland is an example of a county-wide school district that was able to increase student achievement despite the district's growing enrollment and changing demographics.³

In order to better focus school district reorganization on student achievement, the Regents recommend the State:

- Explore reorganization options for school districts on a broader level, including consideration of multi-district reorganizations; and
- Expand legislation to allow regional high school districts permitted by law only in Suffolk County to occur in the rest of the State.

Explore Health Insurance Options for School District Employees

Health insurance for active and retired school employees is a cost area that has grown by 14.9 percent on average, annually, over the last 15 years. It is important to note that the long-term national trend for both public and private sector employees has been approximately ten percent growth per year.⁴ The more recent increase in New York State costs is likely to be driven by: 1) the relative greater age of the teaching workforce; 2) the greater availability of traditional indemnity (as opposed to managed care forms of) insurance such as the Empire Plan afforded to district employees; and 3) the large number of individual bargaining units i.e., the roughly 680 school districts

³ Source: "Differentiated Treatment in Montgomery County Public Schools", Richard Elmore, David Thomas, and Tonika Cheek Clayton. February, 2006: Public Education Leadership Project at Harvard University, A Joint Initiative of The Harvard Graduate School and Education and Harvard Business School.

⁴ From 1960 to 2007 health care expenditures grew 9.8 percent, annually nationwide, when averaged across all payor types and delivery settings (that is primary, acute and long term care).
Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, National Health Expenditure Accounts, National health expenditures, 2007. Available from:
<http://www.cms.hhs.gov/NationalHealthExpendData/>;

Statewide, including some of which are quite small and cannot benefit from economies of scale

It is also important to note the trade off between quality and cost. Specifically, when employers raise co-pays, deductibles or other cost-sharing measures with employees, many workers, particularly middle- and low-income workers may defer or not avail themselves of routine and preventative services that in the long-term can drive spending down.⁵

For example, there are several programs that might serve as models for expanded coverage, while reducing costs, and allowing districts to customize benefits to meet employee needs. For example, in 2009, there were at least 31 districts that were part of one or more multi-district health insurance consortia (a group of school districts that join together to purchase health insurance for their employees). The consortia are typically created through the Board of Cooperative Educational Services (BOCES). Experience reveals post-adoption cost savings relative to prior health expenses. Another advantage of consortia approach is that districts can presently create them without any changes in State law, regulation or policy.⁶

Additional Recommendations

Universal Prekindergarten

The Regents recommend that the Universal Prekindergarten grants be expanded and continue the progress that has been made toward the goal of making quality early childhood education available throughout New York State.

Continue Mandate Relief Efforts

The Regents support continued mandate relief to school districts, including but not limited to legislative and regulatory changes in the provision of special education programming previously delineated. The changes sought are expected to relieve school districts of some special education mandates that exceed those required by federal law without demonstrably reducing the services provided to students and providing greater flexibility to strengthen the overall general education programming for all students, including special education students.

⁵ The authors of this meta-analysis (located at: <http://jama.ama-assn.org/content/298/1/61.short>) is illustrative. In it, they concluded that: “*Pharmacy benefit design represents an important public health tool for improving patient treatment and adherence. While increased cost sharing is highly correlated with reductions in pharmacy use, the long-term consequences of benefit changes on health are still uncertain.*”

⁶ Examples of estimates and actual cost experience, as well as other particulars, are fleshed out in this report:

Condition Critical: Can Health Insurance Consortiums Rein In School District Health Care Costs? Available at: http://www.nysba.org/client_uploads/nysssba_pdf/ConsortiumReportFinal.pdf

High Tax Aid

The Regents also recommend the implementation of a modest High Tax Aid formula that recognizes the extraordinary burdens shouldered by taxpayers in districts with high costs.

Conclusion

Investing in education is key to New York State's economic recovery. The Regents Reform Agenda aims to increase the productivity of New York State schools by focusing on and improving the quality of teaching and learning. These reforms provide a clear path to college and career readiness. While these reforms are teaching educators how to do more with less, the use of resources in support of the reform will be critical to its ultimate success. This proposal seeks to identify those key investments and changes to the existing school finance system to support a highly productive and efficient education system.

Definitions of Need/Resource-Capacity Categories of New York State School Districts—January 2012

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 for 2011-12 School Year

Albany County

010100 ALBANY
010500 COHOES
011200 WATERVLIET

Allegany County

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

Broome County

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

Cattaraugus County

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

Chautauqua County

060401 CASSADAGA VALL
060601 PINE VALLEY
060701 CLYMER
060800 DUNKIRK
061501 SILVER CREEK

061503 FORESTVILLE
061700 JAMESTOWN
062301 BROCTON
062401 RIPLEY
062601 SHERMAN
062901 WESTFIELD

Chemung County

070600 ELMIRA

Chenango County

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

Clinton County

090201 AUSABLE VALLEY
090301 BEEKMANTOWN
090901 NORTHRN ADIRON
091200 PLATTSBURGH

Columbia County

101300 HUDSON

Cortland County

110101 CINCINNATUS
110200 CORTLAND
110304 MCGRAW
110901 MARATHON

Delaware County

120401 CHARLOTTE VALL
120701 FRANKLIN
120906 HANCOCK
121401 MARGARETVILLE
121601 SIDNEY
121701 STAMFORD

121702 S. KORTRIGHT
121901 WALTON

Dutchess County

130200 BEACON
131500 POUGHKEEPSIE

Erie County

140600 BUFFALO
141800 LACKAWANNA

Essex County

150203 CROWN POINT
150901 MORIAH
151501 TICONDEROGA

Franklin County

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

Fulton County

170500 GLOVERSVILLE
170600 JOHNSTOWN
171001 OPPENHEIM EPHR

Genesee County

180300 BATAVIA

Greene County

190401 CATSKILL

Herkimer County

210302 WEST CANADA VA
210501 ILION
210502 MOHAWK
210601 HERKIMER
210800 LITTLE FALLS

211003 DOLGEVILLE
211103 POLAND
211701 VAN HORNSVILLE
212001 BRIDGEWATER-W

Jefferson County

220301 INDIAN RIVER
220909 BELLEVILLE-HEN
221301 LYME
221401 LA FARGEVILLE
222000 WATERTOWN
222201 CARTHAGE

Lewis County

230201 COPENHAGEN
230901 LOWVILLE
231101 SOUTH LEWIS

Livingston County

240901 MOUNT MORRIS
241101 DALTON-NUNDA

Madison County

250109 BROOKFIELD
250301 DE RUYTER
250401 MORRISVILLE EA
251501 STOCKBRIDGE VA

Monroe County

261600 ROCHESTER

Montgomery County

270100 AMSTERDAM
270301 CANAJOHARIE
270701 FORT PLAIN
271102 ST JOHNSVILLE

Nassau County

280201 HEMPSTEAD
280208 ROOSEVELT

280209 FREEPORT
280401 WESTBURY

New York City

300000 NEW YORK CITY

Niagara County

400800 NIAGARA FALLS

Oneida County

410401 ADIRONDACK
410601 CAMDEN
411800 ROME
412300 UTICA

Onondaga County

421800 SYRACUSE

Ontario County

430700 GENEVA

Orange County

441000 MIDDLETOWN
441202 KIRYAS JOEL
441600 NEWBURGH
441800 PORT JERVIS

Orleans County

450101 ALBION
450801 MEDINA

Oswego County

460102 ALTMAR PARISH
460500 FULTON
460701 HANNIBAL
461801 PULASKI
461901 SANDY CREEK

Otsego County

470202 GLBTSVILLE-MT U
470501 EDMESTON
470801 LAURENS
470901 SCHENEVUS
471101 MILFORD
471201 MORRIS
471601 OTEGO-UNADILLA
472001 RICHFIELD SPRI
472202 CHERRY VLY-SPR
472506 WORCESTER

Rensselaer County

490601 LANSINGBURGH
491200 RENSSELAER
491700 TROY

Rockland County

500402 EAST RAMAPO

St. Lawrence County

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

Schenectady County

530600 SCHENECTADY

Schoharie County

540901 JEFFERSON
541001 MIDDLEBURGH
541401 SHARON SPRINGS

Schuyler County

550101 ODESSA MONTOUR

Seneca County

560501 SOUTH SENECA
561006 WATERLOO CENT

Steuben County

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

Suffolk County

580105 COPIAGUE
580106 AMITYVILLE
580109 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

Ulster County

620600 KINGSTON
622002 ELLENVILLE

Warren County

630918 GLENS FALLS COMMON
631201 WARRENSBURG

Washington County

640601 FORT EDWARD
640701 GRANVILLE
641301 HUDSON FALLS

Wayne County

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

Westchester County

660900 MOUNT VERNON
661500 PEEKSKILL
661904 PORT CHESTER
662300 YONKERS

Yates County

680801 DUNDEE

2012-13 Regents Proposal

Formula Components

General Purpose Aid

Foundation: The 2012-13 Foundation Aid is the sum of the 2011-12 Foundation Aid Base plus a Phase-in Foundation Increase (if the Phase-in Foundation Increase is zero, districts use the Selected Foundation Aid). The 2011-12 Foundation Aid Base is the sum of the Gap Elimination Adjustment, Academic Enhancement Aid, High Tax Aid, and Supplemental Public Excess Cost Aid. Districts are guaranteed no less than the 2011-12 Foundation Aid Base and aid cannot exceed a 15 percent increase over the 2011-12 Foundation Aid Base. The Phase-in Foundation Increase is 4 percent of the positive result of the product of: Selected Total Aidable Foundation Pupil Units (TAFPU) multiplied by Selected Foundation Aid, minus the 2011-12 Foundation Aid Base. Selected Foundation Aid is the greater of \$500 or Formula Foundation Aid. Formula Foundation Aid is the positive result of (a) a district-adjusted foundation amount which is the basic foundation amount for 2011-12 (\$5,776) multiplied by the consumer price index (1.026) multiplied by a phase-in foundation percent (1.1596) multiplied by a Regional Cost Index (RCI) multiplied by a Pupil Need Index (PNI) less (b) an expected minimum local contribution. The Selected TAFPU is based on Average Daily Membership (ADM) including dual enrollment plus additional weightings for: students with disabilities (including dual enrolled SWD) at 1.41, summer school at 0.12 and declassification pupils at 0.50. The PNI is 1 plus the Extraordinary Needs percent (based on economic disadvantage (weighted at .65), Limited English Proficiency (weighted at .50) and sparsity) and ranges between 1 and 2. The expected minimum local contribution is the product of Selected Actual Value per 2009-10 Total Wealth Foundation Pupil Units (TWFPU) and 0.0131 multiplied by an Income Wealth Index (which is based on 2009 Income and ranges from 0 to 2.0). TWFPU is based on ADM and eliminates additional weightings. For Foundation Aid, Selected Actual Value (AV) is the lesser of 2009 AV or the average of 2009 AV and 2008 AV.

Academic Enhancement: This aid is not continued for 2012-13.

Gap Elimination Adjustment: This aid reduction is not continued for 2012-13.

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

New High Tax: If 2010-11 Approved Operating Expense per TAPU for Expense is greater than the State Average (\$12,400) and the Income Wealth Ratio is less than 2.5 and the Tax Effort Ratio (i.e., 2009 residential levy as a percent of 2009 Income) is greater than 3.2 percent, then aid is the greater of \$50,000 or the product of \$250 multiplied by the State Sharing Ratio multiplied by 2011-12 public enrollment.

Operating Reorganization Incentive: For districts that reorganize after July 1, 2007, Operating Reorganization Incentive Aid is up to 40 percent of 2006-07 Formula Operating Aid, provided that the sum of 2006-07 Formula Operating Aid and Operating Reorganization Incentive Aid is limited to 95 percent of 2010-11 Approved Operating Expense.

Early Childhood Education

Full Day Kindergarten Conversion: For eligible districts, aid is based on Selected Foundation Aid per pupil multiplied by the increase in full day kindergarten enrollment from the base year to the current year. For aid in 2012-13, districts are eligible for Full Day Kindergarten Aid only once (in the year the district first converts).

Universal Pre-Kindergarten: The 2012-13 maximum grant is the sum of the 2011-12 Universal Pre-K grant payable (which can't exceed the 2011-12 maximum allocation) plus an increase calculated as the grant per pupil multiplied by the 2012-13 additional aidable pre-K pupils. The grant per pupil for the increase is 0.50 multiplied by the Selected Foundation Aid per pupil. The 2012-13 additional aidable pre-K pupils equal the phase-in factor multiplied by the result of the 2012-13 unserved count minus the 2011-12 base aidable pre-K pupils (BAPP). The 2011-12 BAPP is the lesser of the number of pupils the district applied to serve in 2011-12 or the 2011-12 maximum aidable pre-K pupils. The 2012-13 unserved count is the product of 0.85 multiplied by the remainder of the 2010-11 total public and non-public kindergarten count minus the 2011-12 resident four-year old pupils served in section 4410 programs for more than four hours per day. The phase-in factor for 2012-13 is 0.25. The 2012-13 maximum pupils are the sum of the 2011-12 BAPP and the 2012-13 additional aidable pre-k pupils.

Support for Pupils with Disabilities

Excess Cost - Private: Aid is for public school students attending private schools for students with disabilities. Net tuition expense is multiplied by the 2009 AV/2010-11 TWPU Aid Ratio ($1 - (0.15 * \text{Combined Wealth Ratio})$), minimum 0.50, maximum 1.0).

Excess Cost – Public High Cost: Aidable high cost expense per pupil must exceed 3.0 times the district's 2009-10 Approved Operating Expense/TAPU for Expense. The net aidable expense is then multiplied by the 2009 AV/2010-11 TWPU Aid Ratio $(1 - (0.51 * \text{Combined Wealth Ratio}))$, minimum 0.25, maximum 1.0).

BOCES/Career and Technical Education

BOCES: BOCES Aid is included for administrative, shared services, rental and capital expenses. Save-harmless is continued. Approved expense for BOCES Administrative and Shared Services Aids is based on a salary limit of \$30,000. Aid is based on approved 2011-12 administrative and service expenses multiplied by the greater of: the 2009 AV/2010-11 RWADA Aid Ratio: $(1 - (.51 * \text{RWADA Wealth Ratio}))$ or the millage ratio: $1 - (.008 / \text{the BOCES tax rate})$, with a .36 minimum and .90 maximum. Rent and Capital Aids are based on 2012-13 expenses multiplied by the 2009 AV/2010-11 RWADA Aid Ratio with a .00 minimum and a .90 maximum. Payable aid is the sum of these aids. Please see the 2011-12 Regents State Aid Proposal for the aid ratio changes recommended for aid in 2013-14.

Special Services Academic Improvement: Academic Improvement Aid equals the 2009 AV/2010-11 TWPU Aid Ratio $(1 - (.59 * \text{Combined Wealth Ratio}))$ with a .36 minimum multiplied by an amount, multiplied by the 2011-12 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16. The amount is \$100 plus the result of \$1,000 divided by the Combined Wealth Ratio (with a maximum of 1.0).

Special Services Career Education: Career Education Aid equals the 2009 AV/2010-11 TWPU Aid Ratio $(1 - (.59 * \text{Combined Wealth Ratio}))$ with a .36 minimum multiplied by \$3,900, multiplied by the 2011-12 Career Education pupils including the pupils in business and marketing sequences weighted at 0.16.

Special Services Computer Administration: Computer Administration Aid equals the 2009 AV/2010-11 TWPU Aid Ratio $(1 - (.51 * \text{Combined Wealth Ratio}))$ with a .30 minimum multiplied by approved expenses not to exceed the maximum of \$62.30 multiplied by the Fall 2011 public school enrollment with half-day kindergarten weighted at 1.0.

Instructional Materials Aids

Hardware and Technology: Aid is based on 2011-12 approved instructional computer hardware expenses (acquisition and limited repair and staff development expenses) up to the product of \$24.20 multiplied by the 2010-11 public and nonpublic enrollment multiplied by the 2009 AV/2010-11 RWADA Aid Ratio $(1 - (.51 * \text{RWADA Wealth Ratio}))$.

Library Materials: Aid is based on 2011-12 approved library materials expenses up to the product of \$6.25 multiplied by the 2011-12 public and nonpublic enrollment.

Software Materials: Aid is based on 2011-12 approved software expenses up to the product of \$14.98 multiplied by the 2011-12 resident public and nonpublic enrollment.

Textbook Materials: Aid is based on 2011-12 approved textbook expenses up to the product of \$58.25 multiplied by the 2011-12 resident public and nonpublic enrollment.

Expense-Based Aids

Building: Aid is equal to the product of the estimated approved building expenses multiplied by the highest of the 1981-82 through the 2011-12 AV/RWADA Aid Ratios or the Current 2009 AV/2010-11 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 2009 AV/2010-11 RWADA Aid Ratio. Up to 10 percent of additional Building Aid is provided for projects approved by voters on or after July 1, 1998. Building expenses include certain capital outlay expenses, lease expenses, and an assumed debt service payment based on the useful life of the project and a statewide average interest rate. The high need supplemental building aid ratio option is continued but the low income aid ratio option and the Tuckahoe provision are discontinued. Aid is not estimated for those prospective and deferred projects that had not fully met all eligibility requirements as of the November 2011 database.

Other changes recommended by the Regents for prospective projects include the following: For new projects beginning in 2012-13, the choice of building aid ratios and the 10 percent incentive are discontinued. All districts will have prospective project building aid calculated on the Current aid ratio. To close the incidental cost loophole, incidental costs must be tied to the actual cost of the construction projects used to determine Building Aid instead of a calculated maximum cost allowance. Allowing districts to receive aid on millions of dollars of project expenditures unrelated to curriculum or health and safety takes available funding from other priorities. This recommendation will close this possibility.

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

Transportation: Non-capital aid is based upon estimated approved transportation operating expense multiplied by the Selected Transportation Aid Ratio with a .9 maximum and a .65 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 $1.01 - (.46 * \text{RWADA Wealth Ratio})$ 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 2010-11 enrollment per square mile, divided by 317.88. The State Sharing Ratio is the greater of: $1.37 - (1.23 * \text{Combined Wealth Ratio})$ or $1.0 - (0.64 * \text{Combined Wealth Ratio})$ or $0.80 - (0.39 * \text{Combined Wealth Ratio})$ or $0.51 - (0.22 * \text{Combined Wealth Ratio})$, with a maximum of .90. Please see the 2011-12 Regents State Aid Proposal for the aid ratio changes recommended for aid in 2013-14.

Summer School Transportation: Transportation Aid for summer school programs is based on estimated approved transportation operating expense multiplied by the Transportation Aid Ratio described above. Aid is prorated to remain within a \$5.0 million appropriation. This proposal combines summer school and regular transportation aid. Aid is shown separately in a subsequent table for the purpose of comparison to the base year.

Estimating the Additional Cost of Providing an Adequate Education

One of the traditional principles in school finance which has guided Regents Proposal development in past years has been a wealth and need equalization principle. This principle was designed to drive greater amounts of aid per pupil to school districts with limited fiscal capacity and high concentrations of pupils in need. The focus of school finance, particularly in New York State, has shifted from equity to the provision of an adequate education⁹. By the term adequate education is meant the greater equalization of academic outcomes (not resource inputs) so that all children are provided the opportunity to receive an education, which will subsequently allow them to lead meaningful and productive adult lives.

Purpose

The purpose of this report is to describe the methodology that was used to estimate the likely additional expenditures needed by districts with lower academic performance to achieve educational outcomes that demonstrate that an adequate education is being provided.

Methodology

The Empirical Approach: Empirical estimates of the cost of an adequate education typically begin by identifying districts that are already achieving a desired state of academic performance. The most straightforward application of the empirical method starts with an examination of the spending patterns among all such districts to determine the average expenditure per pupil of the successfully performing districts. Since districts that perform at high levels often enjoy a very substantial wealth base, and therefore can choose to spend at very high per pupil levels, concerns about spending levels well beyond what is strictly necessary are characteristic of this method.

A traditional response to this concern is to constrain the selection of districts to be analyzed. For example, the districts for which the average expenditure per pupil of successful school districts that would be established could be restricted to the lowest spending 50 percent of such adequately performing districts.

Three Critical Methodological Questions

⁹ The shift from equity to adequacy in school finance is a shift that has been driven by an emerging consensus around high minimum outcomes as the orienting goal of both policy and finance. This has been well described by William H. Clune. *The Shift from Equity to Adequacy in School Finance*. June 1993. See also the Report on Funding Equity and Adequacy, The State Aid Work Group (July, 1999), SA (D) 1.1. and Attachment

As the methodology was developed, researchers answered three questions involving very specific operational definitions of major concepts. The questions were:

1. How should academic performance be measured?
2. How should pupil need be addressed? and,
3. Should there be a regional cost adjustment?

Measurement of Academic Performance

A critical methodological issue addressed by the study concerned the measurement of academic performance. New York State is presently utilizing a series of tests designed to measure academic performance at various grade levels. Examples of such examinations include:

- English Language Arts and Mathematics (fourth grade)
- English Language Arts and Mathematics (eighth grade)
- High School Regents examinations (e.g., English, Mathematics, Social Studies), students are likely to take in order to graduate.

*Use of Fourth Grade Tests. **Fourth grade test results can be grouped into four categories or performance levels. These performance categories are:***

- Level 1---Does not meet the standards
- Level 2---Meets some of the standards but not all
- Level 3---Meets all standards
- Level 4---Demonstrates proficiency.

High School Regents Examinations. Several important issues had to be addressed in using the results of high school examinations as components in the operational definition of an adequate education. First, results on Regents exams are given as a numerical score only. Scores are not automatically translated into levels of performance. However, it is clear that a score of 65 on a Regents exam meets the standard. Therefore, tests scores of 65 and above were treated as the equivalent of Level 3 or above.

Data on Regents High School examinations were collected for six tests. The tests were:

- Mathematics A;
- Global History;
- U.S. History;
- English;
- Living Environment and
- Earth Science.

A potential problem with using single-year test results, of course, is that academic outcomes in any one year may be atypical and more reflective of a one-time phenomena rather than representative of academic outcomes over a multi-year period. This traditional critique was addressed for this study by using a three-year average of test results. Test results used in the study were from the 2005-06, 2006-07 and 2007-08 school years.

Upon reaching this decision, the study still had to address three questions. The questions were:

1. What level of achievement should be reached?
2. What percent of students should attain the specified outcome? And,
3. What tests should be used?

If a district is providing the opportunity for an adequate education, it would seem that the vast majority of its students should be capable of achieving the Regents standards. This means, on whatever tests one uses for defining academic outcomes, the vast preponderance of students should be scoring at the equivalent of level 3 or level 4. So for this study, it was determined that if a district had on average 80 percent of its students scoring at level 3 or higher on the specified tests, the district would be providing an adequate education.

Finally, the study had to determine which specific examinations would be used in developing the cost estimate. It was decided:

- To use both fourth grade tests in the definition of an adequate education. This decision was made primarily because only the central high districts do not have a fourth grade. Only one district was lacking fourth grade data. Thus almost every district would have fourth grade data, which would be a strong indicator of whether students had or had not acquired a sufficiently strong educational foundation to insure that high school graduation requirements were likely to be met; and,
- To use the test results of the six high school examinations previously listed, since passing of these or similar tests is required for high school graduation.

Missing Data. An important issue from a methodological perspective was how to treat a district if it were missing data. Missing data could occur because of several factors. These factors include:

1. Grade configuration of a district. A K-6 district would not have eighth grade or high school results. Conversely, a central high school district would not have any fourth grade results. In a sense, the district wasn't missing data as much as the data were non-existent for the district. Grade configuration was a major factor in missing data. For example, of the five districts without any data for either of the fourth grade tests, four were central high schools.
2. Data were truly missing. No test data exists for one district. Other data may be missing due to administrative error or a particular test was not given in a district for one or more years.

Based on these circumstances, the following decisions were made:

- If absolutely no test data existed for a district on any of the tests used, it would not be included in the study. Kiryas Joel was the only district not included in the study for this reason.
- If a district had some test data, the determination concerning provision of an adequate education would be based on existing data.

Operational Definition of an Adequate Education

Based on all of the considerations described above, an adequate education was operationally defined as a district:

With a simple, unweighted average of 80 percent of its test takers scoring at Level 3 or above on eight examinations (Fourth Grade English Language Arts, Fourth Grade Mathematics, high school Mathematics A, Global History, U.S. History, English, Living Environment and Earth Science) in 2005-06, 2006-07 and 2007-08. Note that, given this operational definition, a district could have less than 80 percent of its test takers with a score at Level 3 on one or more of the tests and still be providing an adequate education.

518 school districts met this standard, including: 6 High Need Urban/Suburban districts, 90 High Need Rural districts, 290 Average Need districts and 132 Low Need districts.

Student Need

If student need is believed to be an important issue in understanding academic performance two methodological questions concerning the quantification of need must be addressed. The questions are:

- What measure (pupil count) is available to best reflect student need?
- What is the appropriate additional weighting(s) to give students so as to quantify the additional educational services such students require if they are to succeed?

What Pupil Count Should be Used to Measure Need? An assortment of measures could be used to estimate student need. Each of the possible counts possesses strengths and weaknesses. A common measure used to identify student need among the 50 states is the percent of students eligible for a free and reduced price lunch. For these reasons, the study concluded student need could best be measured by the percent of K-6 pupils eligible for a free and reduced price lunch.

The count of K-6 students eligible for a free or reduced price lunch, however, is subject to wide variation in some districts. For this reason, average counts reflecting three school years were used. Such an average would minimize the possibility of grossly misidentifying a district's poverty rate due to a unique circumstance. K-12 districts that did not provide a school lunch program in 2005-06, 2006-07 and 2007-08 were given a K-6 free and reduced percent of zero. Central high school districts were given the average count of their components.

What Should Be the Additional Weighting for Need? To incorporate "need" into a student count requires the development of an additional weighting. In school finance, the term additional weighting is usually associated with the quantification of the extra costs associated with providing a specified service. These extra costs are then translated into an additional weighting. The additional weighting selected is extremely critical in determining the cost of an adequate education.

Although a wide range exists in the research literature in terms of the appropriate additional weighting for student need, most of the literature suggests an additional weighting of at least 1.0. While other weightings and pupil counts were considered, both separately and in combination, the use of an additional 1.0 weighting for the free and reduced price lunch proportion of the student population was continued.

Cost Adjustment

For a number of years, the Board of Regents in its State Aid proposal has also endorsed the concept of adjusting State Aid to reflect the variation in regional

cost found to exist in New York State. It has done so due to the dramatically different costs associated with educating students in various geographic regions of the State.

To properly reflect these differing educational costs, it was decided to incorporate regional cost into the cost estimates. The cost indices used in calculating the estimate are the Regional Cost Indices (RCI) calculated for the 2010-11 State Aid Proposal of the Board of Regents. The RCIs were calculated based upon labor force regions as these have been defined by the New York State Department of Labor. The RCIs calculated for these labor force regions have been normed to a "North Country standard" and are described in Table 1 below:

Table 1: Cost Indices for Labor Force Regions in New York State:

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

Expenditures Per Need-Adjusted Pupil

The final approach was to develop an "expenditure per need-adjusted pupil" model, which compared the expenditure pattern of districts with acceptable academic performance to districts with educational performance below the stated standard. Expenditures were defined as general education instructional expenditures¹⁰ (including an estimated amount for fringe benefits) as adjusted by the Regents Regional Cost Index calculated in 2009. The pupil count used was the same count used for general education instruction as defined in statute for the Fiscal Supplement to the School Report Card.¹¹ This count was then adjusted to reflect student need by weighting the K-6 free and reduced price lunch count at an additional 1.0.

¹⁰ Instructional expenditures include teacher salaries, other instructional salaries, BOCES, tuition, equipment and other expenditures.

¹¹ Average daily membership plus resident students attending other districts plus resident students attending charter schools plus incarcerated youth, as applicable.

A graph of this prototype is shown in Figure 1. Under this approach, the first step was to identify districts providing an adequate education. As noted earlier, such districts were defined as districts in which an average of 80 percent of the students taking the eight previously identified examinations had a score that was at Level 3 or above. Districts in which on average less than 80 percent of the students tested score at levels 3 or 4 were identified as districts which may need to increase instructional expenditures in order to improve academic performance.

The next step in the methodology was to calculate the mean need and cost adjusted instructional expenditure per pupil for all districts classified as providing an adequate education. These districts were then ranked from high to low on need and cost-adjusted instructional expenditures per pupil. The mean expenditure per pupil was calculated for the lower half of these districts.

The selection of the lower-spending 50 percent of performing districts is designed to serve as an “adequacy filter.” The filter is meant to distinguish between those districts offering an adequate education and those districts offering an enriched educational program. There is no intention to discourage districts from offering enriched programs. However, it is necessary, for the purpose of determining a foundation amount, to distinguish somehow between what is necessary and what goes beyond.

For each district with less than 80 percent of its students scoring at Level 3 or Level 4, a spending-per-pupil analysis was conducted. The need and cost-adjusted instructional expenditure per pupil of a district was compared to the mean expenditure per pupil of districts classified as providing an adequate education described above.

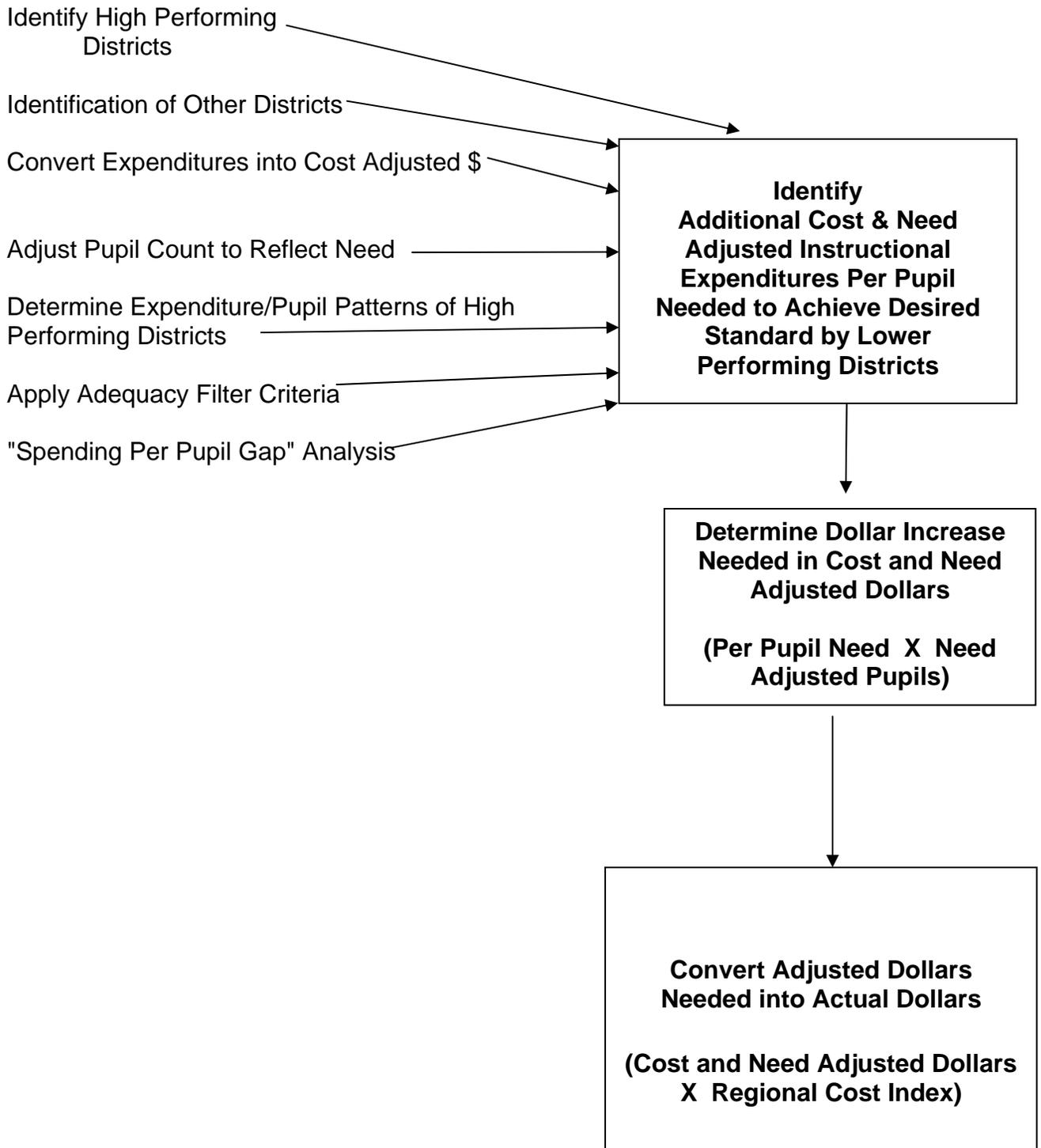
If a district had a need and cost-adjusted instructional expenditure per pupil that was greater than the per pupil expenditure of lower spending, performing districts, it was assumed that the district was spending sufficient funds to achieve the standard. No estimate of needed *additional* expenditure increases would be calculated. However, if a district had a need and cost-adjusted instructional expenditure per pupil that was less than the per-pupil expenditure of the lower spending, performing districts, the additional expenditures needed by a district would then be estimated. This difference in per-pupil expenditures was viewed as a “spending gap.” The calculation of the additional adequacy cost estimate required three steps. The steps for each of the districts with academic outcomes below the desired standard were the following:

1. First, the “spending-per-pupil gap”, (i.e., the difference required to achieve adequacy) was multiplied by the number of estimated need-weighted pupils in the district; and,

2. The above result was then multiplied by the Regional Cost Index so that the result could be expressed in actual, purchasing-equivalent dollar terms; and,
3. The actual purchasing-equivalent dollars needed by districts with academic outcomes below the desired level were then summed in order to calculate the statewide additional cost total.

Thus, the procedures followed by the study to estimate the amount of additional instructional expenditures required to achieve adequacy can be figuratively expressed as shown in Figure 1.

Figure 1: Estimating the Increase in Instructional Expenditures Needed So That the Opportunity for an adequate Education is Provided by All Districts



Update to the Regents Regional Cost Index

The Regional Cost Index was developed in recognition of the geographic cost variations in different areas of New York State. The index, which is based on the work of researchers for the state of Oregon, uses median salaries in professional occupations that require similar credentials to that of positions in the education field. These occupational titles typically require a bachelor's degree for employment at the entry level. The cost index was created from the wages of 56 professional, non-education occupations. Education-related titles were excluded to ensure that the index measured labor market costs and not the tastes or control of school districts.

Professional Cost Index for New York State by Labor Force Region (2009)		
Labor Force Region	Index Value	Purchasing Power of \$1,000 by Region
Capital Distict	1.149	\$870
Southern Tier	1.061	\$943
Western New York	1.103	\$907
Hudson Valley	1.392	\$718
Long Island/NYC	1.544	\$648
Finger Lakes	1.133	\$883
Central New York	1.130	\$885
Mohawk Valley	1.036	\$965
North Country	1.000	\$1,000

Methodology

Construction of the Index

In order to adjust for geographic variations in the cost of educational resources, the regional cost index (RCI) was generated following a methodology similar to one developed by Rothstein and Smith¹² for the state of Oregon. This involved the use of a statewide index based on median salaries in professional occupations that require similar credentials to that of positions in the education

¹² This methodology is described in Rothstein, R., & Smith (1997). *Adjusting Oregon Education Expenditures for Regional Cost Differences: A Feasibility Study*. Sacramento, CA: Management Analysis & Planning Associates, L.L.C

field. In particular, these titles represented categories for which employment at the entry level typically requires a bachelor's degree. The professional occupations selected for use in this index are based on a list of 94 occupational titles developed for use in the state of Oregon.

The previous RCI was based on 59 of the 94 occupational titles used in the Oregon study.¹³ However, due to gaps in employment data within many of New York State's ten Labor Force Regions, 56 titles were used for this edition of the RCI. The titles used appear in Appendix A. In addition to those titles with missing data, the final list excluded teachers, other educational positions and categories that tended to be restricted to federal and state government, since the markets for teachers and for many government positions tend not to be fully competitive. Education-related titles were also excluded in order to ensure that this index be entirely a measure of labor market costs, and not be subject to the tastes or control of districts. Therefore, we sought to measure genuine labor market costs, not the results of districts' decisions to hire especially high quality teachers, or to influence the index value in later years by choosing to pay more for staff. By basing the index on the wages earned in the labor market by professionals with similar skills, we have created a measure of costs in the sector of the labor market in which districts compete for teachers and staff, in each region of the State. Since personnel salaries and benefits make up the vast majority of the costs faced by school districts (roughly 75 percent in New York State), the RCI allows for an individual to compare the buying power of the educational dollar in the different labor force regions of the State

Selection of Occupational Titles

The data on which the RCI is based was made available through the New York State Department of Labor. Since the original edition of the RCI, the structure of the occupational title system has been revised. This has resulted in the expansion of a number of titles. However, due to a lack of employment data, a fair amount of the titles were eliminated. In the end, 38 titles had both employment and wage data, 14 were plugged with wage data, and an additional four employment titles were plugged where data was available statewide and for nine of the ten labor force regions. In all, 56 occupational titles were used for this analysis.

Statewide Median Wage

The first step in generating a regional cost adjustment from the list of 56 titles was to establish a statewide median wage figure for which median wages in each labor force region could be compared for indexing purposes. The statewide median wage was calculated by taking the total number of employees in each of

¹³ See <http://www.oms.nysed.gov/faru> for a discussion of alternate methods.

the 56 titles for the state as a whole (for example, the total number of people working in the title “pharmacist” across the state), and multiplying that amount by the median annual wage for that title (14,200 pharmacists * \$97,054). This result was then summed for all titles, and then divided by the total number of employees in all 56 occupational titles (1,015,670). This produced a weighted annual median wage of \$77,489 for the professional titles making up the index.

Title Weightings

It was important to avoid the possibility that the index could be skewed due to compositional differences in the percentage distribution or mix of the individuals occupying the 56 selected titles. Therefore, if professional wages in the titles selected were found to be identical in two labor force regions, but 60 percent of the employees in region A occupied the 10 lowest salaries titles (vs. a 10 percent employee representation in these lower salary titles in region B), a simple summation of wages could lead to the erroneous conclusion that professional service costs were far higher in region A than in region B. In short, “apparent” cost differences would be due totally to differences in the title composition of the workforce, not to true wage differences in those titles.

This problem was avoided by weighting the wage for each title based on the relative importance of that title in the group of 56 titles statewide. Thus, in determining the regional differences in median wage, we assume that the “mix” of jobs in each region is the same as the “mix” in the state as a whole. These title weights were then applied to each region, therefore making the distribution or service “mix” of titles a constant across the state. For example, if sales managers made up 10 percent of the total number of employees statewide in the 56 titles, then a 0.10 compositional weighting was assigned to sales managers in every region. This title weighting procedure thus imputes to every labor force region precisely the same mix of employees across the 56 titles in every region.

Title weights were generated by dividing the statewide number of employees in a given title by the total number of employees in the 56 titles of the index. For example, the number of pharmacists statewide was 14,200, which was then divided by 1,015,670 (the total number of workers in the state in these 56 titles.) This yielded a title weight of 0.014. (Since this was performed for all the titles in the list, the sum of all title weightings equals one.)

Final Calculation of the Regional Index

Once the title weights were determined, they were incorporated into the data set for each of the ten labor force regions. The median annual wage for each title was multiplied by the title weight. This result was summed for all 56 titles, yielding a regional median wage. This regional median was divided by the

statewide weighted median professional service wage to yield the final professional service wage index for each region. These results were then normed on the North Country.

When median wage data were missing for a title in a given region, the solution was based on the creation of a similar regional cost index, using a smaller set of occupational titles (those titles, in which data was not missing in any region of the State, n = 38). The smaller index, in conjunction with the statewide median salary information for any occupational title that was lacking salary information in a specific region, was used to estimate the missing regional salary item.

While the list of professional occupations used to create the RCI was based on the work of Rothstein and Smith in Oregon, the Bureau of Labor Statistics provided the wage data used in the index. The wage data was obtained from the Occupational Employment Statistics (OES) Survey, which allows employers to report the number of employees and wages for each title they employ. The United States Department of Labor has noted, "Establishment surveys have little information on the demographics of their employees, but...wages and earnings tend to be more accurately reported in establishment surveys as they are based upon administrative records rather than recall by respondents...These factors make establishment data the natural choice..."¹⁴

The data from the 2007 Occupational Employment Survey for New York State was made available to the staff of the New York State Education Department through the New York State Department of Labor. Therefore, data was provided for 724 occupational titles in each of the ten labor force regions in New York State, as well as a statewide total for all titles. The wage data obtained from the OES is based on "straight-time, gross pay, exclusive of premium pay. Base rate, cost-of-living allowances, guaranteed pay, hazardous-duty pay, incentive pay including commissions and production bonuses, tips, and on-call pay are included. Excluded are back pay, jury duty pay, overtime pay, severance pay, shift differentials, nonproduction bonuses, employer cost of supplementary benefits, and tuition reimbursements."¹⁵

The New York State OES survey samples approximately 9,500 establishments on a semiannual basis. Sampling occurs during the second and fourth quarters of the year, yielding a combined sample of approximately 57,000 establishments over six semiannual panels. Each semiannual panel represents a one-sixth sample of the full 3-year sample plan. The full 3-year sample allows the production of estimates at fine levels of geography, industry, and occupational detail. Each year the oldest two panels of data are dropped and replaced by two

¹⁴ See U.S. Department of Labor, "Inter-area Comparison of Compensation and Prices", Report on the American Workforce, 1997, pp.69-97.

¹⁵ United States Department of Labor's Bureau of Labor Statistics Website. Technical Notes for 2001 OES Estimates. (http://www.stats.bls.gov/oes/2001/oes_tec.htm)

new panels of sampled data before the estimates are recalculated. Employment numbers are from New York State's Long-Term Occupational Projections base employment numbers and are updated every two years.

It should be noted that the index results for New York City and Long Island were combined. A single median wage was calculated for this labor force area, because there is evidence that these two areas actually function as a single labor market region. With professionals, especially those in the education professions, moving to jobs across the lines between New York City and Long Island, it is necessary to consider this entire region as a single area, with similar wage costs.

Occupational Titles Used for the Regional Cost Index

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

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

2009 Regional Cost Index
Revised Department of Labor Regions

Capital District

Albany
Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

Central New York

Cayuga
Cortland
Madison
Onondaga
Oswego

Finger Lakes

Genesee
Livingston
Monroe
Ontario
Orleans
Seneca
Wayne
Wyoming
Yates

Hudson Valley

Dutchess
Orange
Putnam
Rockland
Sullivan
Ulster
Westchester

Long Island/New York City

Nassau
New York City
Suffolk

Mohawk Valley

Fulton
Herkimer
Montgomery
Oneida
Otsego
Schoharie

North Country

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

Southern Tier

Broome
Chemung
Chenango
Delaware
Schuyler
Steuben
Tioga
Tompkins

Western New York

Allegany
Cattaraugus
Chautauqua
Erie
Niagara

Appendix A

SUMMARY OF AIDS AND GRANTS AS REQUESTED IN THE 2012-13 REGENTS PROPOSAL ON SCHOOL AID

Aid Category	2011-12	2012-13	Change	
	School Year	School Year	Amount	Percent
	(-----Amounts in Millions-----)			
I. General Purpose Aid				
Formula Foundation Aid	\$14,893.62	\$12,281.27	-\$2,612.36	-17.54
Gap Elimination Adjustment	-2,556.48	0.00	2,556.48	-100.00
Academic Enhancement Aid	27.02	0.00	-27.02	-100.00
High Tax Aid	204.77	0.00	-204.77	-100.00
Supplemental Public Excess Cost Aid	4.31	0.00	-4.31	-100.00
Sum	\$12,573.25	\$12,281.27	-\$291.98	-2.32
Plus: Cap on Losses/Minimum Increase	0.00	668.18	668.18	NA
Less: Cap on Increases	0.00	0.00	0.00	NA
Foundation Grant Subtotal	\$12,573.25	\$12,949.45	\$376.20	2.99
Charter School Transition Aid	27.35	30.98	3.62	13.25
New High Tax Aid	0.00	57.89	57.89	NA
Operating Reorganization Incentive Aid	2.86	2.86	0.00	0.00
General Purpose Aid Subtotal	\$12,603.46	\$13,041.17	\$437.71	3.47
Full Day Kindergarten Conversion Aid	4.99	3.64	-1.35	-27.09
Universal Prekindergarten Aid	383.23	437.56	54.33	14.18
Sum of General Purpose Aids	\$12,991.68	\$13,482.38	\$490.69	3.78
II. Support for Pupils with Disabilities				
Private Excess Cost Aid	317.14	362.75	45.62	14.38
Public Excess Cost Aid	475.17	498.09	22.92	4.82
Sum	\$792.30	\$860.85	\$68.54	8.65
III. BOCES/Career and Technical Education Aid				
BOCES Aid	704.23	720.88	16.65	2.36
Special Services Academic Improvement Aid	50.93	51.55	0.62	1.22
Special Services Career Education Aid	124.76	129.81	5.05	4.05
Special Services Computer Administration Aid	36.67	37.94	1.27	3.46
Sum	\$916.58	\$940.18	\$23.59	2.57
IV. Instructional Materials Aids				
Computer Hardware Aid	37.39	39.27	1.87	5.01
Library Materials Aid	19.14	19.60	0.46	2.39
Software Aid	45.48	46.97	1.49	3.27
Textbook Aid	178.78	182.63	3.85	2.16
Sum	\$280.79	\$288.47	\$7.68	2.73
V. Expense-Based Aids				
Building Aid	2,605.05	2,694.80	89.75	3.45
Building Reorganization Incentive Aid	24.75	26.27	1.52	6.15
Transportation Aid	1,600.75	1,670.71	69.96	4.37
Summer Transportation Aid	5.00	5.00	0.00	0.02
Sum	\$4,235.55	\$4,396.78	\$161.23	3.81
Computerized Aids Subtotal	\$19,216.91	\$19,968.64	\$751.73	3.91

**SUMMARY OF AIDS AND GRANTS AS REQUESTED IN
THE 2012-13 REGENTS PROPOSAL ON SCHOOL AID**

(Con't.)

Aid Category	2011-12	2012-13	Change	
	School Year	School Year	Amount	Percent
	(------Amounts in Millions-----)			
VI. All Other Aids				
Bilingual Education	\$12.50	\$12.50	\$0.00	0.00
BOCES Special Act, <8, contract	0.70	0.70	0.00	0.00
Bus Driver Safety Training Grants	0.40	0.40	0.00	0.00
Education of OMH/OPWDD	76.00	80.00	4.00	5.26
Education of Homeless Pupils	17.23	18.23	1.00	5.81
Employment Preparation Edn. (EPE)	96.00	96.00	0.00	0.00
Incarcerated Youth	19.50	20.50	1.00	5.13
Learning Technology Grants	3.29	3.29	0.00	0.00
Less: Local Contribution due for certain students	-54.50	-39.80	14.70	-26.97
Native American Building Aid	4.00	5.00	1.00	25.00
Native American Education Aid	36.05	32.00	-4.05	-11.24
Roosevelt	6.00	12.00	6.00	100.00
School Health Services	13.84	13.84	0.00	0.00
Special Act School Districts	2.70	2.70	0.00	0.00
Teacher Centers	20.44	0.00	-20.44	-100.00
Teacher - Mentor Intern	2.00	2.00	0.00	0.00
Teachers of Tomorrow	25.00	25.00	0.00	0.00
Urban-Suburban Transfer Aid	2.73	2.73	0.00	0.00
Sum	\$283.87	\$287.08	\$3.21	1.13
Total General Support for Public Schools	\$19,500.78	\$20,255.72	\$754.94	3.87

Appendix B

ANALYSIS OF AID CHANGES UNDER THE 2012-13 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2011-12	2012-13	2011-12	Change	Percent Change	% of Total Change	Change per pupil		
	Decile Range		Enrollment	AID	BASE						
1	0.002	0.085	175,627	417,608,682	402,165,377	15,443,305	3.84	2.05	88		
2	0.087	0.200	232,192	889,544,916	860,175,632	29,369,284	3.41	3.91	126		
3	0.206	0.397	236,465	1,136,103,775	1,098,403,395	37,700,380	3.43	5.02	159		
4	0.402	0.705	227,561	1,302,773,816	1,257,429,583	45,344,233	3.61	6.03	199		
5	0.705	1.001	165,121	1,135,015,321	1,092,537,922	42,477,399	3.89	5.65	257		
6	1.002	1.398	118,378	977,581,337	948,320,246	29,261,091	3.09	3.89	247		
7	1.399	1.915	121,665	1,125,826,409	1,093,930,146	31,896,263	2.92	4.24	262		
8	1.928	2.434	98,281	1,090,998,170	1,040,471,063	50,527,107	4.86	6.72	514		
9	2.440	3.154	100,945	1,220,182,475	1,174,080,178	46,102,297	3.93	6.13	457		
10	3.161	8.892	91,238	1,159,999,413	1,113,398,821	46,600,592	4.19	6.20	511		
STATE (Excl. BIG 5)			1,567,473	10,455,634,314	10,080,912,363	374,721,951	3.72	49.85	239		
New York City			1,472	1,037,502	7,920,677,110	7,618,409,743	302,267,367	3.97	40.21	291	
Big 4 Cities			1.276	5.600	118,615	1,592,333,010	1,517,587,495	74,745,515	4.93	9.94	630
STATE			2,723,590	\$19,968,644,434	\$19,216,909,601	\$751,734,833	3.91	100.00	\$276		

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2011-12	2012-13	2011-12	Change	Percent Change	% of Total Change	Change per pupil		
	Enrollment	AID	BASE						
NYC	1,037,502	7,920,677,110	7,618,409,743	302,267,367	3.97	40.21	291		
Big 4	118,615	1,592,333,010	1,517,587,495	74,745,515	4.93	9.94	630		
Urban/Suburban High Need	222,802	2,242,934,158	2,130,521,818	112,412,340	5.28	14.95	505		
Rural High Need	157,128	1,925,443,558	1,863,997,147	61,446,411	3.30	8.17	391		
Average Need	795,949	5,119,610,591	4,951,892,007	167,718,584	3.39	22.31	211		
Low Need	391,594	1,167,646,007	1,134,501,391	33,144,616	2.92	4.41	85		
STATE			2,723,590	\$19,968,644,434	\$19,216,909,601	\$751,734,833	3.91	100.00	\$276

ANALYSIS OF AID CHANGES UNDER THE 2012-13 REGENTS PROPOSAL

TOTAL COMPUTERIZED AIDS WITHOUT TRANSPORTATION, BUILDING AND BUILDING INCENTIVE

A. BY NEED/RESOURCE INDEX DECILES WITHOUT BIG 5

Decile	Need/Resource Index		2011-12	2012-13	2011-12	Change	Percent Change	% of Total Change	Change per pupil		
	Decile Range		Enrollment	AID	BASE						
1	0.002	0.085	175,627	302,353,410	288,582,987	13,770,423	4.77	2.33	78		
2	0.087	0.200	232,192	621,083,162	600,461,345	20,621,817	3.43	3.49	89		
3	0.206	0.397	236,465	817,131,447	794,462,965	22,668,482	2.85	3.84	96		
4	0.402	0.705	227,561	964,321,820	931,797,670	32,524,150	3.49	5.51	143		
5	0.705	1.001	165,121	830,353,701	787,998,121	42,355,580	5.38	7.17	257		
6	1.002	1.398	118,378	733,530,007	700,052,855	33,477,152	4.78	5.67	283		
7	1.399	1.915	121,665	860,160,421	824,948,772	35,211,649	4.27	5.96	289		
8	1.928	2.434	98,281	829,400,803	794,032,344	35,368,459	4.45	5.99	360		
9	2.440	3.154	100,945	961,388,797	921,241,433	40,147,364	4.36	6.80	398		
10	3.161	8.892	91,238	902,357,473	870,733,027	31,624,446	3.63	5.36	347		
STATE (Excl. BIG 5)			1,567,473	7,822,081,041	7,514,311,519	307,769,522	4.10	52.12	196		
New York City			1,472	1,037,502	6,449,812,695	6,206,826,349	242,986,346	3.91	41.15	234	
Big 4 Cities			1.276	5.600	118,615	1,299,967,804	1,260,222,145	39,745,659	3.15	6.73	335
STATE			2,723,590	\$15,571,861,540	\$14,981,360,013	\$590,501,527	3.94	100.00	\$217		

B. BY NEED/RESOURCE CAPACITY CATEGORY

Need/Resource Capacity	2011-12	2012-13	2011-12	Change	Percent Change	% of Total Change	Change per pupil		
	Enrollment	AID	BASE						
NYC	1,037,502	6,449,812,695	6,206,826,349	242,986,346	3.91	41.15	234		
Big 4	118,615	1,299,967,804	1,260,222,145	39,745,659	3.15	6.73	335		
Urban/Suburban High Need	222,802	1,835,123,932	1,742,216,266	92,907,666	5.33	15.73	417		
Rural High Need	157,128	1,437,694,253	1,391,543,390	46,150,863	3.32	7.82	294		
Average Need	795,949	3,711,819,849	3,570,034,153	141,785,696	3.97	24.01	178		
Low Need	391,594	837,443,007	810,517,710	26,925,297	3.32	4.56	69		
STATE			2,723,590	\$15,571,861,540	\$14,981,360,013	\$590,501,527	3.94	100.00	\$217