

Educating Students to be College and Career Ready

*Proposal on State Aid to
School Districts
for School Year 2014-15*

December 2013



New York State
Association of School
Business Officials

Advancing the Business of Education

**Educating Students To Be
College and Career Ready**
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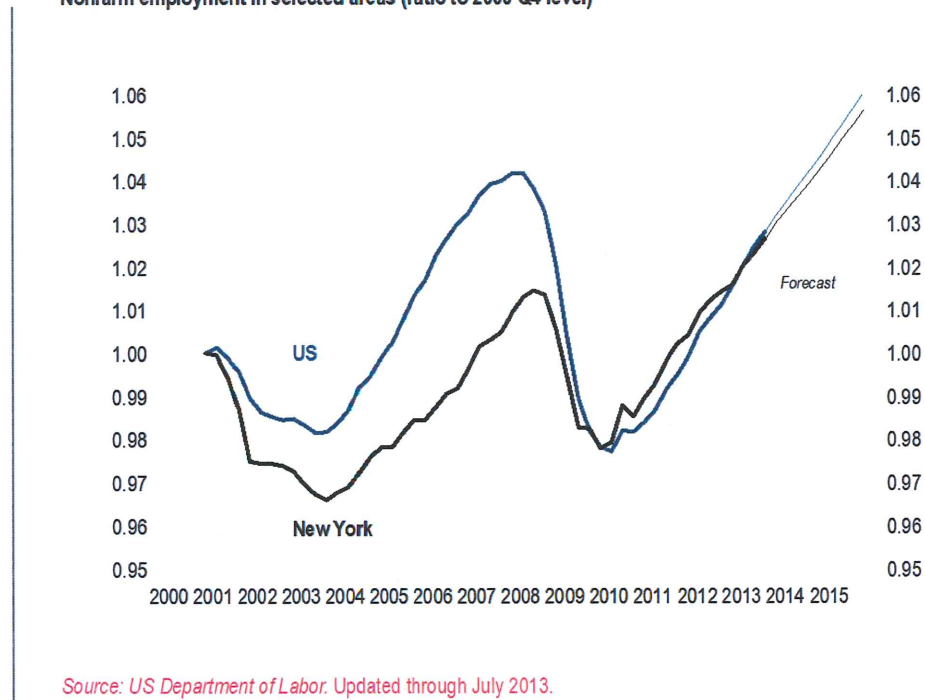
This proposal makes recommendations to support the critical path of school district leaders, including boards of education, superintendents, business officials and instructional leadership, to prepare students to be college and career ready.

Why is this important? Globalization makes it crucial in two ways. Global markets affect our market economy as seen in the recent global hiccup that occurred when European markets faltered (Glassman, 2013). And although economists predict a restoration of jobs to prior levels (see Figure 1), the United States faces a serious job crisis. High school and college graduates are not prepared for many highly technical jobs and machines are increasingly doing jobs that in the past were done by low-wage workers. Businesses have turned to other countries to fill the jobs. Some have estimated that we are educating up to 70 percent of our young people to a level that does not allow them to be self-sufficient, a number that is increasing at a rate of one percent a year (Daggett, 2013). Thirty percent do not graduate from high school, 28 percent of those that graduate fail a basic literacy test required for entrance in the military, and another 12 percent are not eligible for the military as a result of obesity, drugs or incarceration (Daggett, 2013). Our markets are connected globally and our students are competing globally for jobs. It is imperative that elementary and secondary education prepare young people for the

jobs businesses need to fill, and this means embracing change. To fail to prepare students for success in college and careers is to propel the country into a fiscally unsustainable situation in which there is not enough work or output to cover our needs and expenses.

Figure 1. New York is leading the pack

Nonfarm employment in selected areas (ratio to 2000 Q4 level)



Economic Outlook Issues, New York ASBO Webinar, November 15, 2013

Why are school business officials concerned?

School districts are big business with budgets in the millions of dollars. The complexity of the laws and professional standards have increased as budgets have grown. Budgets reported in early 2013 for all but New York's five largest city districts range from \$2.3 million to \$340 million. Half of these school district budgets are over \$30 million and 94 school districts (14 percent) have budgets over

\$100 million. Not only does the future of our children and nation depend on education but there is a lot of public funds at stake.

In addition, school business officials are charged with management and fiscal oversight—the resources and business of education. Their job is to ensure that funds are available to accomplish the school district’s mission and to provide continuing educational services to students. They have a unique knowledge of finance and program and how to use resources to achieve the best return on investment to meet their community’s education goals.

Methods

Data used to support this proposal are data from the 2013-14 enacted state budget. Increases for expense-based aids were calculated using percentage increases experience in the 2013-14 budget. For descriptive purposes, data are displayed by six school district need/resource capacity categories. Need/resource capacity categories are based on a measure developed by the New York State Education Department to help describe the needs and circumstances of school districts. It is a measure of educational need based on student poverty in relation to school district fiscal capacity, or the ability of the district to raise revenues locally. A need/resource capacity index is computed and districts are ranked in order. The Big Five city school districts make up the first two categories of high need school districts. Of the remaining school districts, the top 30 percent are additional high need school districts, the bottom 20 percent are low need school districts and the middle 50 percent are average need school districts. The high need school districts

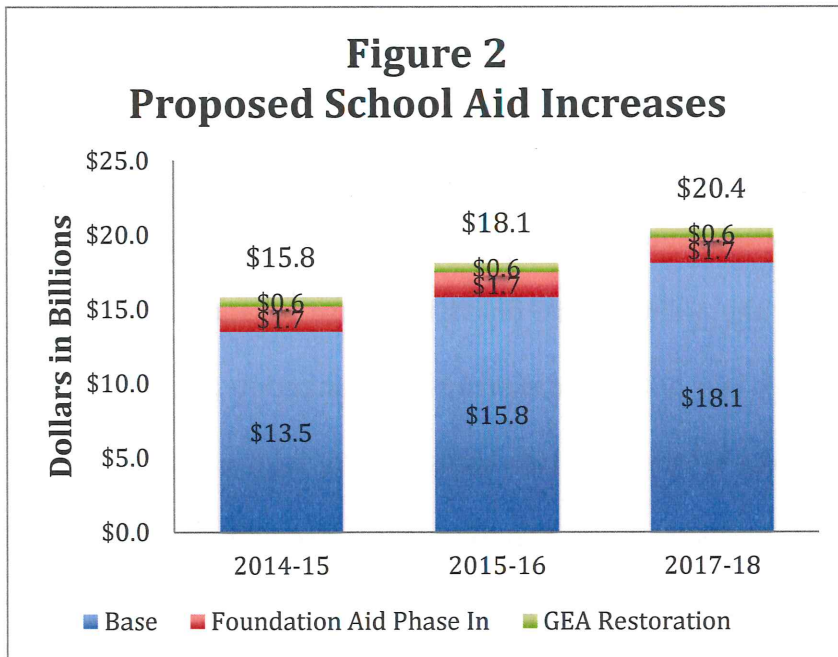
are further categorized as high need urban or suburban school districts and high need rural school districts. Additional description is provided at:

<http://www.p12.nysed.gov/stateaidworkgroup/2012-13RSAP/RSAP1213final.pdf>

(see page 30).

Recommendations

NYSASBO recommends an increase of \$7.7 billion over three years in either increased aid or mandate relief. This includes \$680 million to support increases in expense-based aids¹ at a level comparable to the increase experienced in the 2013-14 budget. This amounts to approximately \$2.6 billion a year that would phase out the Gap Elimination Adjustment (GEA) and phase in the Foundation Aid formula proposed in 2007 as well provide an increase for expense-based aids consistent with the most recent year. Figure 2 shows the increases for Foundation Aid and the

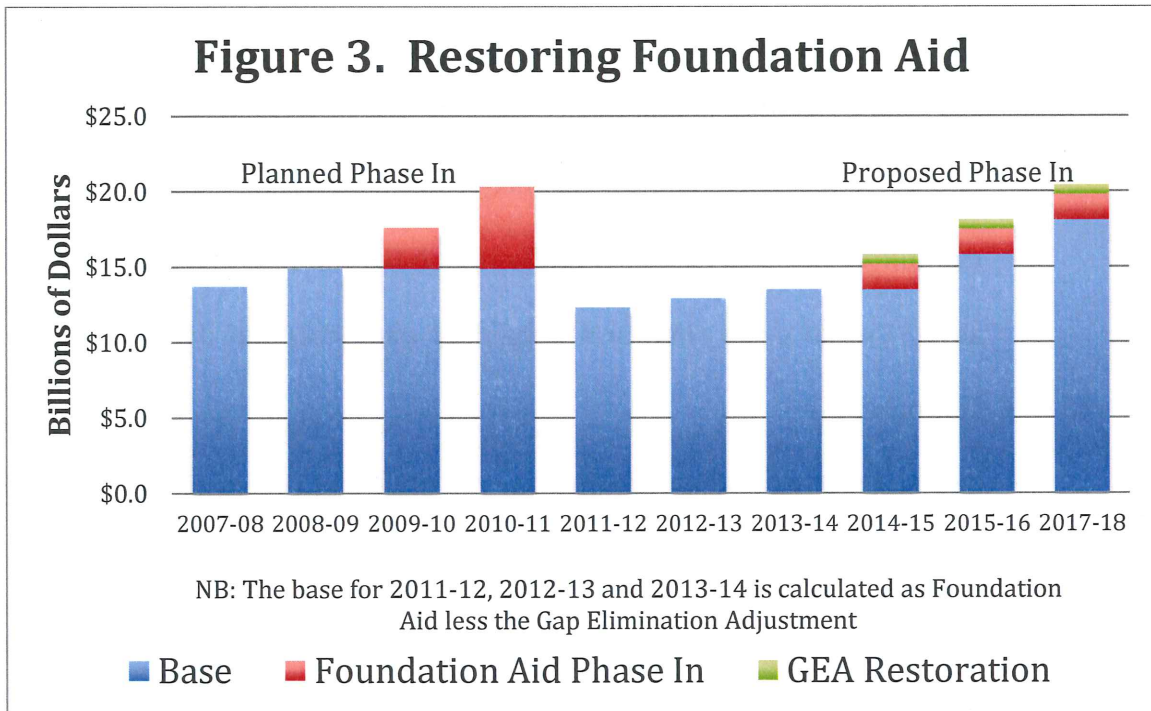


Gap Elimination Adjustment over this period.

These aid increases can be compared with aid increases enacted into law in 2007 to phase in

¹ Increases were calculated for Public Excess High Cost Aid, Private Excess Cost Aid, BOCES Aid, Special Services Aid, Textbook, Library Materials, Computer Software and Hardware aids, Building Aid and Transportation Aid.

the Foundation Formula, a phase in that was derailed by the economic recession beginning in 2009. The proposed phase in would provide the funds to school districts that the Legislature and Governor agreed to in these earlier years. See Figure 3.



A number of features of the Foundation Formula enacted in 2007 are important and should be preserved. First, connecting aid to student outcomes is a first critical step in knowing how much money is needed to meet state educational objectives. The foundation amount, one of four moving parts in the formula, was based on the cost to meet state learning standards in successful school districts, as calculated in a study of costs in successful school districts conducted by the New York State Education Department. This element of the formula preserves the important link to student learning standards.

Second, the basic funding formula should include key features to ensure the sufficiency and equity of State aid. These include:

- The cost study mentioned above should be repeated at regular intervals. In between studies, The State should increase basic funding by at least the increase in the cost of living;
- The State should adjust basic funding by student need including poverty, limited English proficiency, geographic sparsity and disability status so that school districts have the resources to give all students the extra time and help they need to meet state learning standards;
- The State should adjust funding for the ability of the school district to raise revenues locally and for regional cost differences;
- Save-harmless provisions should protect school districts against loss but care should be taken to limit this aid so as to not divert too much aid toward loss rather than student need;
- The State should enact two-year budgets to help school districts predict their aid and sustain multi-year educational programs.

A critical part of this proposal, second to implementing the Foundation Formula, is to eliminate the Gap Elimination Adjustment, which was used to reduce State Aid to school districts by imposing overall aid cuts. The GEA was based on a number of factors that were different from the factors on which Foundation Aid was based. This has resulted in different school districts benefitting from the restoration of the GEA and the phase in of Foundation Aid. Foundation Aid still to be phased in

is estimated to be approximately \$5.4 billion and the restoring of remaining Gap Elimination Aid reductions is estimated to be \$1.6 billion. Figure 4 shows that remaining reductions in aid (GEA per pupil) are greatest for average need school districts.

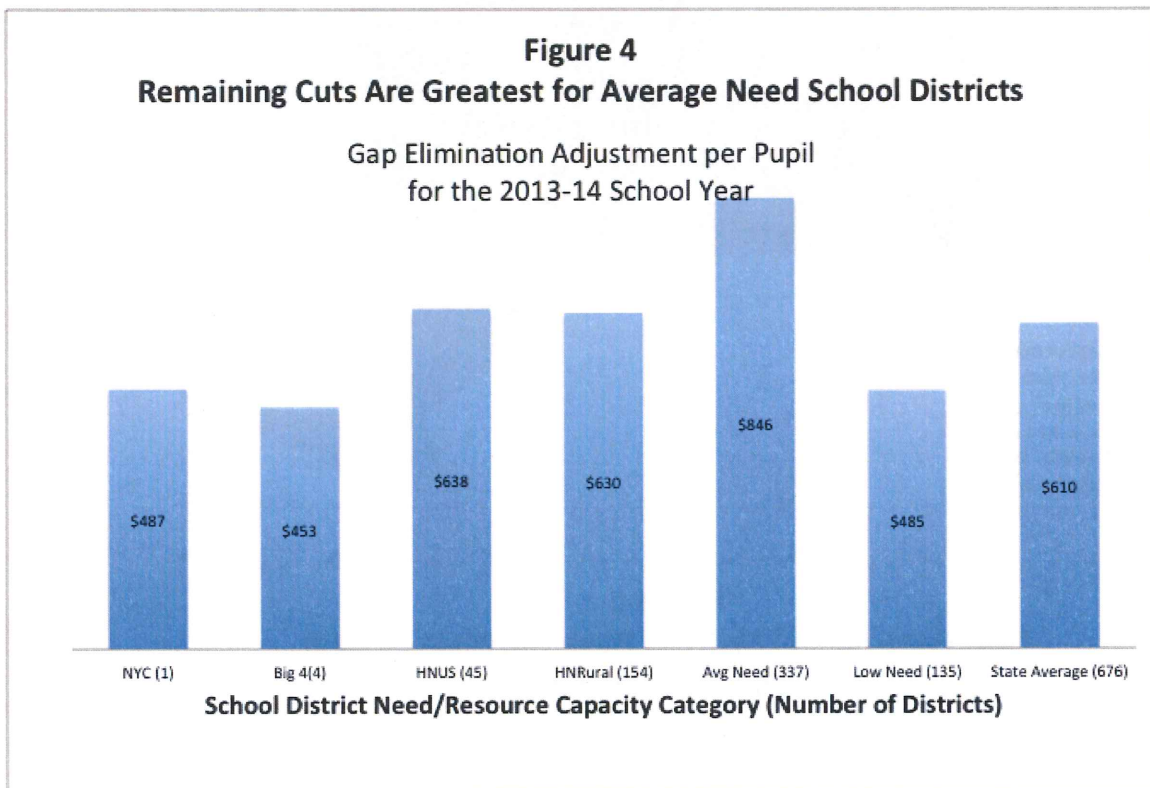


Figure 5 illustrates the potential of restoring the Gap Elimination Adjustment on a district basis. Figure 5 shows school districts that have low, medium and high amounts of Gap Elimination Aid per pupil still to be restored.

In contrast, phasing in the Foundation Formula will have the greatest benefit for high need school districts, with the Big 4 city school districts and high need urban or suburban school districts benefitting the most on a per-pupil basis. Figure 6 graphically illustrates the Foundation Aid per pupil still due for each of the need/resource capacity groups of school districts.

Figure 5. Remaining GEA Per Pupil for New York School Districts

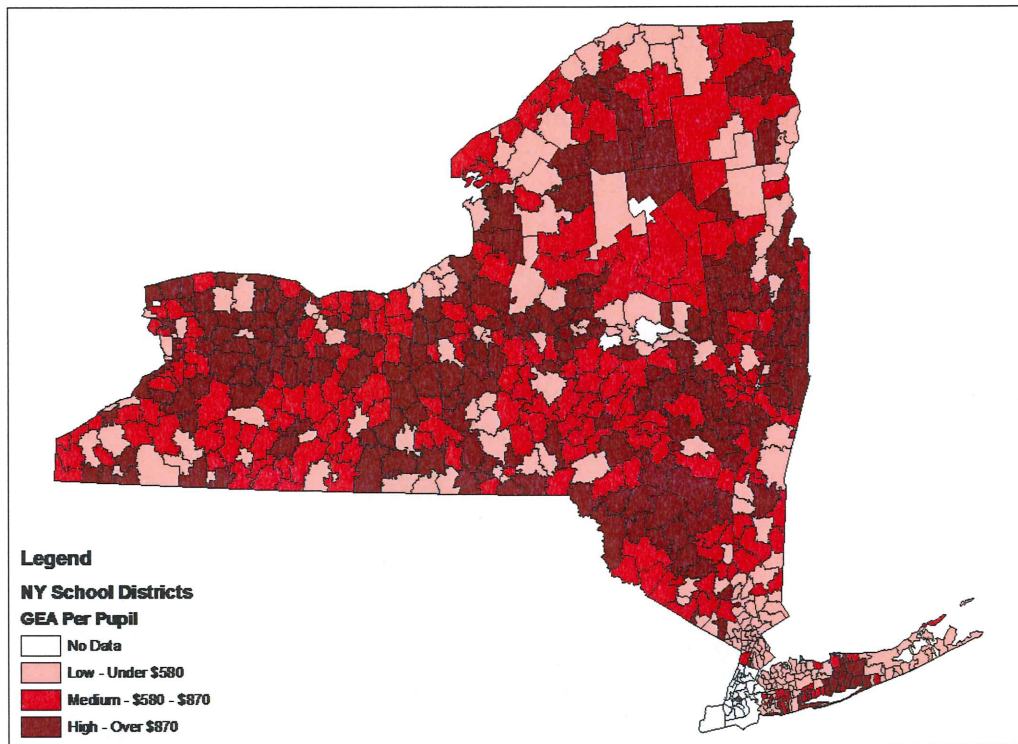


Figure 6
High Need School Districts Have the Most to Gain
with a Fully Funded Foundation Formula

Foundation Formula Aid per Pupil Still Due by
 Need/Resource Capacity Category of School Districts
 2013

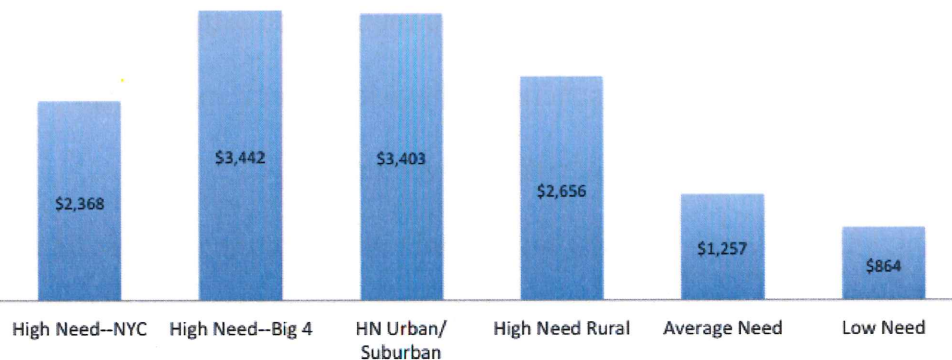
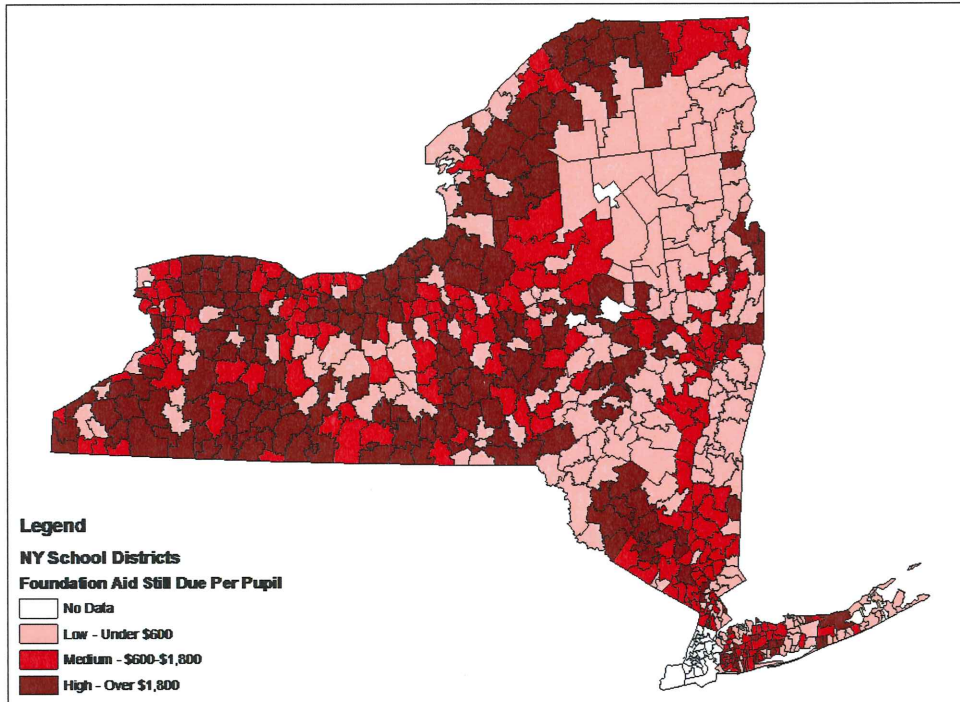


Figure 7 shows these data on a school district basis in a map of New York State School Districts showing low medium and high amounts of Foundation Aid per pupil still due.

Figure 7. Foundation Aid Per Pupil Still Due for New York School Districts



Other NYSASBO Proposals

In addition to its school aid proposal, NYSASBO recommends a number of legislative proposals for school year 2013-14 (see <http://www.nysasbo.org/page/legislative-priorities-24.html>). Two of these proposals, complement this school aid proposal so are described in more detail. One provides mandate relief to school districts and the other provides additional accountability and support for fiscal management and oversight.

Mandate Relief

School districts and other local governments must competitively bid all purchase contracts of \$20,000 or greater and all public works contracts of \$35,000 or more (GML section 103). Duncombe and Searcy (2005²) grouped New York State school district procurement into three categories:

1. Equipment and furniture
2. Materials and supplies
3. Services

Examples of procurement that is subject to such advertising (if spending thresholds are reached) include:

1. Independent auditor service
2. Legal services
3. Transportation service (including transportation provided by parents and reimbursed by school districts)
4. Construction services
5. Telecommunication services such as telephone, and teleprinter, networks, radio, microwave transmission, fiber optics, communications satellites and the Internet.
6. Desks and chairs
7. Textbooks
8. Paper, pens and pencils
9. Copying machines, fax machines, computers, Smart Boards, etc.
10. Snow removal
11. Feasibility studies for school district merger
12. Food service

Advertising shall take place in the newspaper(s) designated for that purpose by the board of education. A minimum of five days must elapse between the first publication of the advertisement and the formal opening and reading of bids.

² Duncombe, William and Cynthia Searcy. Can The Use of Recommended Procurement Practices Save Money? Prepared for the Education Finance Research Consortium, 2005.

School districts also purchase from State contracts, through contracts with BOCES and through cooperative purchasing agreements with other local governments. This analysis is limited to purchasing through competitive bidding as required by General Municipal Law section 103, because school districts are required to advertise for these types of purchases. Improving the advertising of competitive bids through electronic means is the focus of this report.

Chapter 56 of the Laws of 2010 amended GML section 103 to include provisions associated with receiving bids in electronic format. It did not however address fulfilling the advertising requirements related to competitive bidding through electronic means.

The problem: School districts and other local governments incur considerable expense complying with requirements to advertise in local newspapers and often receive only a weak response such as a single or no bidder. The rationale for competitive bidding is to bring costs down through competition but it is hard to argue that costs are reduced in instances when there is a single bidder, especially if that bidder knows that there are no other likely bidders.

The solution: School districts should be allowed to use electronic means to advertise the availability of procurement contracts. Specifically New York State should have a procurement website available where local governments can post bids and vendors can go to see all available bids. This will save local governments the cost of advertising and increase bidder access to information of bids that are available thus increasing competition. The site can incorporate e-mail notifications

to potential vendors for bids in specific areas.

School District Fiscal Accountability Act

New York State school finance has become increasingly complex and costly. The public demands that all students be prepared for college and career success in a constrained and competitive economic environment. In order to advance this agenda in a fiscally responsible manner the New York State Association of School Business Officials proposes changes to Education Law and General Municipal Law to increase transparency, accountability and the effective use of resources. Specifically, NYSASBO recommends A School District Fiscal Accountability Act that:

1. Amends Education Law to require each New York State school district to have a school business official
2. Amends Education Law and/or Commissioner's Regulations to require all school districts to prepare a five-year long-range financial plan to accomplish its education goals, to be updated every five years
3. Amends Education Law and General Municipal Law as needed to require school districts to post electronically or otherwise make it available to the public a copy of the annual audited financial statement, including any corrective action plan, and the five-year long-range financial plan.

Conclusion

Demands have never been greater for New York schools to educate students to meet rigorous learning standards and to be successful in careers. The goal should be for the vast majority of students to be prepared for economic self-sufficiency. The state should set high learning standards and provide the resources schools need, with proper management and leadership, to meet them. School business officials stand ready to work with boards of education and school district instructional leadership to engage in the difficult task of using school resources legally, efficiently and effectively.

References

Daggett, W.R. Leading Change During Challenging Times. Keynote presentation at the annual conference of the New York State School Boards Association, October 25, 2013.

Glassman, J. Economic Outlook: Global Renewal Spreads. Presentation prepared for a Webinar sponsored by the New York State Association of School Business Officials, November 15, 2013.

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