

NEW YORK STATE EDUCATIONAL CONFERENCE BOARD



Public schools remain the best investment in the future

To continue current services and strengthen education, New York's schools need a \$2.0 billion state aid increase for 2018-19 and commitment to Foundation Aid

Public schools seek to help all students reach their potential so they can be productive citizens who make a meaningful contribution to society – and help the next generation do the same. Today's graduates enter a world that is dramatically different than a generation ago and must be ready for new opportunities and complex challenges. Technological advances and a global economy have driven the need for skilled, adaptable workers. Schools across the state have made academic gains and are developing programs and partnerships that prepare students for this ever-changing future. Yet, they also serve communities grappling with economic realities, and challenges that include poverty, an opioid epidemic and an increased need for mental health services. A high-quality public education system is critical to ensuring that today's students become responsible citizens and leaders.

As the world has changed, schools have embraced the need for a broadened mission, working to increase student achievement and often serving as community centers that provide a range of physical and mental health services. State leaders have been a critical partner in this effort. The state has updated learning standards, increased support for education, and recognized and promoted the importance of programs that support our youngest learners and create new pathways into college and careers.

As the 2018-19 school year approaches, this local-state partnership must continue with a focus on what our schools and their students need for success. The New York State Educational Conference Board (ECB) – comprised of seven leading educational organizations representing parents, classroom teachers, school-related professionals, school business officials, building administrators, superintendents and school boards – is issuing this set of recommendations designed to ensure that New York's schools and its students have the resources needed to continue current programs and improve education with targeted funding for critical areas. ECB also calls for committing to the long-stalled Foundation

Educational Conference Board School Finance Recommendations

1. Provide a \$2.0 billion state aid increase for 2018-19

- \$1.5 billion to continue current school services, based on current projections for school costs and the tax cap
- \$500 million to address priorities such as supporting schools in receivership, college and career pathways and professional development

2. Update the Foundation Aid formula and establish a firm timeline to fully phase it in

- Conduct a new cost study to determine the amount needed to provide students with an education that prepares them for the future based on current factors
- Revisit the formula weightings for poverty, disability, enrollment growth, English language learners, geographic sparsity and other factors
- Fully phase-in the \$4.2 billion currently owed to schools within three years

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 rather than using CPI
- Approve the BOCES capital cost exclusion and include PILOT properties in the tax base growth factor

Aid formula, so that all students can receive the education promised to them by the state Constitution. The organizations also continue to seek modifications to the tax cap that provide a greater degree of sustainability for our educational system.

Preserve current services for 2018-19

Increased state support for education over the last few budget cycles has allowed some school districts to maintain programs and services and address some pressing needs. Yet, many districts have programming levels that remain below the pre-recession

era and have been unable to make the investments necessary to meet higher academic standards and help students overcome today's challenges. For this reason, ECB calls for sufficient state funding to at least allow schools to continue current educational services for 2018-19. Based on industry-specific estimates as well as economic trend data, ECB estimates that total school spending will need to increase by \$1.9 billion, or 2.80 percent, to maintain all current services. This figure is based on the following:

- A 2.5 percent increase in employee salaries, based on estimates for 2018 salary growth for all workers nationally as reported by the Society for Human Resources Management and the Economic Research Institute, adjusted downward to reflect expected savings that occur via staff retirements each year;
- A 5.9 percent increase in health insurance costs, in line with projections for the state workforce from the Division of Budget's most recent State Financial Plan;
- An increase in the Teachers Retirement System contribution rate from the current level of 9.8 percent of salaries to between 10.5 percent and 11 percent of salaries; and
- An across-the-board 2.1 percent inflationary measure applied to all other school costs, based on the Consumer Price Index (CPI) projected for the coming year by the Division of Budget.

While funding education remains a state-local partnership, the contribution that might be expected from local school districts is tied to the tax cap. Under the cap, each district calculates its own limit based on the tax cap formula. A driving factor in this formula is the "allowable tax levy growth factor," which is limited to either the change in CPI or 2 percent, whichever is lower.

If current inflation trends hold, the allowable levy growth factor will be capped at 2 percent or slightly lower for 2018-19. This will generate approximately \$400 million in local revenue statewide next year to support school programs. As a result, a state aid increase of \$1.5 billion is needed to realize the \$1.9 billion overall that is required just to continue current services. ECB recognizes warnings about potential state budget gaps; this estimate is our best effort to project the state funding necessary to preserve current services, given moderate assumptions.

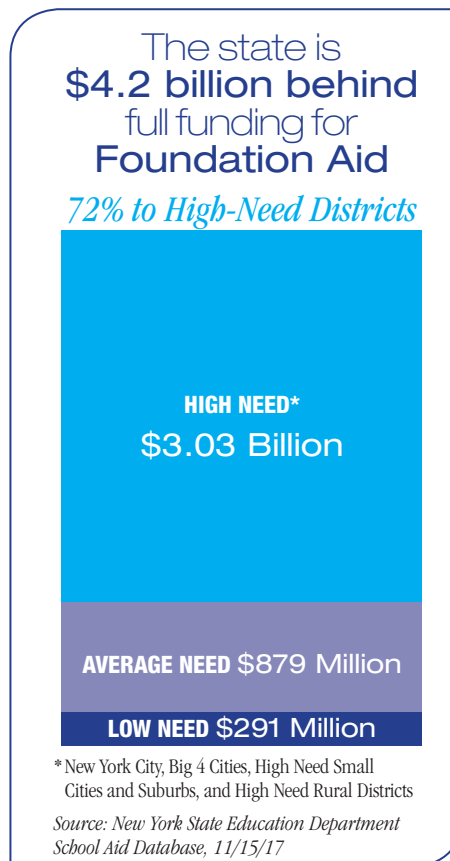
Assumed in the \$1.5 billion state aid increase is full funding for expense-based reimbursements for important components of school operations such as transportation and BOCES costs, currently estimated at \$300 million. The \$1.5 billion also accounts for the need for sufficient funding for Big 5 City Schools, which are dependent on their mayors and city councils for any increases in local revenue. These school systems have experienced stagnant local revenue in recent years and are thus heavily dependent on state aid.

The need for adequate increases for all districts

Although some districts are in "save harmless" status according to the Foundation Aid formula, this is not an accurate reflection of their needs. Most districts in this circumstance are designated as either high or average need, and require adequate resources to finance the ongoing cost increases that all districts face. As with other districts statewide, many under save harmless have not yet restored programs to pre-recession levels. Additionally, as all schools work to increase achievement and meet new learning standards, they are also experiencing significant growth in student needs, particularly in the area of mental health. In a recent survey of school superintendents across New York, 52 percent identified mental health-related needs of their students as a top funding priority. All districts need a state aid increase that enables them to keep up with growing costs and address the needs of their students.

Foundation Aid: Update the formula and phase it in

Although it was derailed by the Great Recession, the Foundation Aid formula adopted a decade ago remains an exceptionally strong framework for ensuring that all schools have the funding necessary to prepare their students for the future. The formula stems from the requirement in the state Constitution that all students receive a sound basic education. Foundation Aid is based on a study of the cost per pupil in successful schools to generate an amount that, once adjusted for a district's individual student need profile, local fiscal capacity and other factors, represents the Foundation Aid due per student per district. Based on the current formula, the state is \$4.2 billion behind fully phasing in Foundation Aid funding for schools.



ECB members strongly opposed the provision in last year's Executive Budget Proposal to repeal the Foundation Aid formula. Instead, we encourage state leaders to see the upcoming state budget process as an opportunity to commit to Foundation Aid. ECB has established a series of school finance principles (see box at right) that should be cornerstones of the state's school finance system. ECB members also call for state action on three specific Foundation Aid recommendations:

- Establish a firm commitment to the full phase-in of the \$4.2 billion owed in Foundation Aid within three years;
- Review and update the components of the formula that relate to poverty, disabilities, English language learners, enrollment growth, geographic sparsity and local fiscal capacity; and;
- Conduct a new study to determine the cost of providing each student with an education that prepares them for the future based on current costs, regulations and expectations.

The latter two recommendations are vital because there have been significant changes since the formula was first adopted in 2007. Schools are implementing new learning standards, planning budgets with new restrictions on local revenue in the form of the tax cap, providing increased services for English language learners, and striving to establish more pathways to college and careers. The regional cost index should also be reviewed, as economic factors in different areas of the state have likely changed since the formula was enacted.

Although parts of the Foundation Aid formula are outdated and it has never been fully implemented, the approach retains so much promise. Updating the formula and finally phasing it in would provide schools with an unprecedented ability to meet student needs and establish long-term program and fiscal plans.

Fund improvement initiatives and needs

Beyond the \$1.5 billion operating aid increase, ECB recommends \$500 million to address some critical immediate needs and advance initiatives that have broad-based support. This funding would support students and strengthen education in the following areas:

(1) Sufficient support for schools in receivership:

Schools that are identified for receivership are among those with the least local fiscal capacity serving a substantial number of students who live in poverty. In order to increase student achievement – the ultimate goal – and ensure that improvement efforts are lasting, a significant and sustained investment is needed. Improving school performance should not be a punitive process, but rather a system that provides necessary funding in an orderly and reliable manner. This would enable schools to put improved academic programs and

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.

supports in place, alongside a range of necessary family, social, and emotional services.

(2) Professional development for teachers and staff: In a world that is changing rapidly, teachers, staff and school leaders need to continually update their knowledge, skills and systems to meet the needs of today's students. State leaders deserve credit for focusing on learning standards that keep pace with what students need to be successful in the future. The recent adoption of new learning standards provides an opportunity to learn from the past and ensure that they are successfully implemented in classrooms across the state. Professional development for teachers and school staff is critical to this effort.

(3) Meeting the needs of English language learners:

New York's schools serve more than 218,000 students for whom English is not their first language. Providing comprehensive academic and social support as early as possible is the best way to help these students make grade-level progress and limit the need for future interventions. While a fully-funded, and updated, Foundation Aid formula would help in this regard, the number of

students and the magnitude of needs make it clear that schools cannot wait for full funding to occur. A new aid category is an important step toward supporting New York students who are learning English.

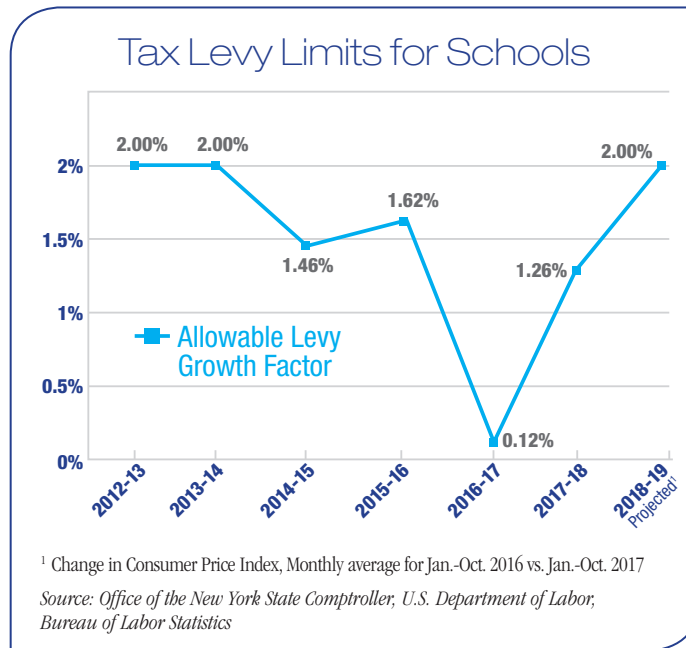
(4) College and career pathways: Creating new pathways to graduation, college and careers and strengthening existing pathways is essential to ensuring our businesses have sufficient numbers of skilled workers and that today’s students can participate in the modern economy. Career and technical education programs are prominent among these pathways, yet the caps on aid for BOCES salaries and Special Services Aid in Big 5 districts are an impediment to the success and growth of these programs. These caps must be raised.

(5) Assist districts with growing enrollments: The Foundation Aid formula has not been fully adjusted for increased enrollment since 2008-09. As a result, when schools experience enrollment growth, they often must shift resources that are serving one group of students to fund emerging needs. Until Foundation Aid is fully phased in, targeted funding should be provided to help school districts address enrollment increases so they do not have to choose between meeting one set of student needs over another.

A tax cap that works better for planning

ECB renews its call to modify the tax cap formula so that it better reflects the fiscal realities of schools. The experience of recent years has illuminated the problem with using CPI in the tax cap formula: Schools had to contend with a tax levy growth factor near zero in 2016-17 (0.12 percent), followed by a growth factor of just 1.26 percent in the current year. If current inflation trends continue through the remainder of 2017, the allowable levy growth factor for 2018-19 will be capped at 2 percent or slightly below.

CPI is not a reliable indicator of the costs of education. As they develop budgets, school leaders must plan for the year ahead based on programs that will serve students, regulations, actual cost drivers, and community expectations. Instead, the CPI measures costs in the past. The tax cap formula should be amended to remove the variability of CPI and provide schools with an allowable levy growth factor of at least 2 percent each year.



ECB also commends lawmakers for approving two tax cap changes now awaiting action by the Governor: excluding local capital expenses for BOCES instructional improvements from the tax cap and including properties covered by payments-in-lieu-of-taxes (PILOTs) in the formula’s tax base growth factor. These changes are also based on the reality of school finances. Students across the state are served in BOCES programs, and excluding capital improvements in these spaces would rightly put them on par with how other facility investments are handled with the cap. The PILOT change would allow districts to recognize revenue

from new construction, which often presents districts with new costs. ECB reaffirms its support for a series of other tax cap reforms, such as precluding instances of districts having a negative limit and doing away with the zero percent contingent budget cap, which threatens to do serious harm to student programs.

Conclusion

State leaders have been correct to focus on higher learning standards and the goal of creating new pathways into the workforce and higher education for today’s students. Doing so requires adequate resources for all school districts and an overall funding system that provides stability and enables meaningful long-term planning. The investments in education in recent years have been necessary and productive. The recommendations in this paper are designed to build on this progress by enabling schools to meet immediate needs, continue programs that are serving New York’s students, and strengthen education for all – those striving to meet higher expectations, those who are the most vulnerable, and those looking to take the next step into college or a career. New York’s students arrive at school every morning with real needs, hopes, and potential. In uncertain, challenging times, public schools remain the best investment our society can make to turn this promise into success – for the next generation and our state’s economic future.

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