New York State Educational Conference Board

2021-22 Executive Budget Reaction

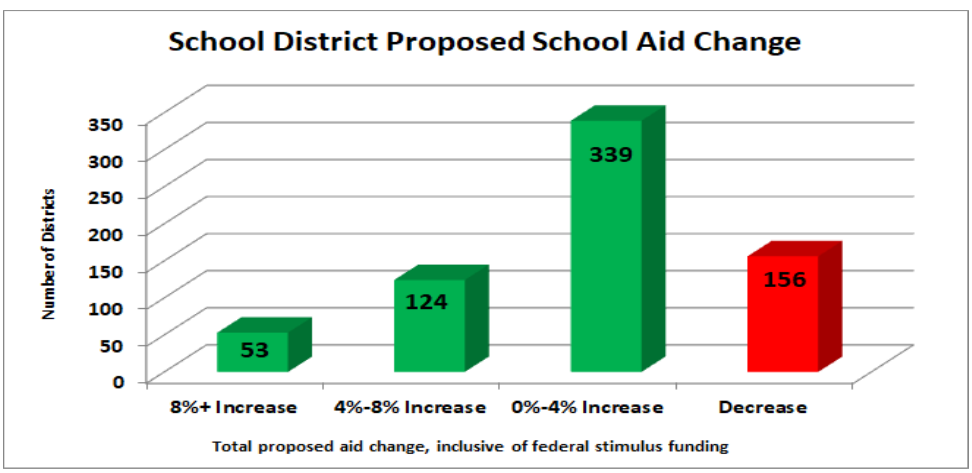
New York's students and the professionals working throughout our public schools have experienced unprecedented challenges throughout this year. From a financial standpoint the past year may have been the most unpredictable for public schools in modern history. Further, the pandemic has highlighted the inequities in our public education system and has required districts to rethink their instructional models in unprecedented ways in a compressed timeframe.

Sadly, the 2021-22 Executive Budget only adds to those challenges and uncertainties for public schools going forward.

The Executive Budget

- supplants state funds with non-recurring federal aid, creating a fiscal cliff for 2022-23
- creates a block grant and cuts numerous important categorical formulas
- does not provide a plan for additional Foundation Aid putting the final goal further from reach
- violates the spirit of the maintenance of effort requirements contained in the two federal COVID relief acts by supplanting state dollars with federal funds

School Aid Distribution: The Executive Budget reduces state support for schools by $607 million while one-time federal COVID stimulus aid increases by $2.72 billion. The net change in total state and federal aid is $2.1 billion (7%). However, fewer than one in ten districts would receive increases of 8% or more. 73% of districts would receive net increases below 4%. About one half the state's school districts would receive increases of 2% or less, including nearly one-quarter that would experience year-to-year cuts in funding, notwithstanding the $2.72 billion growth in federal aid (from $1.13 billion in 2020-21 to $3.85 billion in 2021-22).



In addition to the formula school aid reductions there are also reductions and elimination of various grant programs that are too numerous to list here. ECB supports maintaining funding for all educational programs that have been cut by the Executive Budget. It is imperative that New York lead during this crisis rather than reduce state support for public schools.

Services Aid: The Executive Budget eliminates 11 aid categories and establishes a block grant called "Services Aid." Funding is also reduced by 17% from present law levels. This is a regressive proposal that disproportionately reduces aid to high need and low wealth school districts and eliminates long-term state support for important educational activities.

"Services Aid"
Proposal to consolidate 11 formulas into a block grant and cut total funding

Aid Category	2021-22 Current Law Formula Amounts
Transportation Aid	2,087,582,651
BOCES Aid	1,082,731,841
Textbook Aid	172,095,577
Software Aid	44,517,013
Library Materials Aid	18,573,605
Hardware and Technology Aid	36,268,894
Non-BOCES Special Services Aid	281,838,949
Charter School Transition Aid	46,216,483
High Tax Aid	223,089,092
Supplemental Public Excess Cost Aid	4,309,371
Academic Enhancement Aid	28,271,832
Sum of Aids Under Current Law:	**4,025,495,308**
— 2021-22 Services Aid Reduction:	**(692,738,891)**
Proposed Services Aid:	**3,332,756,417**
% Change in funding vs. current law formulas: —17.2%	

SOURCE: Compiled from NYSED School Aid data

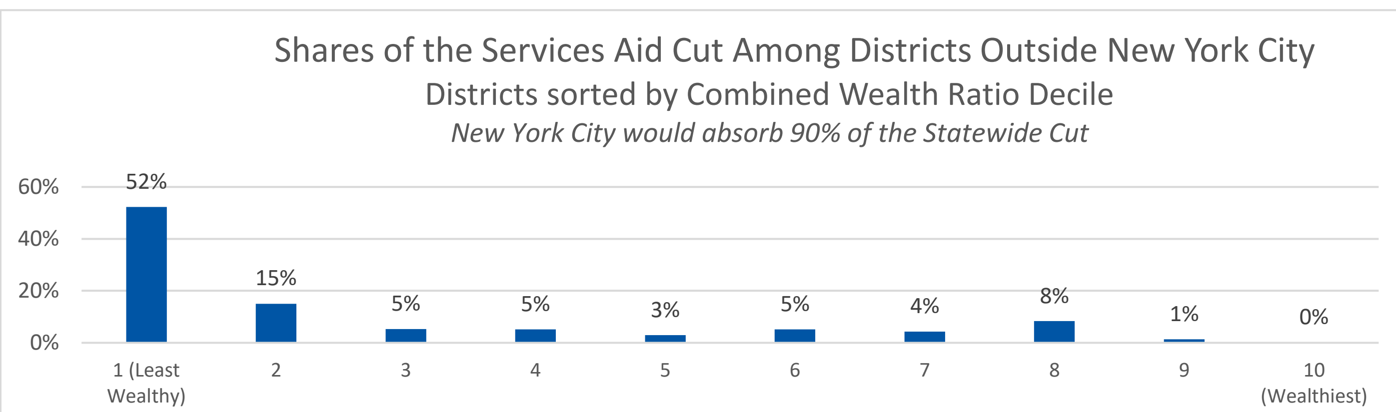
The largest aid categories impacted (BOCES, Special Services, and Transportation) are wealth-adjusted formulas that provide state resources for important education activities. The lack of these formulas going forward will impair the ability of districts (especially low wealth districts) to provide these programs in the future.

For example, 90% of allowable transportation costs are aided in low wealth districts whereas wealthy districts receive less than 10% reimbursement for the same expenditures. The elimination of Transportation Aid as a separate and predictable aid shifts large costs to low wealth districts which will be unable to raise local revenue to offset the loss of state aid.

The four instructional materials aid formulas (Textbook, Library Materials, Software, and Hardware) that are eliminated help ensure access to appropriate instrumentalities of learning for all school children. Given the ongoing issues of connectivity and availability of proper technology for remote learning in high need districts these aids should be expanded rather than eliminated.

Charter School Transition Aid is also proposed to be eliminated by this proposal. This formula assists mainly high need, low wealth school districts to partially mitigate the financial impact of growing charter school enrollments.

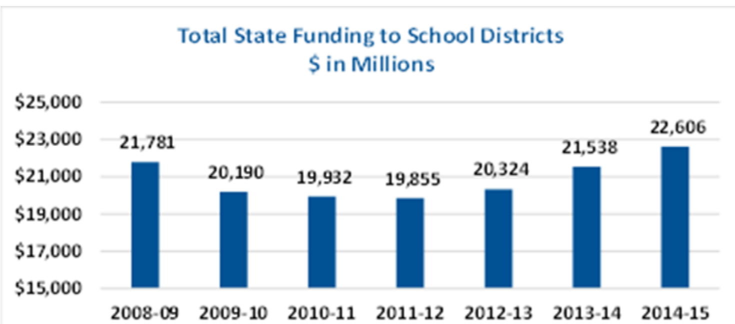
The complicated formula used to reduce the present law funding levels of Services Aid by $693 million (-17%) is regressive and makes much larger reductions in aid to low wealth school districts compared to high wealth districts. The poorest 20% of districts would have their aid reduced by nearly 6% under this block and cut approach. By comparison, the wealthiest 20% of districts would incur cuts of only 0.4% compared to current formulas. Further, NYC bears $619 million (90%) of the $693 million statewide reduction in funding. The chart below displays the share of the Services Aid cut in school districts outside of NYC. More than two-thirds of the cut is in the poorest two deciles of school districts. By comparison the wealthiest two deciles of districts incur only 1% of the overall reduction in aid.



Local District Funding Adjustment (LDFA): The LDFA is a negative formula used in the Executive Budget to reduce state support for school districts similar in some ways to the Gap Elimination Adjustment that was finally ended in 2016. The LDFA reduces state support by - $1.3 billion in 21-22. However, unlike the GEA, the LDFA is a regressive proposal that makes the smallest reduction in state aid from the richest school districts.

The size of the LDFA for each district is calculated as the lesser of the district's STAR payment or the federal December CRRSA stimulus grant to the district. These are inappropriate metrics to use to allocate school aid. School aid is allocated based on the number of students, student need levels, and community wealth levels in each district. The level of STAR payments to school districts are not connected to any of these factors. STAR payments are a reimbursement to school districts for the loss of local revenue from the state STAR property tax exemption that eligible owner-occupied homeowners receive. The federal CRRSA stimulus payment is largely tied to student poverty. But the LDFA for each district equals the "lesser" of the STAR payment or the federal CRRSA stimulus grant. The effect of this calculation benefits the richest school districts as they receive very small CRRSA stimulus grants and therefore their LDFA reduction is small.

Outside of NYC, the richest 10% of districts receive the largest percentage aid increase in combined state and federal aid (+8%) in the Executive Budget proposal. This is a direct result of the LDFA formula and not having the sum of both the cut to Services Aid formulas and the LDFA exceed the total federal allocation of aid. For example, one high wealth district with a wealth level over eight times the state average wealth receives a $85 per pupil LDFA reduction, whereas a low wealth district with less than half the state average wealth receives a LDFA reduction of over $1,300 per pupil.



Long Term Effects: Over 70% of school districts have their entire increase in federal funding offset by reductions in state aid via the LDFA and Services Aid. Therefore, the Executive Budget fully eliminates the positive effects of the federal aid for almost three-quarters of districts. The Executive Budget indicates that districts should use all of the $3.85 billion in federal CRRSA funds in 2021-22 even though the federal government has allowed use until September 2023. This approach will create a very large funding cliff in 2022-23 and will have significant long-term implications. During the Great Recession state aid was cut via the GEA when federal stimulus funds became available. Once those federal funds were used, school districts took significant reductions in state support and it took until 2014-15 before state support for schools returned to pre-recession funding levels; and two more years before general operating aid was made whole. Even if CRRSA funds are used over two years there will still be a large funding cliff in 2023-24 if state aid is reduced.

This funding cliff has significant implications for schools as we learned ten years ago when schools were unable to restore tens of thousands of staff reductions and programs that had been cut in the midst of the economic downturn. We now face a similar challenge, and the state has a choice – repeat the mistakes of the past, or learn from those errors and maintain a robust public education system for our school children.

Foundation Aid: While full funding of Foundation Aid may appear to be chasing a proverbial white whale to some, Foundation Aid is the statutory state formula designed to ensure that all school districts are properly funded. This is the largest aid formula for schools and it currently provides over 70% of total formula school aid. The state has never come close to full funding for Foundation aid, even though it was scheduled to be fully funded by 2010 when it was first enacted. Currently, full funding of the Foundation Aid formula would require $4 billion in additional state investment. We recognize that this is not possible in a single year and certainly not this year. However, this Executive Budget does not provide any additional funding for Foundation Aid in 2020-21 for the second consecutive year and it does not establish a schedule to increase funding levels for Foundation Aid in future years.

It is important to keep in mind that the vast majority of unpaid Foundation Aid (65%) would be paid to high need school districts which educate a disproportionate number of low-income students and English Language Learners. 91% of the $4 billion in unpaid Foundation Aid would be paid to high and average need school districts if the formula were funded.

Unpaid Foundation Aid 2021-22 School Year

Need Resource Capacity Code	Unpaid Foundation Aid	Percent of Total
High Need	$2,631,904,972	65%
Average Need	$1,061,704,794	26%
Low Need	$361,680,532	9%
State Total	**$4,055,290,298**	100%

Transportation Aid: During the spring of 2020 after school buildings were closed pursuant to various Executive Orders, school districts used transportation resources to provide services to remote students, including meal delivery, the provision of students with instructional materials, and the use of transportation equipment as mobile Wi-Fi hotspots. This practice has continued during the current school year as well. However, it has been determined that these types of activities are not aidable via Transportation Aid under current law. The Executive Budget proposal makes these costs from 2019-20 eligible for Transportation Aid. Unfortunately, this proposal doesn't include costs incurred by school districts used to maintain transportation services – so-called "standby costs". Following CARES Act guidance to preserve positions, many districts kept all district transportation staff on payroll or made payments to their contracted transportation providers for the entire school year. The Executive proposal should be expanded to include stand-by costs and should cover both 2019-20 and 2020-21 expenditures for these activities.

Prior Year Aid Claims: The Executive Budget proposes to eliminate outstanding Prior Year Aid claims that are owed to school districts. Pursuant to state law the calculation of state aid levels to school districts can be retroactively changed, for reasons including data updates or new filings. When such changes mean that the state has overpaid a school district, the adjustment is deducted from aid payments in that year. However, when the new calculation means that the state owes a school district additional aid, the claim is added to a list of "Prior Year Adjustments." The State has not kept pace with these Prior Year Aid claims and there is a backlog waiting to be paid out. In recent years, the state has allocated $18.6 million per year to cover Prior Year Adjustments, a fraction of the $304 million it owes districts. There are more than 3,800 separate payments still owed to school districts and some districts have been waiting since 2011 for claims to be paid. At the current funding levels new aid claims will have to wait 17 years to be paid. The state should increase funding for these unpaid Prior Year Aid claims rather than eliminating the liability. These claims have been properly filed with the state and have been approved by the State Education Department and the Office the State Comptroller as valid state aid claims.

2020-21 State Aid Withholdings: Throughout the summer and fall school districts had numerous formula aid and grant payments reduced by 20%. At the same time, the Executive repeatedly threatened to withhold 20% of all payments to schools if additional federal funding was not forthcoming. Thankfully, due to the smaller than anticipated state budget deficit in the current year, the Executive has announced that schools will have all of these withheld funds repaid to them and that there will not be additional withholdings in this state fiscal year. The State Education Department has announced that these repayments have begun as of the week of February 8th. This is great news for our schools and hopefully this will close the book on a very tumultuous situation whereby school districts were unsure what amount they would receive in each state aid payment until it was received.