



# The Campaign for Fiscal Equity, Inc.

## THE SCHOOLS FOR NEW YORK'S FUTURE ACT: SUMMARY OF MAJOR PROVISIONS

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**PURPOSES:** (1) To enact into law the requirements of the decision dated February 14, 2005, in *CFE v. State of New York*, (S.Ct., N.Y. Co., DeGrasse, J), and the recommendations set forth in the Report and Recommendations of the Judicial Referees, dated November 30, 2004, in *CFE v. State of New York*, which are incorporated in that Order; (2) to extend those requirements and recommendations to apply not only to students in New York City, but also to students throughout the state; and (3) to enact foundation funding reforms and a fair formula for determining the state/local shares of the sound basic education (SBE) funding requirements that is consistent with the recommendations of the Judicial Referees.

### FUNDING FOR BASIC SCHOOL OPERATIONS<sup>1</sup>

The Act codifies the Judicial Referees' version of the successful school district costing-out methodology, which results in sound basic education funding levels for New York City and for other districts throughout the state that also approximate the funding levels recommended by the *New York Adequacy Study*. Specifically, the methodology establishes a base funding level of approximately \$8000. The entitlement for each school district is then calculated by multiplying the base amount by the district's average daily membership (roughly its average daily enrollment of all students K-12, plus all four-year-olds enrolled in district-operated pre-k programs), and in doing so, giving each low-income student a 1.5 weighting, each student with a disability a 2.1 weighting, and each English language learner 1.2. (Students may qualify for extra weighting in more than one category.) The total figure determined by this calculation is then multiplied by the Cost of Education Index developed through the *New York Adequacy Study*, and by a sparsity factor, to reach a final sound basic education amount for each district in the state. (Sections 12, 13, 14, 41)

Changes in state aid and expected local contributions required to achieve this sound basic education funding level are phased in over a four-year period in equal installments, beginning with the 2005-2006 school year, with appropriate inflation adjustments, in accordance with the regional consumer price index for the New York, N.Y.-Northern N.J. area, based on the index for all urban consumers. The calculations are adjusted each year to reflect changes in school district population. (Section 21)

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<sup>1</sup> "Basic School Operations" means all school operating budget expenditures except transportation, debt service, and certain other particular items omitted from the foundation block grant discussed on page 3 below.

## DETERMINATION OF STATE/LOCAL SHARES

The proportions of the sound basic education amount that should be paid by the state and by each school district are determined by a formula that is based on each district's combined wealth ratio (CWR) (i.e., the average of two ratios: a) the ratio of the district's property wealth per pupil to the statewide average property wealth per pupil and b) the ratio of the district's income per pupil to the statewide average income per pupil). The pupil count used to calculate the CWR is then adjusted to reflect the incidence of poverty in the district (based on the percentage of K-5 students eligible for free or reduced price lunch, or a comparable census-based poverty index for districts that do not provide school lunches). This relative state share is applied to each district's total sound basic education amount. The overall average state contribution is 49% (not counting the state's STAR expenditures); however, the percentage of state aid that any school district actually receives will, of course, depend on its relative wealth and relative need. School districts whose state aid allocation would be less than the amount of state aid that was received in 2004-2005 under this formula would be held harmless at the 2004-2005 level. (Sections 15, 21)

Expressed in 2004-2005 dollars, without projected inflation adjustments for future years, the total increase in state aid that would result from this formula at the time of full implementation in 2008-2009, would be approximately \$8.6 billion. Broken down in terms of Needs Resource Categories established by the State Education Department, this would result in the following specific increase at the end of the four-year phase-in period, without inflation adjustments:

	Total SBE Aid 2004-2005 (expressed in billions)	Total Proposed State SBE Aid: Fully Implemented	\$\$ Change	% Change	State Share of State/Local
Statewide	\$11,313.6	\$19,737.8	\$8,606.3	77.3%	49.3%
New York City	\$4,502.7	\$9,108.2	\$4,605.4	102.3%	54.9%
Big Four Cities	\$894.6	\$1,509.4	\$614.8	68.7%	77.5%
High NRC - Urb/Subn	\$1,176.4	\$2,220.8	\$1,044.4	88.8%	69.9%
High NRC - Rural	\$995.2	\$1,725.7	\$730.6	73.4%	74%
Average NRC	\$2,954	\$4,549.3	\$1,595.3	54%	41.5%
Low NRC	\$608.6	\$624.4	\$15.7	2.6%	8%

## **MANDATED LOCAL CONTRIBUTIONS IN CERTAIN DISTRICTS**

Although all school districts would be strongly encouraged to contribute at least the amounts designated as their expected local SBE contribution (and nothing in the Act precludes a district from spending more than its SBE amount), the local SBE contribution would be mandated for school districts that are not currently identified as being successful in providing a sound basic education. This determination would be made in accordance with the definition of a successful district, which was established by the Regents and endorsed by the court.<sup>2</sup> The definition of “success” for these purposes is an unweighted average of eighty percent of the district’s test takers scoring at level three or above on the regents’ fourth grade English language arts and fourth grade mathematics tests, and passing grades on the five Regents examinations required for graduation. (Sections 19, 21)

Districts in which an unweighted average of 60% or more of its test takers score at level three or above on the seven examinations shall be granted a waiver of the mandatory local contribution requirements for the 2005-2006 school year; such a district may also apply for a continuation of the waiver in future years if its composite three-year rolling average of test takers score above the 60% level and the district meets its annual improvement targets as determined by the Commissioner. (Section 21). For 2005-06, the big five and only 20 other school districts throughout the state would be subject to the mandatory contribution requirement.

## **FOUNDATION FUNDING REFORM**

The state aid component of each district’s sound basic education amount will be provided through a foundation entitlement that substitutes for over 30 of the existing state aid funding categories. The separate funding categories that would continue outside the foundation entitlement include BOCES aid, and special services aid for districts that are not components of BOCES, high cost special education, transportation, building aid, funds for teacher centers, and other regional/statewide programs. (Sections 13, 21)

Textbook aid, library materials aid and computer software aid would continue to be calculated according to existing formulas, but the amount of such aid attributable to public school students would be subtracted from the district’s state aid foundation entitlement. (Sections 13)

Each district will be apprised of the proportion of its sound basic education amount that is generated by its students with disabilities and its English language learners in accordance with the 2.1 and 1.2 weightings described above and will be expected to allocate approximately that amount of its expenditures to programs and services for students with disabilities and English language learners in its comprehensive sound basic education plans. (Section 21) High cost special education aid would be provided to each district for students with disabilities for whom more than 2.1 times the district’s sound basic education amount is expended. (Sections 28, 33)

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<sup>2</sup> For districts subject to the mandate, the sound basic education revenue requirement would become part of the district’s contingency budget. (Section 8)

## **BRICKS CAPITAL FACILITIES GRANTS**

The Dormitory Authority is authorized to issue bonds in amounts up to \$10 billion to provide grants over a five-year period for capital construction to relieve overcrowding, reduce class sizes, and to respond to other capital facilities issues identified by the Court of Appeals, of which \$9.2 billion shall be used for projects in New York City. The state budget shall provide annual appropriations to cover the amortization costs of this fund. Grants shall be authorized by the commissioner based on his approval of specific capital projects, and such grants shall cover extraordinary costs of site acquisition, demolition, environmental remediation, multi-story construction and limited staging areas in high density urban areas. (Sections 30,34,35,36,37) This new BRICKS Aid will be in addition to Building Aid as provided under current law.

## **ACCOUNTABILITY**

All school districts that are not meeting the 80% successful school district standard described above would be required to develop a rolling four-year comprehensive sound basic education plan, with annual updates, to improve student performance and eliminate performance gaps.<sup>3</sup> This plan would substitute for and consolidate most current school district planning and reporting requirements.<sup>4</sup> The first such plans would be developed for New York City by June 30, 2005, and for all other districts by June 30, 2006. (Sections 3, 39)

In accordance with regulations to be issued by the commissioner, the comprehensive sound basic education plans will set forth a coherent set of strategies for building instructional capacity to promote student achievement and resource allocation plans to ensure that, consistent with the multi-year phase-in, each school has the resources it needs to provide all of its students the opportunity for a sound basic education. The plans will also specify how the district will address needs in nine specific sound basic education priority areas including the quality of teaching and instructional leadership, appropriate class size, pre-kindergarten services and services for at-risk students, students with disabilities, and English language learners. The plans and annual updates must set forth measurable annual and long-term benchmarks and indicators for assessing the outcomes of specific educational initiatives, such as achievement in regard to the Regents learning standards, lowering dropout rates and improving rates of attendance. The commissioner will review the plans within 60 days. An annual SBE report will provide the public with detailed information regarding the extent to which the district has succeeded in meeting these benchmarks and indicators. (Section 3)

The commissioner's regulations will also ensure that there is extensive public engagement of parents, teachers, administrators, school-based planning, and shared decision-making teams, and other interested groups and individuals in consulting on programs and concepts being considered in the planning process. For New York City, community school district- and school-based

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<sup>3</sup> The Commissioner may also require a district in which one or more subpopulations of students are not making expected progress to prepare such a plan. (Section 19)

<sup>4</sup> Districts which are not required to develop a comprehensive sound basic education plan would nevertheless be expected to prepare a master plan that would consolidate most existing state planning and reporting requirements, but which would not be subject to review by the commissioner or to the other specific requirements for comprehensive sound basic education plans.

comprehensive sound basic education plans will be required and public engagement consistent with the roles of school leadership teams and the community education councils will also take place. (Section 3)

Each year, the Regents will submit to the governor and the legislature an annual sound basic education report that will a) review and assess the state education finance system and b) review and assess the sound basic education accountability system, including (i) a report on student performance in the preceding school year and (ii) the identification of any major statutory, or regulatory provisions that create impediments to an effective accountability system. The legislature, in concert with the governor, would then conduct a public hearing on the report within 60 days of its submission. (Section 3)

### **FUTURE COST OF EDUCATION STUDIES**

Prior to the 2008-2009 school year, and every fourth year thereafter, the commissioner will commission a cost of education study by recognized experts in the school finance field. The experts will be selected in consultation with the parties in *CFE v. State of New York*. A separate study of the adequacy of school facilities will be conducted not later than July 1, 2009, and every fifth year thereafter. (Section 2)