Investing in Student Success & Opportunity

Education groups outline need for a $2.1 billion state aid increase for 2020-21

New York's public schools have responded to significant growth in student needs in recent years with new supports, interventions and services while also striving to deliver relevant, high quality academic programs that prepare students for the demands of college and the modern economy.

Consider that the percentage of students receiving free and reduced-price lunch increased 15 percent in the 10-year period between 2007-08 and 2017-18, and that during this same time, the number of English language learners grew by more than 18 percent and students with disabilities by more than 17 percent. Schools are working to meet needs in these and other areas, making important investments in services such as English as a New Language instruction and school social workers, along with dedicating a greater share of budgets to strengthening safety and mental health services. This is likely to continue: A New York State Council of School Superintendents survey found two-thirds of chief school officers identify mental health services as a top funding priority. Recent state aid increases have helped schools address growing needs. Yet, more than a decade after it was signed into law, the Foundation Aid formula remains underfunded by more than $3.4 billion for the current year. As schools seek to offer the range of academic programs needed to prepare today's students for success in tomorrow's economy, the fact is that it will take more of an investment to get it right. State funding hasn't kept pace with educational expenses.

For these reasons, The New York State Educational Conference Board (ECB) – comprised of six leading educational organizations representing parents, classroom teachers, school-related professionals, building administrators, superintendents and school boards – is recommending an overall $2.1 billion increase in state aid for education in the 2020-21 state budget. This would allow schools to continue services for students next year and make targeted investments in priority areas, from better supporting schools in receivership to strengthening mental health services and expanding college and career pathways. The recommended level of aid would put the state on track to fully-fund Foundation Aid within three years. Additionally, ECB calls for the 2007 Foundation Aid formula to be updated based on current costs and financial factors.

Educational Conference Board
2020-21 School Finance Recommendations

1. **Provide a $2.1 billion state aid increase to continue current educational services and address priorities**
   - $1.6 billion, primarily through Foundation Aid, to continue current services
   - $500 million in targeted funding to assist schools in receivership, support students from all backgrounds and with varied needs, strengthen mental health services and safety, and expand learning opportunities
2. **Update the Foundation Aid formula based on current costs and financial factors**
   - Conduct a new costing out study to determine the appropriate foundation amount per pupil
   - Review and modify student need weightings
   - Update and restructure the Regional Cost Index
3. **Modify the tax cap to better reflect the fiscal realities of schools**
   - Provide for an "allowable levy growth factor" of at least 2 percent
   - Implement adjustments related to the BOCES capital improvements and PILOT properties
   - Amend the carryover provision

Continuing current services requires a $1.6 billion state aid increase

Based on projections for school district expenses and revenue for the year ahead, ECB estimates that it will require a $1.6 billon state aid increase solely to enable schools to continue current services for students in 2020-21. This estimate reflects the following factors:

- A 2.5 percent increase in salaries, consistent with the typical range of increases in employee agreements;
- A 7.9 percent increase in health insurance costs, in line with the state Division of Budget's financial plan;
- Growth in Teachers' Retirement System (TRS) contributions of $200 million, consistent with the mid-point of the range of potential increases recently identified by the TRS Board; and
- An across-the-board 2.2 percent increase in all other costs based on the Consumer Price Index (CPI) included in DOB's current financial plan.

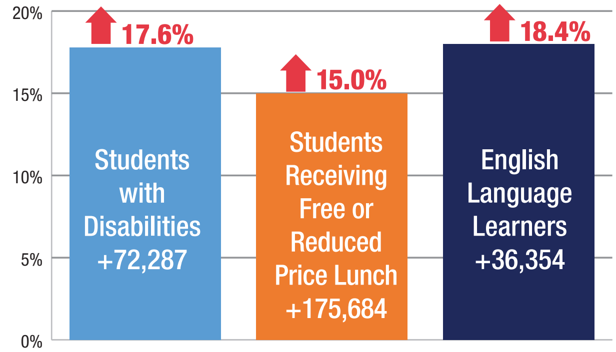
Given these estimates, it will require an increase of 3.0 percent in total school spending to maintain current educational services next year. In light of current trends for the Consumer Price Index, it appears that schools will again be limited to a tax base growth factor of less than 2 percent next year, as CPI growth has been 1.74 percent based on the 10 months of the year that have been reported to date. If school tax levies grow at this rate, and an equivalent increase in local funding is provided for Big 5 city school districts, local revenue for education would grow by $610 million for 2020-21. This results in the need for a $1.6 billion increase in state funding next year to maintain services that students now rely on every day.

Assumed in this $1.6 billion increase is full funding for expense-based reimbursements, which are projected to increase by $85 million for 2020-21. Expense-based aids support critical services and support for students, such as transportation, instructional technology, special education, safe and modern learning facilities. It is essential that these formulas are fully funded and ECB opposes any attempt to cap or otherwise artificially limit reimbursements.

ECB members call for the remaining $1.5 billion to be provided through Foundation Aid. Distributed properly, this would enable schools to continue current services for students. Given that approximately $3.4 billion in Foundation Aid is currently outstanding in the 2019-20 school year, this amount would put the state on track to fully fund Foundation Aid over a three-year period.

A Decade of Growing Student Needs

Growth in Select Student Need Categories, 2007-08 vs. 2017-18



Source: Students with Disabilities - NYSED SECAR; FRPL/ELL - NYSED School Report Card

Foundation Aid: The 2020-21 Increase and Future Recommendations

ECB's Foundation Aid recommendation for 2020-21 reflects the fact that all schools face growing needs and costs and thus require an adequate state aid increase to continue current student programs. While approximately 40 percent of the state's districts are technically in "save harmless" status with respect to the formula, this does not accurately portray the nature of their needs or fiscal capacity: Most are high- or average-need communities with limited local resources. Further, regardless of enrollment losses, total students in poverty, with disabilities, and/or requiring English as a New Language services are growing, and all districts must keep pace with cost increases from one year to the next. For these reasons, ECB recommends that each district receive a Foundation Aid increase that at least matches the inflation rate. The minimum Foundation Aid increases in the current year of 0.75 percent is not sufficient for schools to address expenses and meet student needs. Further, the tax cap prevents necessary resources from being raised locally when state support is not adequate.

Update the Foundation Aid formula

As discussions about the future of the Foundation Aid formula continue, ECB members believe it's important to revisit the formula's original intent: ensuring that all students, regardless of where they live, attend a school that has sufficient resources to provide a quality education. However, Foundation Aid was never phased-in as intended when it was enacted. While ECB members do believe that it is important to revisit some of the formula elements, that fact remains that schools never received the resources needed to turn the promise of Foundation Aid into reality in New York's classrooms.

Thus, ECB's top priority for Foundation Aid is a meaningful increase in 2020-21 that sets the stage for full phase-in. Moving forward, we recommend the following long-term actions to update the formula that is now more than a decade old:

(1) Conduct a new cost study to determine the per pupil foundation amount: The original foundation amount per pupil was based on a study of the cost of education in districts deemed successful. The time is right for a new study given the changes in learning standards and the rapidly changing world that schools are preparing students to enter.

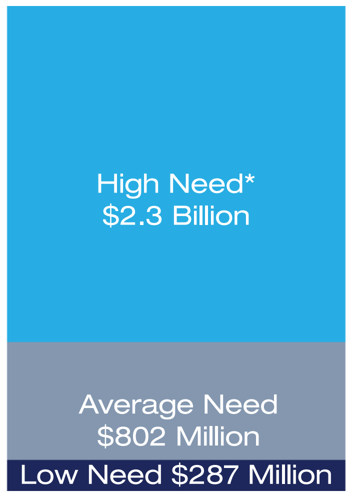
(2) Review and update how student needs are accounted for in the formula: Since 2007, the number of students in poverty and learning English has grown in many districts. The initial weightings for these factors, as well as students with disabilities, should be reviewed and updated.

(3) Restructure the Regional Cost Index: This index adjusts Foundation Aid to reflect variations in the cost of delivering services in different parts of the state. The index values have not been updated since 2007. Additionally, it contains only nine regions, which contributes to dramatic differences among nearby districts.

Implementing each of the above recommendations will require careful planning, public discussion, and stakeholder involvement. ECB members are not calling for these changes to take place in time for the 2020-21 state budget. Rather, we suggest that the process begin now so that results can be evaluated, debated and refined in time for the subsequent years.

The state is approximately **$3.4 billion behind** full funding for **Foundation Aid**

68% to High-Need Districts



* New York City, Big 4 Cities, High Need Small Cities and Suburbs, and High Need Rural Districts

Source: New York State Education Department 2019-20 Enacted Budget School Aid Database

Fund improvement initiatives and needs ($500 million)

As part of the overall recommended state aid increase, ECB suggests an additional $500 million in funding for five priority areas to address demonstrated needs and expand opportunities for students.

(1) Strengthen school safety and address mental health issues: Districts continue to use available resources to implement new measures to keep students physically safe and support their mental, social and emotional health. This often results in districts prioritizing these efforts over spending in other areas. These are logical choices, as there is nothing more important the safety and well-being of students. Yet schools also seek to strengthen academic programs, but don't have the resources to do it all. A new funding stream to help all districts improve safety and provide student mental health services is necessary.

(2) Sufficient support for schools in receivership: As the process for designating schools and districts in need of improvement continues to evolve, ECB members again emphasize that dedicated and sustained funding is needed to increase student achievement. The districts and schools in receivership generally have the least available local resources and often serve a high proportion of students in poverty. Labeling schools, punitive measures, and temporary, restricted funding will not increase student achievement. Dedicated, flexible and continuing support is needed.

ECB School Finance Principles

Educational Conference Board members reaffirm their support for a school operating aid formula that functions as intended each year based on the following principles:

Adequacy: The state must assure that all school districts have the resources needed to provide students with the opportunity to be successful, as defined by rigorous learning standards and college- and career-readiness.

Equity: The state's school finance system must assure fairness for all schools and students by appropriately accounting for differences in pertinent characteristics, including local fiscal capacity, regional cost differences, geographic sparsity and pupil needs related to poverty, disability, and language status.

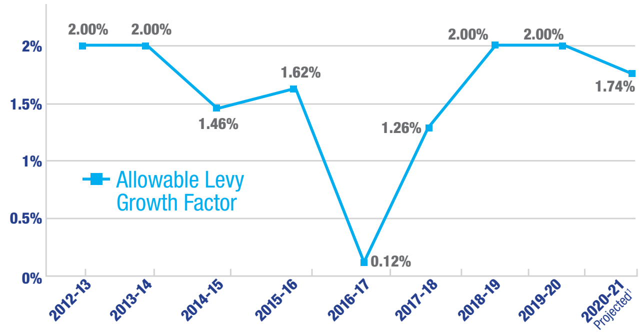
Predictability: In order to plan and effectively implement improvement efforts, schools need to be able to count on a recurring and stable source of operating aid. Formulas should be applied uniformly, each year.

Flexibility: Districts should have sufficient general purpose operating aid so that they can make decisions about where to make educational investments. Local leaders and community members know the strengths and needs of their schools. Funding should be allocated through universally-applied formulas rather than competitive grants.

Transparency: A system that simplifies school finance would allow local school districts to engage their communities in a logical and thoughtful dialogue about school funding priorities and would enable citizens to hold school leaders and state leaders accountable.

(3) Supporting the achievement of students from all backgrounds and with varied needs: As schools work to help all students succeed, they are experiencing an increase of those who need specialized services such as special education and English as a New Language. As an example, there are 234,000 students learning English in New York's schools in all areas of the state – 36,000 more than a decade ago. Meeting new and emerging needs is necessary, and an updated and funded Foundation Aid formula would go a long way toward helping schools do so. At this time, additional targeted funding is critical to address the cost pressures on school budgets and ensure schools are best positioned to support the success of all children.

Tax Levy Growth Factor for Schools



[1] Change in Consumer Price Index, Monthly average for Jan.-Oct. 2018 vs. Jan.-Oct. 2019

Source: Office of the New York State Comptroller, U.S. Department of Labor, Bureau of Labor Statistics

(4) Strengthen college and career pathways: State and local education leaders have rightly focused on new pathways to graduation, college and careers, often through career and technical education (CTE) programs connected to high-demand industries. However, the caps on aid for BOCES salaries and Special Services Aid in Big 5 districts have not been updated for many years. These low levels of reimbursement are a barrier to better utilization of existing programs and investing in new ones to prepare students for jobs in the modern economy.

(5) Professional development for teachers and administrators: New York has been a leader in elevating learning standards and focusing on the knowledge and skills students need for success. New standards and programs must be accompanied by quality professional development. As schools focus resources on meeting day-to-day needs, investments in professional development often suffer. Targeted funding is needed in this area.

A tax cap that better reflects fiscal realities for schools

If current inflation trends hold, as of next year, the allowable levy growth factor in the tax cap formula will have been below 2 percent for five of the nine years of the cap's existence. The use of CPI in the formula is a challenge for schools. Districts need stability in sources of revenue. With a permanent tax cap now in place, they will continue to be unnecessarily harmed when growth in CPI is below 2 percent. The need remains to amend and simplify the cap by making the allowable levy growth factor at least 2 percent, providing schools with a degree of predictability that they do not currently have.

ECB recognizes that lawmakers have supported two adjustments to the tax cap formula that have been discussed since the inception of the law: excluding local expenses for BOCES capital improvements and including properties covered by payments-in-lieu-of-taxes (PILOTs) in the tax base growth factor. While these have been passed into law, they have not been fully implemented in regulation. We ask lawmakers to take steps to ensure that they are put into place. In addition, the carryover allowance should be modified to give districts an incentive to hold tax increases below 2 percent in years when they can and some flexibility in tougher years.

Conclusion

Schools are focused on addressing the very real issues and needs that their students face on a daily basis. As they respond to these pressing needs, they are also committed to providing the quality academic program demanded by a dynamic, competitive global economy. This means that schools must ensure students have a strong academic foundation, access to intervention and support, and the ability to pursue a challenging course of study that will prepare them for what comes next – whether it's college, the workplace, the military, or additional training. The recommendations in this paper are the key to ensuring that schools can meet the range of student needs while strengthening academic programs and expanding learning opportunities. This is how our students, and by extension our schools, communities and economy, can achieve even more success in the years to come.

The New York State Educational Conference Board is comprised of the Conference of Big 5 School Districts; the New York State Council of School Superintendents; New York State PTA; the New York State School Boards Association; New York State United Teachers; and the School Administrators Association of New York State.