

STATE AID: WHAT SCHOOL BOARD MEMBERS SHOULD KNOW



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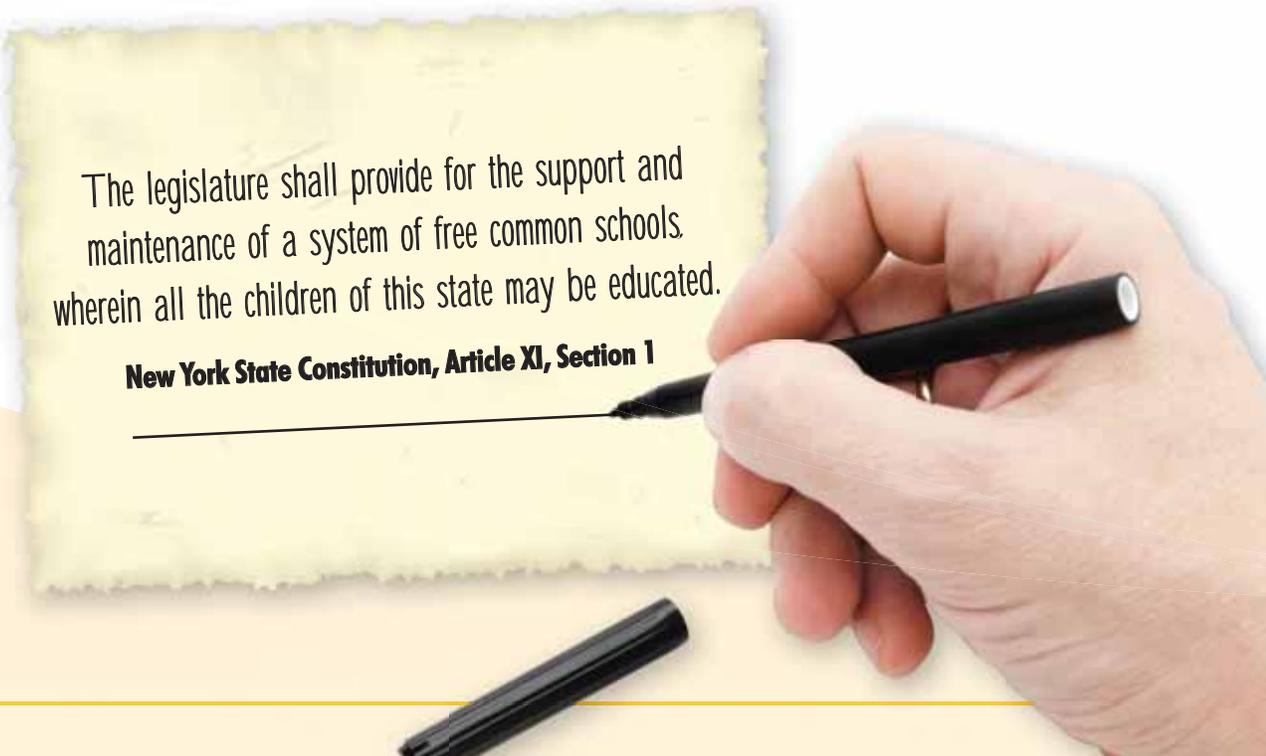
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The legislature shall provide for the support and maintenance of a system of free common schools, wherein all the children of this state may be educated.

New York State Constitution, Article XI, Section 1

1 INTRODUCTION

New York State has provided financial support to local school districts for more than two hundred years. In modern times, state aid for schools serves multiple purposes. Most notably, the New York State Constitution guarantees certain educational rights, deemed to include a “sound basic education.” The state has delegated the responsibility to deliver that education to local school districts and meets its constitutional obligation through the distribution of state aid.

State aid distribution follows a variety of principles, strategies and methodologies. At its most basic level, all school districts receive some minimum amount of state aid to ensure that the state is meeting its constitutional mandate. Beyond that, state aid can be used to help equalize the financial resources available to school districts, to incentivize certain programs, services and district actions or decisions and to help school districts meet the specific needs of all types of students.

STATE'S SHARE OF FUNDING SUPPORT

The state's share of support reached a historical high in 2001-02, funding more than 48% of school district expenditures. That share dipped below 40% following the Great Recession, but has rebounded slightly in recent years following larger state aid increases and a property tax cap that suppresses growth in local revenue.



2001-2002
Historic high
of more
than 48%



2011-2012
Dipped to less
than 40%

2 NEW YORK'S SCHOOL AID PROCESS

School districts submit enrollment estimates, attendance figures, budget projections and other district-specific data for the upcoming school year to the state in late summer/early fall. The state uses that information to create a database in November.

School districts then have the opportunity to update or revise much of the information to more accurately reflect their district data during the late fall and early winter of the new school year. That updated information is used to establish a new database in February.

These up-to-date, district-specific factors are used in a variety of ways. For state aid purposes, the information is used frequently during the state budget process. The Division of the Budget utilizes the November database to generate what are often referred to as state aid "runs" in support of the executive budget proposal in January. State aid runs break down state budgets, both proposed and enacted, by school district and aid category. The database initially generates information about the amount of money districts are entitled to, through the

executive budget proposal, based on student data and applicable aid formulas.

This database also allows the State Education Department to calculate what each district would receive under the statutory Foundation Aid formula. If the current law formula were allowed to run as designed, the database would establish state aid runs based on this statute for the executive budget. However, if current law is not allowed to fully operate, as has been the case for many years, the aid runs reflect whatever distribution formula the executive has proposed for state aid increases in lieu of the statutory formula.

The updated February database is then generally used in support of the enacted state budget in April.

State aid figures included in the state aid runs are only estimates. School districts receive their true state aid payments based on actual year-end financial information submitted to the state each year during the late summer and early fall, using formulas adopted in the state budget for the given year.

MONTHLY TIMELINE OF DISTRICT SPECIFIC DATA FOR UPCOMING SCHOOL YEAR

AUGUST/SEPTEMBER

School districts submit district-specific data to the state

NOVEMBER

The state creates a database based on district information

JANUARY

State aid runs are created in support of the executive budget proposal using the database

FEBRUARY

The database is updated

APRIL

The state budget is enacted and state aid runs are finalized using the updated database

3 STATE AID FACTORS

Hundreds of calculations and data points are used to produce state aid runs and the aid payments to which districts are eventually entitled. These various factors measure the wealth within a district, the needs of the students within the school district and other student demographic information.

The Foundation Aid formula uses many of these factors in an attempt to answer the questions: how much does it cost to successfully educate the students in a specific district and how much can an individual community afford to contribute towards that cost? Some of the most common factors are explained below.



Free and Reduced Price Lunch (FRPL) – A student need measurement based on a three-year rolling average of the number of K-6 students within the district who were eligible for the free and reduced price lunch program, divided by the district’s K-6 student enrollment during those same years.

$$\text{FRPL} = \frac{\text{Year 1 + Year 2 + Year 3 K-6 Free \& Reduced Price Lunch Applicants}}{\text{Year 1 + Year 2 + Year 3 K-6 Public School Enrollment}}$$

Census Poverty – A student need measurement based on the number of students aged 5 - 17 within the district whose families had income below the poverty level, divided by the total number of students aged 5 - 17 in the district. The census poverty factor is fixed, using 2000 census data, as identical data was not produced under the 2010 census.

English Language Learners (ELL) – Often used as a student need measurement, this factor represents the number of students within the district in a given school year that score at or below the 40th percentile on English proficiency tests and are receiving language services. This factor was formerly referred to as limited English proficiency (LEP). ELL can be expressed as either a count or a percentage.

Pupils with Disabilities – A count of the number of resident students of a district who are identified as students with disabilities and who receive special education services. This is used to adjust some enrollment counts used in certain aid ratios and formulas, including Foundation Aid, in order to account for the higher costs associated with students with disabilities.

Combined Wealth Ratio (CWR) – A district wealth measurement based on actual valuation (property value within the district) and gross income (of residents in the district). The ratio divides actual valuation by an adjusted district enrollment count and compares the result to the state average. The same calculation is then done using gross income. Both factors are weighed equally, giving the district its combined wealth ratio for the given year. A CWR of 1.000 is exactly state average, with a figure greater than 1.000 meaning wealthier than state average and a figure less than 1.000 meaning poorer than state average.

Sparsity – A factor used to measure enrollment relative to the square mileage of a district. It is calculated in slightly different ways, depending on its use in different aid formulas, and serves as a way to account for the unique costs that geographically sparse districts face. The factor is expressed as a decimal, with a 0.0 indicating a district has no sparsity factor.

Regional Cost Index – A measurement used to account for the difference in costs between areas throughout the state. The index is organized into nine regions and is based on salaries paid to workers who require credentials similar to teachers, but are not teachers. The index was calculated in 2006.

Needs/Resource Capacity (N/RC) – An index calculated in 2003, analyzing school district wealth (combined wealth ratio) and student need measurements (free and reduced price lunch and census poverty). Districts are grouped into three main categories: high need, average need and low need, with additional groupings for the state’s Big 5 city school districts, rural districts and urban-suburban districts. N/RC is most often used as a simple way to categorize and describe districts, but is also used sparingly in the formulas for Foundation Aid and building aid.

4 STATE AID CATEGORIES

The state uses dozens of different aid categories and funding streams to support school districts. Adjustments can, and often are, made to those categories by elected officials each year. Some aids are nearly-automatically provided every year; others are expense-based, providing reimbursement to districts for incurred costs, while some serve as grants and other short-term financial supports. Below are some of the most notable and common aid categories.



Foundation Aid – The state’s main operating aid for school districts. This category alone makes up more than two-thirds of all formula-based school aid statewide. The formula was created in 2007-08, consolidating and replacing more than two dozen smaller aid categories, but was phased in as intended for just two years. After several years of freezes and cuts, single-year off-formula increases have become the norm. When used as designed, the Foundation Aid formula attempts to determine how much it costs to educate students within each district and how much of that cost the district can afford to pay. Foundation Aid is used by the state to fund the remaining portion.

Building Aid – A state aid intended to reimburse districts for a portion of the costs associated with capital construction, facilities and some equipment. Costs attributable to debt service on construction projects are aidable, as are certain building leases. The type of construction dictates the length of time state aid is paid – 15 years for reconstruction, 20 years for additions and 30 years for new buildings. With some limited exceptions, aid payments to the district can begin approximately 18 months after the completion of the project. Construction projects must be approved by the State Education Department and follow strict formulas when determining the amount of aid each project will be eligible for. Each district has its own reimbursement ratios, which can vary based on the type of capital cost being aided.

Transportation Aid – A state aid intended to reimburse districts for a portion of the costs associated with transporting students, including both services provided by the district itself and contracted transportation services. This aid also includes reimbursement for the purchase of school buses and other transportation equipment. Not all costs incurred by a district for transportation services are necessarily aidable. The state uses formulas to deduct such non-aidable costs from the amount that is reimbursed. Each district has its own unique reimbursement ratio, with a high of 90% and a low of 6.5%.

BOCES Aid – A state aid intended to reimburse districts for a portion of their costs associated with boards of cooperative educational services (BOCES). The aid is broken down into three main parts: administrative, facilities and services. The administrative and facilities portions are based on standard costs that all BOCES component districts contribute towards, while the services portion is based on the instructional and non-instructional services purchased by the district from the BOCES. Some services provided by a BOCES, such as transportation and special education services, are reimbursed through those respective categories, and not through BOCES Aid. Each district has its own unique reimbursement ratio.

Public and Private Excess Cost Aids – Two related state aids intended to help districts offset some of the additional costs necessary for students receiving special education services. Public excess cost aid is provided as a reimbursement for eligible students receiving services in a public school setting, while private excess cost aid is provided for eligible students receiving their services from a private provider. The reimbursement ratios are different for public and private versions and are unique to each district.

Instructional Materials Aid – A state aid intended to reimburse districts for purchases of four types of instructional items: software, computer hardware, textbooks and library materials. The state provides a dollar for dollar reimbursement for eligible purchases, up to a specific dollar amount based on a district’s enrollment, while adjusting the reimbursement for computer hardware items based on a district’s relative wealth.

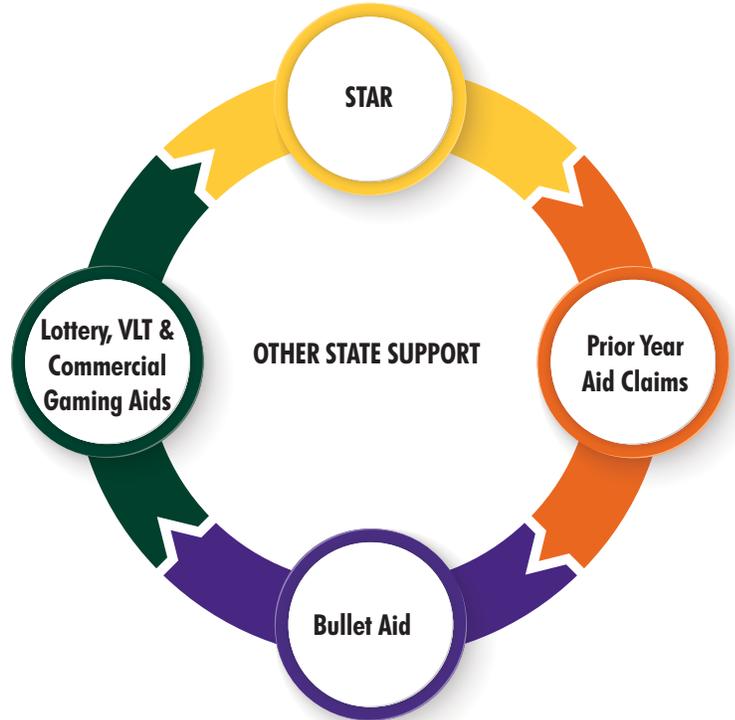
5 OTHER STATE SUPPORT

STAR – A multi-billion dollar property tax relief program funded by the state. Through the program’s exemptions and credits, certain homeowners and senior citizens can qualify for a reduced school property tax bill, with the state funding the difference for the school district. While technically state funding in support of education, STAR is generally counted separately from state aid.

Prior Year Aid Claims – In general, most aid reimbursements are paid by the state in the year following the expense made by the school district. But the normal payment schedule can be affected when a district updates previously submitted information or otherwise files expenditure data with the state after certain deadlines. In those limited situations, the aid can still be paid to the school district, but only when the state makes funding available – a process which can take many years.

Bullet Aid – State funding often provided each year to a limited number of school districts, allocated directly by each house of the legislature. This funding is not formula-based and generally will only be received by school districts that are represented by a legislator in the majority party of their respective legislative house. In total, bullet aid generally amounts to less than \$50 million each year – with recipient districts given four to six figure payments.

Lottery, VLT and Commercial Gaming Aids – Three different aid payments made by the state to school districts. Instead of covering specific aid categories, these payments serve as a revenue source for the state to fund aid payments to districts. They do not represent additional state aid. These payments are received by districts throughout the year.





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