

Education and Arts

*State Education Department
Council on the Arts*

I. Overview

Public education in New York represents a significant commitment of State and local resources. With total State and local spending levels exceeding \$53 billion, New Yorkers have maintained the highest per-pupil spending levels in the nation even in these difficult financial times. Education is the largest area of State spending. This is a reflection of New York State's long-standing commitment to providing opportunity for all students and ensuring that the children of New York have an opportunity for a sound, basic education.

Although today's economic climate imposes significant limitations on the funding of public education, the State's commitment to ensuring that this critical standard is met is unwavering. Accordingly, we must improve the performance of our schools in educating our children through greater efficiency and wiser investments. In addition, as we proceed in future years, we must reassess the State's approach to funding public education to ensure that it meets the needs of our children for the future.

II. History/Context

New York public schools spend more per pupil (\$17,173) than any other state and 67 percent above the national average. While the need to improve educational outcomes remains, the high cost of education has strained both State and local taxpayers. New York is the only state to be in the top six in both state funding per pupil and local funding per pupil.

In the last decade, the State increased its support for schools by 53 percent, from \$13.7 billion to \$20.9 billion. During that time, overall spending by New York public schools increased even more dramatically, by 70 percent, from \$31 billion in 2000-01 to \$53 billion in 2010-11. Statewide increases in school spending, State support for education, and school property tax increases all far outpace the rate of inflation.

However, New York's high education spending has not resulted in high student performance. New York ranks 40th in graduation rates and 34th in the nation in the percentage of adults who have a high school diploma or the equivalent. Despite major investments by taxpayers, too many schools are failing. There is a need to restructure school spending so that our schools provide the educational opportunity to our students that we expect – at a level of spending that State and local taxpayers can sustain, while incentivizing improved performance and greater efficiency.

III. Proposed 2011-12 Budget Actions

The Executive Budget realigns education financing to meet New York's current fiscal reality while reaffirming the commitment to improve educational outcomes in the classroom. State Aid will be recalibrated to achieve necessary savings. The Executive Budget also redesigns a portion of education financing by providing new competitive awards for school districts that become more efficient and to school districts that improve academic achievement. State Aid reductions are coupled with a mandate relief effort, undertaken by Executive Order, which will lower the system-wide cost of providing education services, thus mitigating the impact of decreases in aid.

The 2011-12 Executive Budget recommends \$19.4 billion in School Aid for the 2011-12 school year, which will be a year-to-year reduction in School Aid of \$1.5 billion, or 7.3 percent. Because education in New York is financed primarily through a combination of State and local funding, the proposed reduction in State aid represents only 2.9 percent of the total operating expenditures projected to be made by school districts statewide during the 2010-11 school year.

Even after these actions, School Aid will continue to represent the largest State-supported program, accounting for 29 percent of General Fund spending.

The decrease in School Aid would be achieved through several actions:

- The Executive Budget recommends maintaining operating formula aid categories at current levels. The largest formula aid category is Foundation Aid, which is recommended to remain at \$14.9 billion. Foundation Aid represents the largest component of School Aid. Consistent with the recommendation advanced by the New York State Board of Regents to extend the phase-in of Foundation Aid, the Executive Budget recommends extending the full phase-in of Foundation Aid to the 2016-17 school year.

- To achieve necessary savings, the Executive Budget recommends a \$2.8 billion Gap Elimination Adjustment (GEA) for the 2011-12 school year. This approach reduces school aid progressively, accounting for each school district's wealth, student need, administrative efficiency and residential property tax burden. Low-wealth districts would receive proportionately smaller reductions than high-wealth districts. The size of the GEA in part reflects the loss of \$1.3 billion in one-time Federal funding provided by the American Recovery and Reinvestment Act of 2009 and the Education Jobs Fund of 2010. In future years, as we redesign our approach to funding schools, the GEA would be continued and scaled to limit growth in School Aid to sustainable levels. Through the progressive nature of the GEA, this approach, combined with future phase-in of Foundation Aid, will target State resources to those school districts with the greatest needs.
- The GEA is partially offset by \$305 million of growth in existing expense-based aids such as Building Aid, Transportation Aid and BOCES Aid.

As all New Yorkers and all levels of government are adjusting to a new fiscal reality, so must school districts. While this process will not be without hardship, many school districts have access to temporary funds, including nearly \$1.2 billion in undesignated reserves and unspent funds from the \$607 million Federal Education Jobs Fund. These funds can be used to smooth the transition during this period of fiscal recalibration.

In addition, the Executive Budget proposes major initiatives to make school districts more efficient and improve student performance. These include School District Performance Improvement Awards totaling \$250 million to be awarded on a competitive basis to school districts that demonstrate significant improvements in student performance; and School District Management Efficiency Awards, also totaling \$250 million, to be awarded competitively to school districts that undertake long-term structural changes to reduce costs and improve efficiency.

This budget also reflects \$696 million available from the Federal Race to the Top program. Over the next four years, this funding will help support State and school district efforts to improve academic achievement with reforms to standards and assessments, data systems, and teacher and principal preparation and evaluation.

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Recognizing the State's new fiscal reality, the Executive Budget proposes to make expense-based School Aid categories more reflective of school districts' fiscal capacity. It also recommends other actions to reduce State costs, including difficult, but necessary, decisions to reduce aid for libraries, public broadcasting stations, nonpublic schools and arts grants.

The Governor has created the Mandate Relief Redesign Team by Executive Order. This team, made up of representatives of the Legislature, local government, education and private industry, will conduct a rigorous review of mandates imposed on school districts and other local taxing districts in order to determine the most cost-effective ways to deliver required programs and services and identify mandates that are ineffective, unnecessary, outdated or duplicative. The Team will report to the Governor on March 1, 2011.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	20,925	19,390	(1,535)	(7.3)
Overall Education and Arts Spending (Fiscal Year)	29,593	27,423	(2,170)	(7.3)

Estimated 2010-11 School District Total General Fund Expenditure (TGFE) (\$ in billions)	Year-to-Year Reduction in Total School Aid (\$ in billions)	Year-to-Year Change in Total School Aid as a Percentage of TGFE
52.9	(1.5)	(2.9)

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions) Fiscal Year	2012-13 (\$ in millions) Fiscal Year
School Aid		
Maintain Funding for Foundation Aid and Universal Prekindergarten at 2010-11 Levels	851	2,435
Reduce School Aid through a Gap Elimination Adjustment (2011-12 SY: \$2.8 billion)	1,950	2,322
Redesign Building Aid Reimbursement Rates and Provide Aid for New Projects on a Competitive Basis	0	69
Rationalize BOCES Aid	0	34
Maintain Supplemental Funding to the Roosevelt Union Free School District at Current Amounts (2011-12 SY: \$6 million)	4	2
Total	2,805	4,862
Other Education and Education Related Programs		
Consider Wealth as a Factor in Reimbursing Summer School Special Education Costs (2011-12 SY: \$86 million)	57	21
Align Financing of Private Schools for the Deaf and Blind with other Private Special Education Schools	98	14
Reduce Funding for Library Aid and Public Broadcasting	10	10
Reduce Funding for Nonpublic Schools	9	9
Reduce Funding to Independent Colleges and Universities (Bundy Aid)	4	4
Other Targeted Reductions	4	4
Reduce SED Operations and Capital Funding	4	4
Total	186	66
Arts		
Reduce Funding for the New York State Council on the Arts Operations and State-funded Arts Grants	4	4
Total	4	4

School Aid

- **Create a Competitive School Performance Incentive Program.** The Executive Budget proposes two competitive grant programs, totaling \$500 million, to reward academic improvement and school district efficiencies:
 - **School District Performance Improvement Awards:** Grants totaling \$250 million will be awarded to school districts that demonstrate significant improvements in their student performance outcomes. This program would build upon the objectives of the Race to the Top program and provide additional State funding to those school districts with the most improved academic achievement and student outcomes.
 - **School District Management Efficiency Awards:** Competitive grants totaling \$250 million will be awarded to school districts that find recurring cost savings and undertake long-term structural changes that reduce costs and improve efficiency.
- **Maintain Funding for Foundation Aid and Universal Prekindergarten at 2010-11 Levels.** Funding for individual aid categories that provide operating support to school districts, including Foundation Aid and Universal Prekindergarten, would be continued at the same level in 2011-12. The Executive Budget recommends extending the full phase-in of Foundation Aid until the 2016-17 school year. *(2011-12 School Year Value: \$1.1 billion; 2012-13 School Year Value: \$3.0 billion; 2011-12 State Fiscal Year Value: \$0.9 billion; 2012-13 State Fiscal Year Value: \$2.4 billion)*
- **Reduce School Aid Through a Gap Elimination Adjustment (GEA).** To address the State's fiscal crisis, the Executive Budget proposes a GEA of \$2.8 billion for the 2011-12 school year. This approach reduces school aid progressively, accounting for each school district's wealth, student need, administrative efficiency and residential property tax burden. The GEA is applied against formula-based School Aid, excluding Building Aid and Universal Prekindergarten. In future years, the GEA would be continued and scaled to limit growth in School Aid to sustainable levels. *(2011-12 School Year Value: \$2.8 billion; 2012-13 School Year Value: \$2.1 billion; 2011-12 State Fiscal Year Value: \$2.0 billion; 2012-13 State Fiscal Year Value: \$2.3 billion)*
- **Redesign Building Aid Reimbursement Rates and Provide Aid for New Projects on a Competitive Basis.** The Executive Budget recommends nearly \$2.66 billion in 2011-12 State support for the construction of school facilities, an increase of \$171 million over current levels. To better target limited State resources for school construction, the Executive Budget proposes to redesign building aid allocations by aligning reimbursement rates more closely with the fiscal capacity of school districts, and creating a new funding structure for school construction that will use a competitive application process that considers the need for the project, the age of the building to be renovated or replaced and district fiscal capacity. *(2011-12 School Year Value: \$0; 2012-13 School Year Value: \$99 million; 2011-12 State Fiscal Year Value: \$0; 2012-13 State Fiscal Year Value: \$69 million)*

- **Modify Transportation Aid to Encourage Shared Services and Other Cost-Effective Practices.** The Executive Budget recommends prospective changes to the Transportation Aid program to encourage cost-effective management. While there is no fiscal impact projected for the 2011-12 State fiscal year, these changes will reduce spending growth in this reimbursement-based program. School districts must, by the end of the 2012-13 school year, either demonstrate participation in a cost-effective shared services program with another municipal entity or in the use of practices identified as efficient by the State Education Department. Noncompliance would result in graduated reductions in the percentage of costs the State would reimburse. In addition, constraints would be placed on reimbursement to ensure that the acquisition of school buses reflects cost-effective practices. *(2011-12 School Year Value: \$0; 2012-13 School Year Value: \$0; 2011-12 State Fiscal Year Value: \$0; 2012-13 State Fiscal Year Value: \$0)*
- **Rationalize BOCES Aid.** Boards of Cooperative Education Services (BOCES) provide both instructional and non-instructional services to school districts. However, current aid formulas often discourage school districts from seeking the unsubsidized best price on certain non-instructional services. Beginning with aid payable in 2012-13, the Executive Budget would distribute BOCES Aid based on the same State aid ratio as Foundation Aid. In addition, to encourage system-wide cost effectiveness, beginning with costs reimbursed in 2012-13, certain non-instructional services provided by BOCES would no longer be reimbursed. *(2011-12 School Year Value: \$0; 2012-13 School Year Value: \$135 million; 2011-12 State Fiscal Year Value: \$0; 2012-13 State Fiscal Year Value: \$34 million)*
- **Maintain Supplemental Funding to the Roosevelt School District at \$6 million.** The Executive Budget includes a \$6 million Academic Achievement Grant for the Roosevelt Union Free School District. This is the same amount provided to Roosevelt in the 2010-11 school year. *(2011-12 School Year Value: \$6 million; 2012-13 School Year Value: \$0; 2011-12 State Fiscal Year Value: \$4 million; 2012-13 State Fiscal Year Value: \$2 million)*

Special Education and Other Education-Related Programs

- **Consider Wealth as a Factor in Reimbursing Summer School Special Education Costs.** The 2011-12 Executive Budget proposes to more closely align State reimbursement to school districts for summer school special education costs with wealth-based aid ratios used during the regular school year. Additionally, the priority of payment would be for claims from the 2011-12 school year with State reimbursement for prior year costs limited to \$100 million during the coming fiscal year. *(2011-12 Fiscal Year Value: \$57 million; 2012-13 Fiscal Year Value: \$21 million)*

- **Align Financing of Private Schools for the Deaf and Blind with other Private Special Education Schools.** Nearly 1,500 students attend 11 State-supported private schools for the blind and deaf. Unlike other private special education schools, these schools have historically been funded through a discrete State appropriation. The Executive Budget would consolidate these 11 private schools into the broader classification of private special education providers. State funding for the cost of students attending these schools would be provided through Private Excess Cost Aid, as is the case for students attending all other private special education schools at the direction of school districts. *(2011-12 Fiscal Year Value: \$98 million; 2012-13 Fiscal Year Value: \$14 million)*
- **Reduce Funding for Library Aid and Public Broadcasting.** The Executive Budget provides \$76 million for Library Aid and \$13.5 million for Public Broadcasting, a 10 percent year-to-year reduction for each program. *(2011-12 Fiscal Year Value: \$10 million; 2012-13 Fiscal Year Value: \$10 million)*
- **Reduce Funding for Nonpublic Schools.** The Executive Budget provides nonpublic schools \$74.2 million in aid for mandated services and \$26.2 million for the comprehensive attendance-taking program. This is an 8 percent reduction in annual reimbursement to approximately 1,200 nonpublic, not-for-profit schools that provide instruction to nearly 400,000 students. These schools are reimbursed for State-mandated activities such as taking attendance and administering State achievement tests. The percentage reduction in these programs is close to the reduction in aid to school districts. *(2011-12 Fiscal Year Value: \$8.7 million; 2012-13 Fiscal Year Value: \$8.7 million)*
- **Reduce Funding for Bundy Aid.** The Bundy Aid program provides unrestricted financial assistance to New York's independent colleges and universities based on the number and type of degrees conferred at each institution. The Executive Budget recommends \$35.1 million in 2011-12 Bundy Aid funding, which is a \$3.9 million, or 10 percent, reduction from 2010-11 funding levels. The proposal is comparable to reductions proposed for the State University of New York and the City University of New York. *(2011-12 Fiscal Year Value: \$3.9 million; 2012-13 Fiscal Year Value: \$3.9 million)*
- **Consolidate Funding for Various Education-Related Programs and Allocate Grants on a Competitive Basis.** The Executive Budget consolidates State support for four discrete education-related initiatives into a \$1.7 million pool of funding for competitive grants to programs that have proven effective in improving the achievement of students. *(2011-12 Fiscal Year Value: \$0.8 million; 2012-13 Fiscal Year Value: \$0.8 million)*

- **Reduce Funding for Arts Grants.** The New York State Council on the Arts' primary mission is to award competitive grants to not-for-profit arts and cultural organizations, including symphony orchestras, museums, dance companies and theatres. Annually, the Council awards approximately 2,300 grants, used largely to subsidize operating costs of small- and mid-sized arts organizations. The 2011-12 Executive Budget reduces arts grants funding by 10 percent, from \$35.2 million to \$31.6 million. *(2011-12 Fiscal Year Value: \$4 million; 2012-13 Fiscal Year Value: \$4 million)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(SED Year-to-Year Value: \$4.3 million; Council on the Arts Year-to-Year Value: \$0.5 million)*

Other Budget Actions

- **Maintain the Contracts for Excellence Program.** In recognition of the fiscal circumstances facing the State and the suspension of increases for Foundation Aid, all districts currently in the program would be required to remain in the program with a reduced financial liability unless all school buildings in the district are reported as "In Good Standing" for purposes of the State accountability system. This approach will ensure participation of 23 school districts, including the Big Five city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). School districts that remain would be required to maintain funding on existing Contract for Excellence programs less the percentage reduction of the Gap Elimination Adjustment.
- **Allow Access to Employee Benefit Accrued Liability Reserve Funds.** In order to maintain educational programming during the 2011-12 school year, a school district's governing board would be permitted to authorize a withdrawal of excess funds in an employee benefits accrued liability reserve fund. The amount withdrawn could not exceed the Gap Elimination Adjustment for a school district. The State Comptroller would first certify that the amount remaining in the Fund is sufficient to meet employee benefit requirements after the withdrawal.

