



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

TO: Subcommittee on State Aid and the Full Board
FROM: Johanna Duncan-Poitier
SUBJECT: Regents 2009-10 Proposal on State Aid to School Districts
DATE: December 1, 2008
STRATEGIC GOAL: 1, 2, 3 and 5
AUTHORIZATION(S):

SUMMARY

Issue for Decision

Does the state aid proposal reflect the Regents goals and funding priorities for pre-kindergarten through grade 12 education? Are the right program and funding directions emphasized?

Reason(s) for Consideration

Policy action.

Proposed Handling

These questions will come before the Subcommittee at a special session scheduled for December 4, 2008.

Procedural History

The Regents Subcommittee on State Aid began its discussion about the development of the Regents 2009-10 State Aid proposal at its May 2008 meeting. Subcommittee members discussed recommendations included in the reports issued by the New York State Commission on Local Government Efficiency and Competitiveness and the New York State Commission on Property Tax Relief in July. In September, the Subcommittee discussed foundation aid and in October, a report on BOCES and

feedback from the Education Finance Advisory Group. The Board of Regents authorized the Subcommittee to act on the State Aid Proposal on behalf of the full Board. This special Subcommittee meeting has been scheduled for December 4, 2008.

Background Information

In seeking to close the student achievement gap, funding is one key component of a solution. The Regents proposal seeks to achieve equity, adequacy, accountability and balance between stable and targeted funding. New data on high school completions shows the achievement gap remains an urgent need. New methods of linking funding to results make the goals of this proposal more possible than ever. The Regents have carefully crafted this proposal to retain those critical funding directions necessary to continue the State's progress toward educational adequacy, despite the State's worsening revenue picture.

Recommendation

I recommend that the Subcommittee approve the Regents State Aid proposal for 2009-10 on behalf of the Full Board by taking the following action:

VOTED, that the Board of Regents approve its proposal on State Aid to school districts for school year 2009-10 as described in the attached pages.

Timetable for Implementation

Following the Regents approval of the final State Aid proposal for 2009-10, the Governor will issue his budget recommendations in mid-December and has asked the Legislature to approve a State budget before April 1.

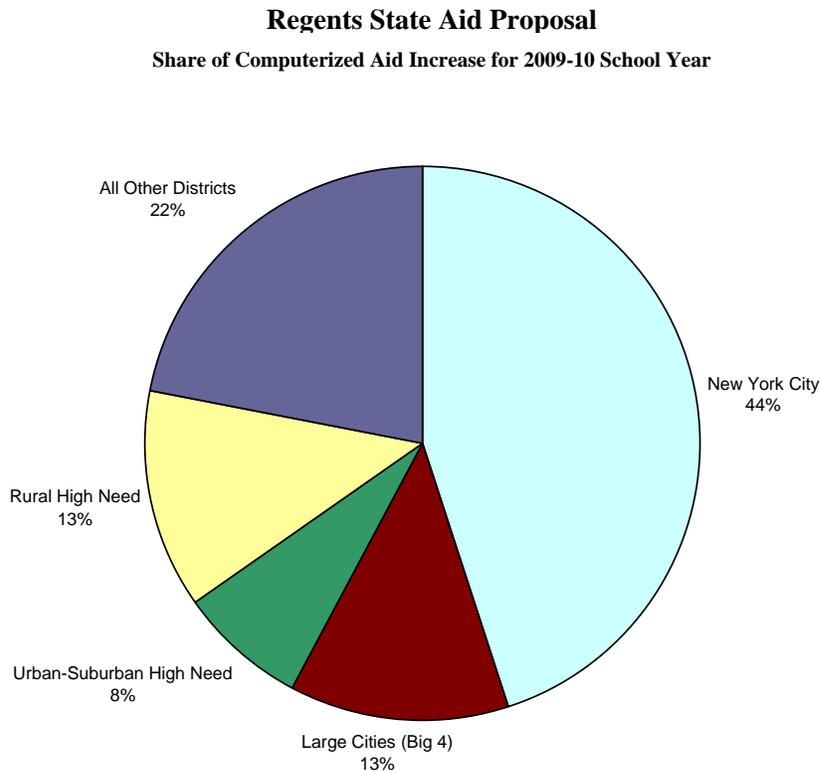
Attachment

REGENTS PROPOSAL ON STATE AID TO SCHOOL DISTRICTS FOR SCHOOL YEAR 2009-10

Executive Summary

The Regents proposal recommends an \$879 million, 4.1 percent increase for school year 2009-10 over the previous year. This increase represents almost a \$1 billion reduction in aid included in the State's financial plan in response to an economic crisis of significant proportions. The Regents recommend that the State direct \$586 million of this increase to continue the phase in of the foundation formula enacted by the State in 2007. The Regents recommend continued implementation of Contracts for Excellence accountability requirements, a \$61 million increase to continue the State's phase in of Universal Pre-Kindergarten education program and \$50 million for High Tax Aid. The table titled 2009-10 State Aid Budget provides the details of the Regents request.

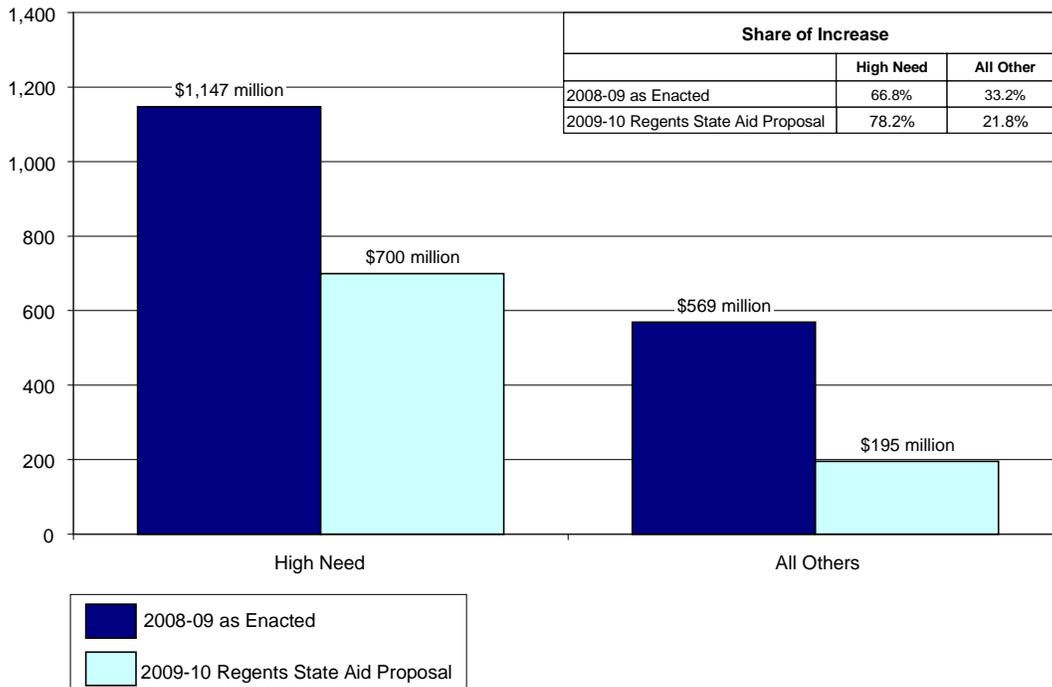
The following pie chart shows the distribution of the increase in computerized aids proposed by the Regents: 44 percent to the New York City School District, 13 percent to the Big Four City School Districts, eight percent to high need urban/suburban districts, 13 percent to high need rural districts and 22 percent to average and low need districts.



The following bar graph shows the distribution of the Regents proposal to high need and other districts. In the budget that the State enacted for 2008-09, approximately 67 percent of the increase was directed to high need school districts. The Regents recommend that this percentage be increased for 2009-10 to approximately 78 percent.

Computerized State Aid Increases

How They Are Distributed



2009-2010 Regents State Aid Proposal

NEW YORK STATE

(all figures in millions)

Program	2008-2009 School Year	2009-2010 Regents State Aid Proposal	Regents Proposal - Change from Base
General Purpose Aid	<u>\$15,535</u>	<u>\$16,049</u>	<u>\$514</u>
Foundation Aid	\$14,874	\$15,460	\$586
Academic Enhancement Aid	\$8	\$52	\$44
Charter School Transition Aid	\$20	\$19	(\$1)
High Tax Aid	\$205	\$50	(\$155)
Reorganization Incentive Operating Aid	\$3	\$3	\$0
Education Grants ¹	\$18	\$0	(\$18)
General Purpose Aid Subtotal	<u>\$15,128</u>	<u>\$15,584</u>	<u>\$456</u>
Aid for Early Childhood Education	\$407	\$465	\$58
Support for Pupils with Disabilities	<u>\$679</u>	<u>\$764</u>	<u>\$85</u>
Private Excess Cost Aid	\$262	\$300	\$38
Public Excess High Cost Aid	\$413	\$464	\$51
Supplemental Public Excess Cost Aid	\$4	\$0	(\$4)
BOCES\Career and Technical Ed.	<u>\$869</u>	<u>\$879</u>	<u>\$10</u>
BOCES Aid	\$673	\$675	\$2
Special Services - Aid for Academic Improvement	\$45	\$48	\$3
Special Services - Career Education Aid	\$115	\$120	\$5
Special Services - Computer Admin. Aid	\$36	\$36	\$0
Instructional Materials Aids	<u>\$287</u>	<u>\$286</u>	<u>(\$1)</u>
Computer Hardware & Technology Aid	\$37	\$38	\$1
Library Materials Aid	\$19	\$19	\$0
Software Aid	\$46	\$46	\$0
Textbook Aid	\$185	\$183	(\$2)
Expense-Based Aids	<u>\$3,589</u>	<u>\$3,876</u>	<u>\$287</u>
Building Aids	\$2,063	\$2,263	\$200
Transportation Aids	\$1,526	\$1,613	\$87
Computerized Aids Subtotal	<u>\$20,959</u>	<u>\$21,854</u>	<u>\$895</u>
All Other Aids	<u>\$330</u>	<u>\$314</u>	<u>(\$16)</u>
Bilingual Education Grants	\$13	\$13	\$0
Employment Preparation Education Aid	\$96	\$96	\$0
Full-Day Kindergarten Planning Grants	\$1	\$1	\$0
Other Programs	\$220	\$204	(\$16)
Grand Total	<u>\$21,289</u>	<u>\$22,168</u>	<u>\$879</u>

¹ Education Grants are comprised of Academic Achievement Grants directed to New York City and Supplemental Education Improvement Grants directed to Yonkers.

Conceptual Proposal

The Regents State Aid proposal for school year 2009-10 details critical funding recommendations to provide an adequate basic education to the State's children. It also includes recommendations to reduce spending through mandate relief, shared services and changes in special education. The pupil needs this proposal is designed to address remain pressing and are likely to grow even more dire as a result of the troubled economic times we are facing. Therefore, the Regents assert that the State must continue to support the work begun and progress made in prior years. This proposal recommends preserving the foundation formula advocated by the Regents and enacted in the past two State budgets. The current recession, as others before it, will impact New York State more deeply and for a longer period of time than other regions. Therefore, it is certain that poverty and the increased educational need associated with it, will deepen. Not only must we maintain our investment, and move closer to adequacy based on past inequities, we will need more resources to address the future need.

Principles

Four principles continue to guide this Regents proposal. During difficult economic times adhering to these principles is even more important.

Adequacy—Ensure that all districts have the resources to give all students the opportunity to achieve high minimum outcomes.

Equity—The funding system must be fair for all students and taxpayers. State resources should be allocated on the basis of fiscal capacity, cost and student needs. The emphasis is providing a set of inputs (qualified teachers, appropriate facilities and other educational resources) to adequately educate students regardless of where they attend school.

Accountability—The education system will measure outcomes and use those measures to ensure that financial resources are used effectively. The Regents will employ a two-pronged strategy to ensure education resources will be used or maintained in the public interest. The Department will give greater flexibility to districts with acceptable student achievement, while working closely with districts not yet meeting State standards.

Balance—The State should balance stability in funding with targeting aid to close student achievement gaps. It should drive aid based on current needs, while establishing reasonable amounts of hold-harmless aid to provide stability.

Statement of Need

This proposal pursues three Regents goals: to close the gap between actual and desired student achievement; to ensure that public education resources are adequate; and that school districts use these resources effectively and efficiently. At the September 2008 board meeting, the Regents cited examples of improvement in student

achievement since 1996 when the Regents began to raise standards for all grade levels and imposed graduation requirements aligned with these new standards. ¹ The data show that student success is growing and reforms are achieving results. Despite this, serious challenges remain and we must continue to seek adequate funding for all of our school districts.

Student Success is Growing

Improvement in educational outcomes for students can be found throughout the educational system. Figure 1 shows that more than 28,000 students graduated with a Regents or local diploma in 2006-07 than did 11 years earlier. Throughout this period standards were raised and students increasingly had to pass more State assessments at higher levels to graduate. School districts are using State Aid increases to implement reforms that are increasing student learning.

Figure 1. The number of annual high school graduates has increased over time

Year	Number of Students Earning Regents or Local Diplomas
1995-96	136,754
1996-97	138,990
1997-98	139,531
1998-99	140,365
1999-00	141,510
2000-01	141,634
2001-02	143,070
2002-03	143,818
2003-04	153,202
2004-05	153,202
2005-06	161,732
2006-07	164,790

This shows the total number of students graduating each year, regardless of which cohort they belong to.

Challenges Remain

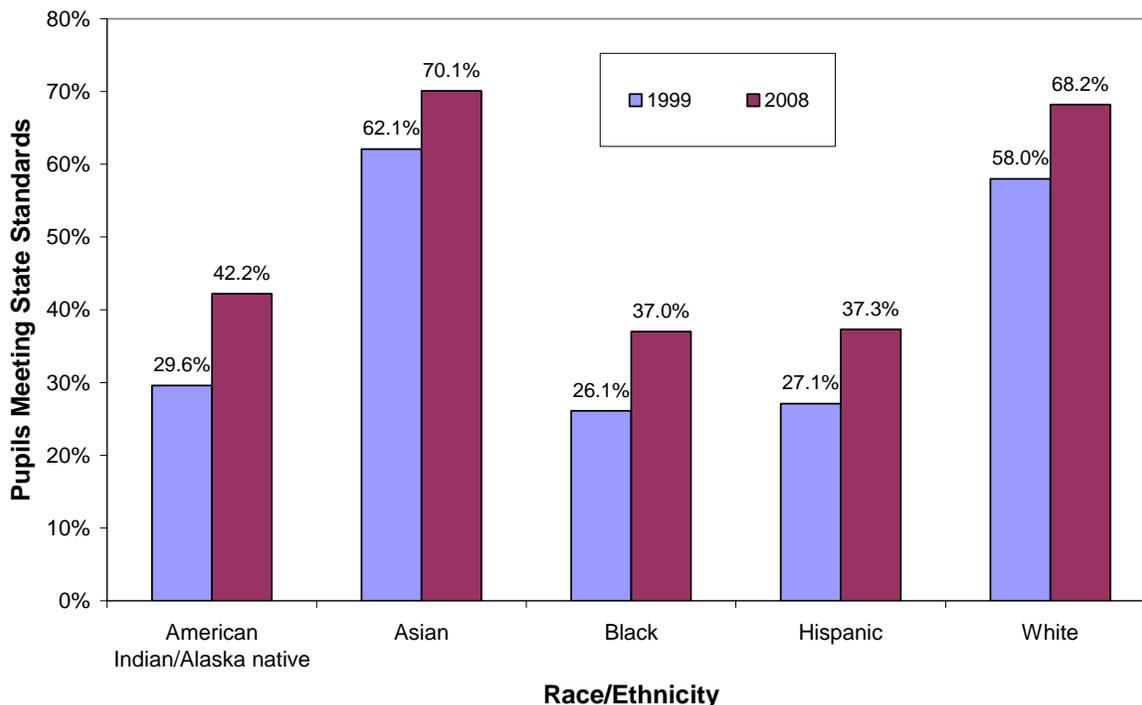
Despite these improvement gains over the last eleven years, significant achievement gaps remain. The gains of all students often mask achievement problems of separate groups of students. In addition, the data show the troubling finding that student achievement worsens as students progress through the grades so that successes in fourth grade do not always result in success in middle school and high school

¹ <http://www.regents.nysed.gov/2008Meetings/September2008/0908emscd2.htm>

completion. The Regents at the September Board meeting discussed the results of recently released achievement data which measured student performance through time. This report highlighted just this lack of sustained performance of early success at the middle and upper grade levels. Figures 1-3 present selected data findings which flesh out the larger themes from this September Board item.

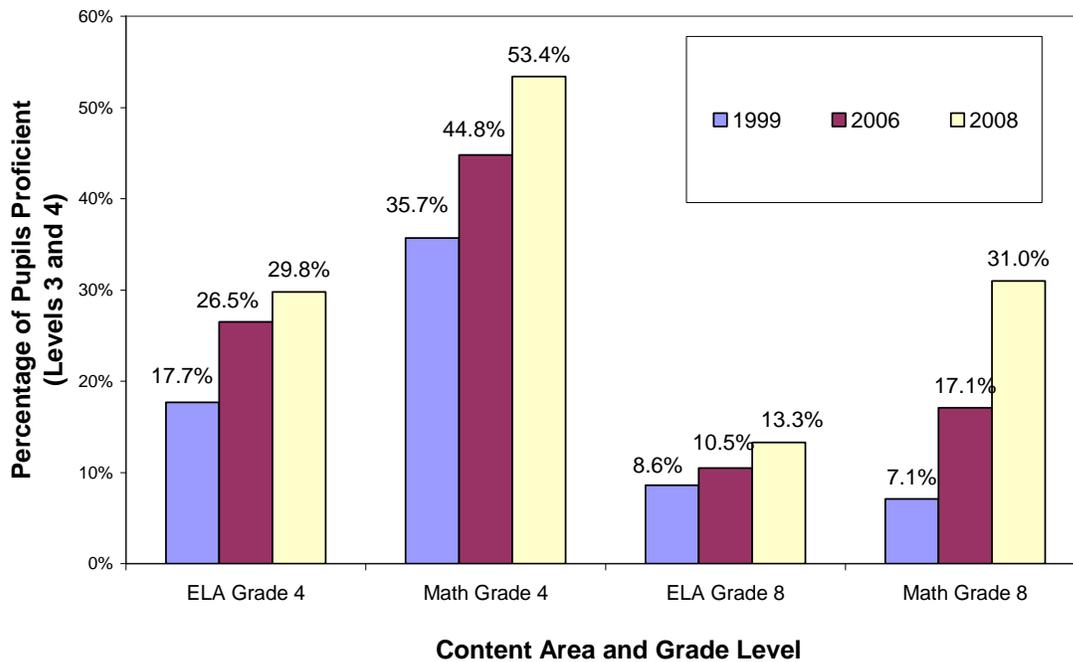
For example, Figure 2 demonstrates, that little more than a third of Black and Hispanic students are achieving proficiency on the 8th grade ELA assessment and their performance is significantly lower than their white and Asian counterparts.

Figure 2. Performance has increased on the 8th Grade ELA assessment from 1999 to 2008, although Black and Hispanic improvement has not kept pace



The achievement progress over time of students with disabilities is generally unacceptable as well. Although the Math results for this group of pupils has improved markedly from 1999 to 2008, of the four content area and grade level exams listed in Figure 3, on only one of these exams--4th Grade Math--are more than one-half of disabled students achieving proficiency by 2008.

Figure 3. The achievement progress of students with disabilities over time, is generally unacceptable, although Math results are more promising



The Regents also examined achievement for districts grouped by need and resource capacity. The Department's data indicate that high need/resource capacity districts have a greater incidence of students from poverty backgrounds, English language learners and students with disabilities and fewer resources to respond to these greater student needs. Figure 4 shows that districts with greater need/resource capacity status have lower high school graduation attainment than do those with lower pupil needs.

When we adjust for these greater needs², we find that high need groups of districts, including New York and the Big 4 Cities spend considerably less on a per pupil basis than do average and low need districts, as Figure 5 displays. On average, low need districts characterized by greater incomes and less needy students, expend roughly 40 percent more per pupil than do these other groups of districts.

The result of this lower investment in education results at least in part, in a less qualified teaching workforce. As Figure 6 shows, the Big 4 Cities, who in Figure 4 had the lowest rate of Regents diploma graduation attainment, have less qualified teachers, as measured by credentials, than the rest of the State's school districts.

² A student living in poverty is weighted at 2.0; while a student who is not poor is weighted at 1.0.

Figure 4. Lower graduation attainment is associated with groups of districts with higher pupil needs (SY 2006-07)

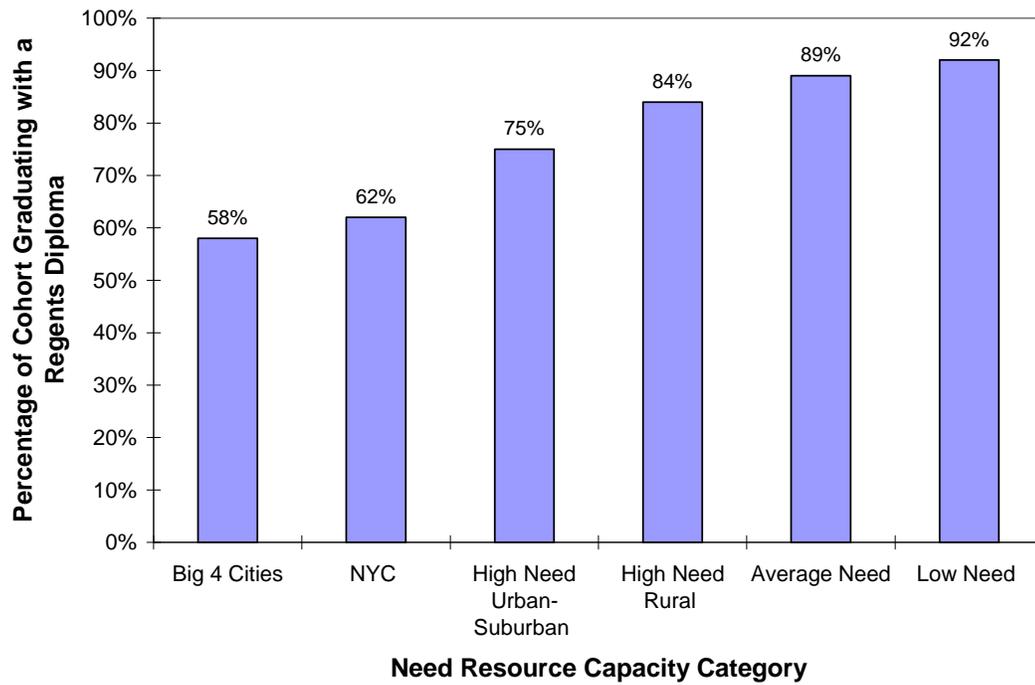
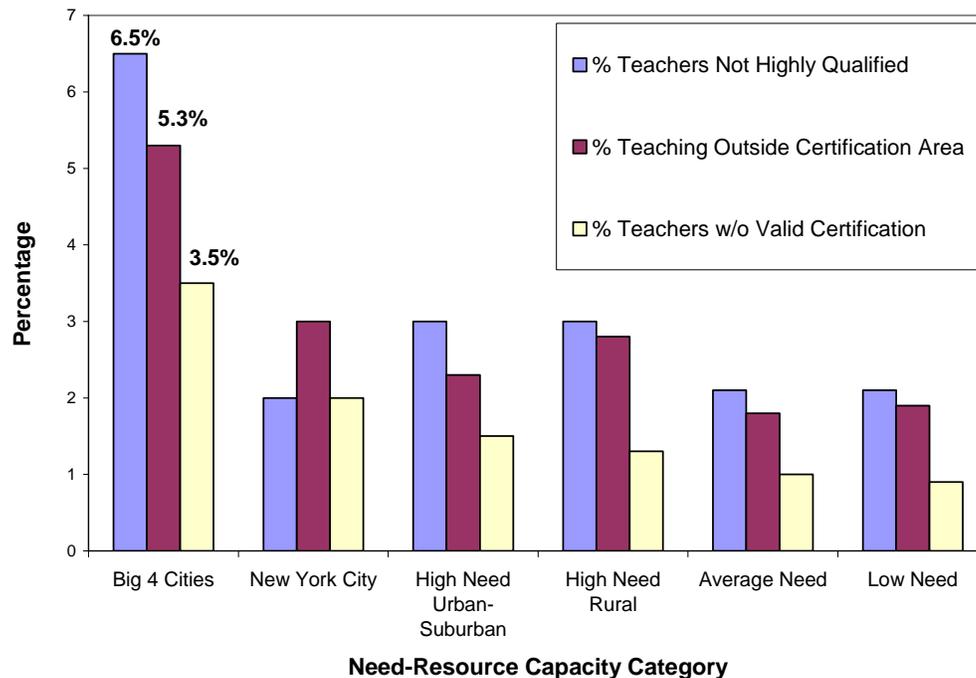


Figure 5. High need districts spend significantly less than low need districts when spending is adjusted for student need



Figure 6. The Big 4 districts have teachers with fewer credentials than other groups of districts



The strong and pervasive connection between pupil needs, resources and achievement, as described in Figures 1-6, in total, make a compelling case for the continuation of education finance reforms such as the foundation formula which closely tie these factors together in a manner that provides the opportunity for adequate student performance.

Why This is Critical Now

After two years of the foundation formula, New York State is well on the way to ensuring adequate funding so that all students can succeed. Continued implementation of this reform is necessary and important for further success.

At a recent Governor’s summit on student engagement and dropout prevention, Commissioner Mills reported that “25,000 students who entered ninth grade in 2003 dropped out. Even in good times, uneducated young people are marginalized.” He asked: “Imagine what those 25,000 young men and women are doing today?”

He summarized the story by reporting that:

- Graduation rates for black and Hispanic males have improved, but are still unacceptably low;
- Graduation rates for students with disabilities are low, particularly in high need school districts; and
- English Language Learners’ graduation rates have actually declined.

This Regents proposal will outline those actions that will accelerate student learning while reducing spending.

Maintain the Commitment

The progress made shows us that reforms in education are having an impact. With much hard work left to be done, the promise of a quality education depends on resources that support student learning. The State has made an historic commitment to providing adequate funding in its four-year phase in of the foundation formula begun in 2007. The State must maintain this commitment. This proposal sets forth Regents recommendations for funding New York State school districts in school year 2009-10 and beyond.

Recommendations

Preserve the Foundation Formula

New York State's historic implementation of a needs-based, education-oriented school funding formula is well on its way. Over the past two years, the State has completed approximately 38 percent of this phase in. At the end of the phase in, school funding will be adequate, transparent and predictable. However, many districts do not yet have adequate funding. The economic crisis may slow down the achievement of this goal, but should not deter us from achieving it eventually. Our state's future depends on adequate education funding.

While the State and nation struggle to adjust to an economic crisis, difficult decisions must be made about our future. Central to this, is the decision to continue to make progress toward adequate funding for our schools. The Regents approach is based on the premise that all districts should have a minimum level of funding and although we have made significant progress, New York State has not yet achieved this funding standard. Not only does the State Constitution require adequate funding for schools, but our future economic security depends on it. Investing in the quality education children need to be successful will pay off for years to come as they pursue higher education, contribute to the workplace and contribute as citizens.

Recognize changes in district needs. While the Regents recognize the extraordinary conditions that led to the current fiscal crisis, any solution that treats all districts the same will not maintain the drive toward adequacy. The State should continue to recognize demographic and socioeconomic changes in school districts and continue to use school aid, even with limited increases or cuts, in ways that help districts equalize educational opportunity. This is especially important for districts that have limited ability to raise revenues locally and high student need and which may be highly dependent on State Aid.

This proposal recommends continuation of the phase-in of the Foundation Formula which the State began in 2007. The enacted budget for 2007-08 reformed the State's method of allocating resources to school districts by consolidating some 30 existing funding streams into a new Foundation Aid formula. This formula distributes funds to

school districts based on the cost of providing an adequate education, adjusted to reflect regional costs and concentrations of pupils who need extra time and help to be successful. The Regents recommend maintaining the commitment to high need school districts even if this means extending the phase in of the formula.

The Foundation Formula is transparent, lending itself to public understanding and debate. It is represented by a simple formula with four moving parts:

$$\text{District Foundation Aid per Pupil} = [\text{Foundation Cost} \times \text{Pupil Need Index} \times \text{Regional Cost Index}] - \text{Expected Local Contribution}.$$

- The Foundation Cost is the cost of providing general education services. It is measured by determining instructional costs of districts that are performing well.
- The Pupil Needs Index recognizes the added costs of providing extra time and help for low-income and needy students to succeed.
- The Regional Cost Index recognizes regional variations in purchasing power around the State, based on wages of non-school professionals.
- The Expected Local Contribution is an amount districts are expected to spend as their fair share of the total cost of general education.

Maintain existing Contracts for Excellence. The State created Contracts for Excellence in 2007 that designate how districts spend additional education aid for programs that have a track record of improving student achievement, and to document student achievement growth associated with these expenditures. The State required districts with large aid increases and low student achievement to participate in the program. It specified the amount of funding that should be directed to expand learning opportunities for students and that which could be used to continue existing district programs. The Regents recommend that the State:

- 1) Continue to give priority in funding to high need school districts until they have adequate funding.
- 2) Do not require districts that have made adequate yearly progress two years in a row to file a Contract.
- 3) Continue the link in Contracts for Excellence (C4E) between money and accountability and better align the program with the accountability system by making contract requirements commensurate with the size of the achievement problem.
- 4) Current C4E districts should continue in C4E and, if aid increases are small, focus on maintaining C4E programs funded in the base year without expansion of new programs. In order to protect the State's and districts' investment in C4E programs, the State should provide a short-term *Academic Enhancement Aid* to provide C4E districts with resources to help maintain their C4E programs. These grants would help districts respond to inflationary pressures and meet State accountability requirements.

- 5) Modify Chapter 57 requirements for districts in need of improvement to require greater transparency and public posting of district improvement plans. Suspend requirements related to redirecting resources to C4E allowable programs.

Continue the State's Commitment to Universal Pre-K

The State has made steady progress in the implementation of universal pre-kindergarten for four year olds, with funding for 2008-09 at an estimated \$451 million statewide. Funding for pre-kindergarten programs together with adequate funding for K-12 programs provided by Foundation Aid, gives districts a solid foundation with which to close the achievement gap. Research has documented the lasting impact of quality early childhood programs followed by well planned and funded early grade programs in schools. Achievement results improve, the need for special education and academic intervention declines, graduation rates increase, workforce earnings increase and crime decreases. Quality early childhood education makes good education sense and makes good economic sense.

The Regents recommend that funding for early childhood education should continue to be provided as a single funding stream, separate from but aligned with funding for kindergarten through grade 12. Funding for pre-kindergarten through grade 12 should provide school districts with the resources needed to give all students the opportunity to meet State learning standards. Funding for pre-kindergarten education should be increased to ensure continued progress toward universal availability of pre-kindergarten education to all four year olds. The Regents recommend the State continue the phase-in specified in the State's financial plan, by increasing funding for universal pre-kindergarten by \$61 million over 2008-09.

Strengthen the Role of BOCES in Shared Services

Make improvements to BOCES Aid. The Regents proposal seeks to maximize the potential of BOCES while improving the assessment of fiscal capacity for the distribution of BOCES Aid. They recommend increasing the equalization of the BOCES Aid formula by eliminating the aid ratio option that benefits wealthier school districts. This would provide additional aid for increased costs that BOCES incur for employee salaries and would enhance the State's role of providing educational opportunity by equalizing aid so that poorer districts receive more aid and wealthier districts receive less.

Give the Big Four City School Districts access to BOCES services. The Regents recommend that the existing practice of excluding large city school districts from accessing BOCES services be discontinued. They recommend that the Big Four city school districts (Yonkers, Rochester, Syracuse and Buffalo) be given the authority to contract with a neighboring BOCES for services in critical service areas where BOCES' expertise is strong and the city's is weak or non-existent.

A program should be established authorizing the Big Four city school districts to participate in BOCES and purchase services from them. A corresponding increase in aid should be provided to the New York City school district to allow it to fund similar programs within the city district without BOCES. Such regional services can include:

- Arts and cultural programs for students;
- Career and technical programs for students;
- Staff development as part of a district-required professional development plan and annual professional performance review;
- Technology services provided through BOCES; and
- Regional teacher certification.

A CO-SER Committee of District Superintendents and Department staff has been established to develop options to expand the delivery of BOCES services to help the State accomplish its educational mission and identify any legislative changes needed. The following proposals are under consideration and development by the CO-SER Committee.

Encourage regional school transportation services. To reduce the cost of transporting non-public school students and students with disabilities within a BOCES region, school districts could jointly provide transportation for students crossing district lines or with similar needs. In addition, BOCES could offer transportation administration services to school districts on a regional basis as a shared service to increase the efficiency of routing and reduce the cost of administration. This shared service would generate Transportation Aid for participating school districts. The State should facilitate a demonstration project or projects to determine the effectiveness of this approach and whether it should be encouraged for statewide use.

Central business office demonstration. To encourage the use of BOCES for back-office school district operations like payroll and purchasing, the State should facilitate a demonstration project that will serve as a model for school districts in other BOCES regions.

Regional financial planning services. Promote BOCES as a resource to assist districts in developing long-term financial plans including for example, the costs of contract settlements and future liabilities for retiree health benefits, where such competence exists. Such assistance can aid districts in collective bargaining agreements, among other operations.

Provide greater sharing through BOCES than they currently provide. BOCES are primarily limited to providing shared services related to education for two or more school districts. This recommendation is suggested by way of testimony presented to the Local Government Commission and is not a formal recommendation of the Commission. The suggestion is that BOCES could share with municipalities other than school districts, provided that this sharing did not detract from BOCES educational mission. For example, BOCES might provide services or products to public libraries and/or municipalities such as:

- Broadband width;
- Assisting with implementing energy efficient buildings;

- Sharing transportation and maintenance; and
- Processing payroll or purchasing.

The trade-off is that although greater cost savings may be generated through scale economies, State Education Aid may actually remain the same or grow as districts claim BOCES aid on new cooperative services. The CO-SER Committee is examining the parameters under which BOCES services should be expanded.

Establish a BOCES statewide energy purchasing program to save energy costs.

The Regents support the recommendation of the Executive Commission on Local Government Efficiency and Competitiveness to encourage the expansion or replication of the New York State Energy Municipal Cooperative of the Onondaga-Cortland-Madison BOCES to help school districts reduce their energy costs. This cooperative is a corporation established under Article 5G of General Municipal Law to coordinate the purchase of natural gas and electricity for local governments in the regions served by National Grid and the New York State Electric and Gas.

Reduce Costs through Mandate Relief

Mandate relief can reduce the costs of education services while maintaining the commitment to improving student results. The Regents recommend three directions for reducing costs through mandate relief: streamlining school district planning and reporting; enacting a simplified cost allowance for State Building Aid and making aid reforms for future projects; and reducing unnecessary interest payments for school district short-term borrowing.

Streamline school district planning and reporting. The Regents have recommended a mandate relief bill for school districts that would eliminate duplicative reporting and give the Commissioner authority to further streamline school district and BOCES planning and reporting. Streamlining will also help the Department, BOCES and district staff to use information more strategically and comprehensively and also focuses Departmental staff resources on its core operational missions and responsibilities. The bill requires the Department to conduct a review of Commissioner’s regulations within a year and eliminate duplicative or unnecessary reporting requirements for school districts that are contained in regulation.

Simplify State Building Aid and make reforms going forward. The Regents recommend that the Governor and Legislature simplify the maximum cost allowance formula for State *Building Aid*. The law sets a reasonable cost ceiling for all capital projects. However, the current system is an overly complex and inefficient process that, in some cases, forces a district to compromise the desired educational goal in order to achieve maximum reimbursement. The Regents propose that the State calculate a cost allowance based on a certain allotment of space and cost per enrolled pupil, according to the following formula:

$$\text{Cost Allowance} = \text{Projected Pupil Enrollment} \times \text{Allowed Square Feet} \\ \text{Per Pupil} \times \text{Allowed Cost per Square Foot} \times \text{Regional Cost Factor}$$

The current New York State Labor Department Cost Index would be used to update allowable costs on a monthly basis. Unlike the Regents Regional Cost Index enacted for *Foundation Aid*, which is fundamentally a professional wage index, the New York State Labor Department cost index is based solely on the wages of three major occupational titles critical to the building industry. A simplified cost allowance would offer greater educational flexibility, more intelligent planning of school capital needs, ease of understanding and transparency.

The Regents also recommend that staff explore options for reforming Building Aid in the future to promote efficiency and effectiveness of investment in school district capital assets. The State should eliminate the selected Building Aid ratio option that allows districts to use their most favorable aid ratio going back to 1981-82. In cases where district wealth has increased over the years, the State is compensating a wealthy district as if it were poor.

Reduce unnecessary interest payments for school district short-term borrowing. School districts around the State issue tax warrants in August and collect tax levy in September to coincide with the start of school. Only Suffolk County sends its tax bills in December. This results in the need for extensive short-term borrowing by school districts in the form of tax anticipation notes.

Although Tax anticipation notes are usually short-term notes, the interest paid can be substantial if the amount borrowed is large. The practice of issuing these notes occurs throughout the State, but is particularly noteworthy in Suffolk County; in 2006-07, districts in Suffolk issued \$870 million in tax anticipation notes, approaching 60 percent of the statewide total of about \$1.4 billion. This borrowing in Suffolk has been common practice and may be caused by property tax bills going out in December, instead of September as in other counties. Fifty-six of the 65 districts in Suffolk issued Tax anticipation notes in each of the last three years. The interest paid by Suffolk districts on Tax anticipation notes exceeded \$32 million in 2006-07, representing 66 percent of the interest paid statewide on these notes. Even districts in serious financial difficulty issue Tax anticipation notes in Suffolk; only the very wealthiest of districts seem to avoid this practice. Districts in Nassau County paid \$11 million in interest on Tax anticipation notes, or 23 percent of the statewide total. Districts in Westchester County paid \$3 million, or 6 percent of the total. Over the last three years alone, interest payments exceeded \$100 million statewide just for these notes.

Suffolk County school districts could reduce costs for short term through a change in the tax law to conform Suffolk County to the tax collection schedule of the rest of the State. The Department will explore options for phasing in a transition to the new schedule.

Avoid Costly Spending and Improve Outcomes for Students with Disabilities

It is important to examine areas where costs are increasing and we have done so in the area of the education of students with disabilities. Our approach recognizes that students with disabilities are among the most vulnerable of our pupils and must be protected and supported by our school system if they are going to succeed and live productive lives. The following recommendations which were included in Deputy

Commissioner Rebecca Cort's testimony to the New York State Commission on Property Tax Relief aim to identify cost drivers that can be affected by specific actions that will reduce special education expenditures while contributing to improved performance:

- **Adequate funding for general education.** Our analysis of the performance of students with disabilities reveals the finding that the whole school affects the performance of each student. The research shows clearly that outcomes for students with disabilities are directly related to the quality of the general education program. In our highest need and under funded districts, only 20 percent of students with disabilities graduate while in our low need, amply funded school districts, 70 percent do. Adequate general education funding for high need districts will contribute mightily to the reduction of special education costs.
- **Early intervention.** Control the special education classification rate through early intervening services such as research-based instructional and behavioral programs, integrated pre-k programs and programs for students with disabilities that are English language learners.
- **In-district programs.** Many districts have reduced special education program costs by bringing back to or servicing students with disabilities in-district by broadening the options offered or by developing consortium programs with neighboring districts.
- **Focus on parents.** Districts need to place a greater priority on building relationships of trust with parents that result in more individualized responses to meet students' needs. Parents are much less likely to resort to costly due process proceedings if they feel that they are being listened to and their child's needs are being met.
- **Research-based programs and continuous review of outcome data.** Strong instructional programs should be accompanied by the frequent review of data reflecting student progress, and the adjustment of instructional methodologies when progress is not occurring.

Conclusion

The Regents recommend an approach to school aid for school year 2009-10 that continues to support the success of New York State school districts in educating the State's neediest students, while reducing costs through mandate relief, increasing the use of shared services, and supporting approaches that will slow the growth of costly special education programs. The State should preserve the foundation formula even if it must moderate the phase in of the formula. Contracts for Excellence should be maintained and school districts should be asked to reduce costs and increase graduation rates through use of BOCES. The State should continue the planned expansion of universal pre-k programs that are so critical to the State's education success. The State should use the economic crisis to emphasize the priority of adequate funding for school districts as a platform for the State's future economic health.

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