

NEW YORK

Brian O. Brent
Warner Graduate School
University of Rochester

I. GENERAL BACKGROUND

Funding for public education in New York comes from three sources: approximately 4% from federal sources, 40% from state formula aids and grants, and 56% from local revenues.

State

The state distributes school aid through over 40 programs. Operating aid, the largest aid category, accounts for approximately 49% of total state aid. Operating aid allocates funds through a percentage equalization (aid ratio) formula, although the formula also incorporates a minimum aid provision (flat grant). The state also distributes aid to local districts based on wealth-equalized percentages of actual approved spending (e.g., Transportation, Building, and BOCES aids) and as flat grants per pupil (e.g., Textbook Aid and Gifted and Talented Aid).

The state's General Fund provides approximately 85% of state aid for the public schools. The General Fund's major sources of revenue are state income and sales taxes. The balance of revenue (approximately 15%) comes from a Special Revenue Fund account supported by lottery receipts. Two state fiscal years fund the 1998–99 school year. The state distributes approximately 70% of total aid by the end of the first state fiscal year, March 31.

State aid as a percent of total expenditures for schools reached its highest level in 1968-69 at 48.1%. In the 1970s, state aid levels declined gradually, falling to 37.6% during the fiscal crisis of 1977-78. During the 1980s, state aid levels again exceeded 40% of total school expenditures only to be followed by a multi-year fiscal crisis in the early 1990s. In 1993–94, the state's economy began to recover and aid increased slightly. In 1998–99, the state's share of total revenues is approximately 40.7%.

Local

The state has 682 districts that employ 8 or more teachers and are eligible for regular state aid funding (656 K–12 districts and 26 non-K–12 districts). Except

for the school districts in the state's 5 largest cities (the Big 5), all districts are fiscally independent (i.e., have independent taxing and borrowing authority). In addition, 38 Boards of Cooperative Education Services (BOCES) provide a range of programs and services to districts other than the Big 5 (New York City, Yonkers, Buffalo, Rochester, and Syracuse).

Property taxes constitute the principal source of local revenues.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$ 11,773 million
Grants in aid	11,773 million	
Teacher Retirement Contributions	0 million	
FICA	0 million	
Total Local School Revenue		\$ 14,338 million
Property Tax	14,004 million	
Other local source tax revenue	143 million	
Local source non-tax revenue	191 million	
Total Combined State and Local School Revenue		\$ 26,111 million
State Financed Property Tax Credits		
Attributable to School Taxes		\$.5 million

II. LOCAL SCHOOL REVENUE

Property Taxes

The property tax is the principal source of local funding for school districts. The property tax is levied on real property only. Personal property, such as merchandise, automobiles, livestock and farm machinery, is not subject to the property tax.

In 1997, New York implemented the School Tax Relief Program, commonly referred to as STAR (Section 425 of the Real Property Tax Law). In addition to property tax relief measures (discussed below), the STAR program greatly improved New York's property tax information reporting system. Property tax bills now contain the following information: (a) full value of the parcel as determined by the assessor, (b) percent of market value used in assessing property, (c) assessed value of the exemptions for each taxing purpose, (d) percent

change in the aggregate levy from the prior year, and (e) information on exemptions and assessment appeals.

Non-property Taxes

Most non-property tax revenues are secured from the distribution of some portion of the local county sales tax. The county sales tax is prorated among districts based on the number of pupils residing in the county and enrolled in the various districts partly or wholly located within the county. In 1998–99, seven counties (out of 57 statewide) will share sales taxes with school districts. In addition, the state requires that payments in lieu of taxes (PILOTS) be distributed among taxing jurisdictions, including school districts, affected by tax exemptions granted by Industrial Development Agencies. Small city districts can also impose a utility tax, not to exceed 3%.

Tax Credits and Exemptions

The STAR program provides state-funded exemptions from school property taxes to homeowners for their primary residences (Section 425 of the Real Property Tax Law). Enacted in 1997, STAR will be phased in over four years. Homeowners over 65 with household incomes of \$60,000 or less are eligible in 1998–99 for “full value” exemptions of \$12,500 for school taxes purposes. This exemption will grow over the next three years to \$50,000. All other homeowners will be eligible for full value exemptions on their primary residences of \$10,000 in 1999–2000, \$20,000 in 2000–2001, and \$30,000 in 2001–2002.

The STAR program requires that the state fully reimburse local districts for the property tax losses with additional state aid. To claim the aid, school districts must submit an application to the Office of Real Property Services (ORPS) containing information regarding the loss in revenues and the exemptions that resulted in such loss. Upon approval of the application, ORPS will notify the Commissioner of Education who may then distribute amounts payable to school districts for exemptions granted under the STAR program. When the STAR program is fully phased in policymakers’ predict the exemptions will total \$2.2 billion annually.

In addition to the STAR program, the Real Property Tax Law (RPTL) gives school districts three local-option exemptions.

The Senior Citizens’ Exemption. (RPTL § 467) reduces the assessed value of residential property owned by seniors (65 years of age and older) by up to 50%.

The law allows each taxing jurisdiction to set the maximum income limit at any figure between \$3,000 and \$19,500. Localities have the further option of giving exemptions of less than 50% to persons with qualifying disabilities whose incomes are more than \$19,500.

The Exemption for Disabled Persons. (RPTL § 459) reduces the assessed value of residential property owned by disabled persons by up to 50%. The law allows each taxing jurisdiction to set the maximum income limit at any figure between \$3,000 and \$18,500. Localities also have the option of giving exemptions of less than 50% to persons with qualifying disabilities whose incomes are more than \$18,500.

The Farm Building Exemption. (RPTL § 483) allows a 10-year property tax exemption for newly constructed or reconstructed agricultural structures.

In addition to these exemptions, New York state also provides an income tax credit for local property taxes paid by low income households, including those who rent (Section 606 of the State Tax Law). The “circuit breaker” credit is available to taxpayers throughout the state and the cost of the program is borne entirely by the state. The benefit level ranges from a maximum of \$375 for a household with an income of \$1,000 or less to \$86 for a household with an income between \$17,000 and \$18,000. To be eligible property value must be less than \$85,000 and rent must be less than \$450 per month.

III. TAX AND SPENDING LIMITS

Only the Big 5 districts have constitutional tax limits, and the limits apply to the total municipal budget. There are no spending limits

The STAR program included a set of reforms designed to provide uniformity in school budget voting processes. School districts are now limited to one vote and one revote on school budget referenda. In addition, the program specifies a single statewide day to vote on school budgets.

Schools districts cannot carry an unappropriated fund balance above 2% of their budget (RPTL § 1318).

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

All net revenues from the state lottery are statutorily earmarked for school aid. In addition, the General Fund guarantees the level of lottery funds appropriated for education, making up any shortfall in lottery revenues.

V. BASIC SUPPORT PROGRAM

General School Aid Formulas in 1998–99

Funding in 1998–99: \$6,806 million.

Percentage of Total State Aid: 58.0%.

Basic Operating Aid

N.Y. CODE § 3602 (12)

Nature of Program: Percentage Equalizing Basic Operating Aid (BOA) is available to each district to assist them in meeting operating expenses. Approved Operating Expenses (AOE) include salaries of administrators, teachers and non-professionals, fringe benefits, utilities, and maintenance of school facilities. AOE do not include expenses aided through other formulas or special aid programs, including transportation, capital outlay, debt service, and shared services. BOA is distributed in an inverse proportion to a district's wealth as measured by real property and adjusted gross income.

Allocation Units: Total Aidable Pupil Units (TAPU). TAPU is based on adjusted average daily attendance (ADA), with additional weightings for certain categories of students. ADA is determined by dividing the total number of attendance days of all pupils by the number of days the school was in session. For formula purposes, attendance in the year prior to the base year forms the basis for determining aidable pupil units for BOA. Base year is the school year prior to the current year (e.g., for the 1998–99 aid year, 1997–98 is the base year and 1996–97 is the year prior to the base year). Attendance in the year prior to the base year is then multiplied by the ratio of base year (1997–98) enrollment to year prior to the base year (1996–97) enrollment.

Pupils with Special Educational Needs (PSEN) are determined by multiplying district ADA by the percentage of student population falling below the state reference point on third and sixth grade reading and mathematics pupil evaluation program (PEP) tests.

TAPU For Expense equals the sum of TAPU for the base year plus additional pupil weightings for pupils with handicapping conditions served in district operated or full-time BOCES programs.

<u>Time in Special Education Programs or Services</u>	<u>Weight</u>
60% of school day	1.70
20% of school week	.90
Consultant teacher services	.90

Local Fiscal Capacity: Assessed property and adjusted gross income. Local fiscal capacity is measured by a district's Combined Wealth Ratio (CWR), which equals the sum of two ratios:

1. Pupil Wealth Ratio: 1995 Actual Valuation (equalized assessed value of taxable real property) per 1996–97 Total Wealth Pupil Units (TWPU) divided by the state average. For 1998–99 the state average Actual Valuation / TWPU is \$246,400.
2. Alternate Pupil Wealth Ratio: 1995 Adjusted Gross Income (AGI) of resident taxpayers per 1996–97 TWPU divided by the state average. For 1998–99 the state average AGI / TWPU is \$86,400.

CWR formula:

$$\text{CWR} = .5 \frac{(\text{District Actual Valuation} / \text{TWPU})}{\$246,400} + .5 \frac{(\text{District AGI} / \text{TWPU})}{\$86,400}$$

TWPU measures the weighted average daily attendance of resident pupils in a district.

How Formula Operates: A district's BOA is determined by first calculating its formula aid and comparing it with a minimum flat grant guarantee. Each district receives the greater of (i) formula aid multiplied by TAPU or (ii) a flat grant of \$400 multiplied by TAPU.

The formula aid calculation uses a percentage equalization factor (Operating Aid Ratio) applied to a ceiling amount. The Operating Aid Ratio is the highest value obtained from the following four calculations, but not more than .90, nor less than 0.

$$\begin{aligned}
&= 1.37 - (1.23 \times \text{CWR}) \\
&= 1.00 - (0.64 \times \text{CWR}) \\
&= 0.80 - (0.39 \times \text{CWR}) \\
&= 0.51 - (0.22 \times \text{CWR})
\end{aligned}$$

The formula ceiling amount is \$3,900 plus an amount equal to the product of (i) the lesser \$8,000 or 1996–97 AOE per TAPU For Expense less \$3,900 and (ii), the greater of 7.5% or .075/CWR.

For an average-wealth (CWR = 1.0), average-expense district (\$6,050) the aid formula operates as follows:

$$.41 \times (\$3,900 + .075 (\$6,050 - \$3,900)) = \$1,665$$

State Share: The Operating Aid Ratio represents the state share.

Local Share: The local share is the difference between AOE per pupil and the amount of BOA per pupil.

Weighting Procedures: Pupil weightings used in TAPU:

<u>Grade</u>	<u>Weight</u>
1/2 Day K	.50
Full Day K-6 (excluding PSEN)	1.00
Full Day K-6 PSEN	1.25
7–12 (excluding PSEN)	1.25
7–12 PSEN	1.50
Summer School	.12
Dual Enrollment	1.00 x (fraction of day in public school programs)

Adjustments for Special Factors:

Extraordinary Needs Aid
N.Y. CODE § 3602 (12) (e)

Funding in 1998–1999: \$653.2 million.

Percentage of Total State Aid: 5.6%.

Nature of Program: This supplement to Basic Operating Aid provides funds to school districts with high concentrations of at-risk pupils. The aid is unrestricted and intended to support general operating expenses.

Allocation Units: Extraordinary Needs Count (ENC) equals the sum of the following three counts:

1. 1997–98 enrollment x percentage of K-6 eligible applicants for the free and reduced price lunch (FRPL) program as of October 1996. If K-6 data is not available, 1997–98 enrollment x percentage of pupils scoring below the statewide reference point on the grade 3 PEP reading and math tests for 1995–96.
2. Limited English Proficient (LEP) students (the number served in the base year).
3. For districts operating a K–12 program, a sparsity count equal to $25 - (1997-98 \text{ Enrollment} / \text{Square Mile}) / 58$.

Local Fiscal Capacity: Adjusted Gross Income (AGI) per pupil.

How Formula Operates: Extraordinary Needs Aid equals:

$(\$3,900 \text{ plus Ceiling Adjustment}) \times \text{Extraordinary Needs Aid Ratio (ENAR)} \times \text{ENC} \times .11 \times \text{Concentration Factor}$

where:

Ceiling Adjustment = the expense ceiling used to calculate a district's Basic Operating Aid

$\text{ENAR} = 1 - (\text{Alternate Pupil Wealth Ratio} \times .40)$

$\text{Concentration Factor} = 1 + [(\text{ENC} / 1997-98 \text{ Enrollment}) - .745] / .387$; but not less than 1.

There is a save-harmless provision that guarantees districts receive 100% of the base year aid.

Extent of Participation: In 1998–99, 653 districts earned aid under this formula.

Growth Aid
N.Y. CODE § 3602 (12)

Description: The state supplements operating aid for districts experiencing enrollment growth.

How Formula Operates: Growth Aid is distributed to districts whose growth index is greater than 1.004.

$$\text{Growth Aid} = (\text{Growth Index} - 1.004) \times \text{Basic Operating Aid}$$

$$\text{Growth Index} = 1998\text{--}99 \text{ Enrollment} / 1997\text{--}98 \text{ Enrollment}$$

Extent of Participation: In 1998–99, 336 districts earned aid under this formula.

Tax Effort Aid
N.Y. CODE § 3602 (16)

Description: Districts are eligible for Tax Effort Aid if their Pupil Wealth Ratio is below 2.000 (see definition of Combined Wealth Ratio above).

Allocation Units: Total Aidable Pupil Units (TAPU).

Local Fiscal Capacity: The ratio of residential levy to district AGI.

How Formula Operates: Tax Effort Aid equals:

$$\$912.48 \times \text{Tax Effort Factor} \times \text{TAPU}$$

where:

Tax Effort Factor = $\{[(1995 \text{ Tax levy on residential real property including condominiums}/1995 \text{ AGI}) \times 100] - 3\}/4$. The positive result of the tax levy divided by AGI and multiplied by 100 may not be greater than 7.

Extent of Participation: In 1998–99, 285 districts benefited from this aid program.

Tax Equalization Aid

N.Y. CODE § 3602 (16)

Nature of Program: Tax Equalization Aid is provided for school districts and their taxpayers burdened with exceptionally high tax rates.

Allocation Units: Total Aidable Pupil Units (TAPU).

Local Fiscal Capacity: Actual Valuation per Total Wealth Pupil Units (TWPU).

How Formula Operates: Tax equalization aid equals:

$$(\text{Expense Per Pupil} - \text{Tax Yield Per Pupil}) \times \text{TAPU}$$

where:

Expense Per Pupil equals the lesser of (i) \$8,000 or (ii) (1996–97 AOE/1996–97 TAPU) - (1998–99 Operating Aid/ TAPU)

Tax Yield Per Pupil = .0195 x (Actual Valuation / 1996–97 TWPU)

Extent of Participation: In 1998–99, 175 districts benefited from this aid program.

Transition Adjustment

N.Y. CODE § 3602 (18)

Description: In 1993–94, the state adopted several aid formulas. The new formulas, however, were not entirely “affordable,” prompting the enactment of a year-to-year maximum increase provision of 3% (adjusted for growth). In addition, the new formulas would have resulted in losses for some districts. This problem was overcome by a save-harmless option that guarantees that a district will not receive less aid in the current year than it received in the base year.

How Formula Operates:

Aid Minimum. For aid payable in 1998–99, the sum of Operating Aid, Tax Effort, and Tax Equalization Aid may not be less than 101.8% of the sum of such aids and the Transition Adjustment received in 1997–98. (The percentage is adjusted for wealth up to a maximum of 102.5%.)

Aid Maximum. For aid payable in 1998–99, the sum of the aids generated for Operating Aid, Tax Effort, and Tax Equalization Aid may not be more than the greater of either 105% of the sum of such aids and the Transition Adjustment received in 1997–98 or the sum of such 1997–98 aids plus 17.6% of the difference of such aids minus the sum of such aids and any transition adjustment payable in the 1997–98 school year.

For the purposes of calculating the transition base used for aids payable in 1998–99, any impact upon the calculation of such base resulting from aids payable in 1993–94 is frozen as of July 1, 1996, any impact upon the calculation of such base resulting from aids payable in 1994–95 is frozen as of July 1, 1998, any impact resulting from aids payable in 1995–96 will be frozen as of July 1, 1999, and any impact resulting from aids payable in 1996–97 and 1997–98 will be frozen as of July 1, 2000.

Extent of Participation: In 1998–99, Transition Aid Adjustments altered aid in 627 districts.

Aid Distribution Schedule: From the total General Aid payments due the district, the state pays, on behalf of the district, the total of the district's employer and employee contributions to the Teacher Retirement System (TRS). Net Aid for fixed and individualized payments equals the positive remainder of total General Aid payments due the district, minus TRS payments. This figure may be zero.

September 1, 1998: Lottery Aid will be paid in full on or before September 1.

October 15, 1998: Possible fixed payment equals the positive result of Net Aid multiplied by .125, minus Lottery Aid payment.

November 15, 1998: Possible fixed payment equals the positive result of the product of Net Aid multiplied by .1875, minus Lottery Aid payment and any October fixed payment.

December 15, 1998: Possible fixed payment is the positive result of the product of Net Aid multiplied by .25, minus Lottery Aid payment and the October and November fixed payments.

The balance of the Net Aid due the district after the December fixed payment is payable in “individualized payments.” Individualized payments for the months of January through June will be based on districts’ state aid claims or data available to the Commissioner as of December 1. Payments will be calculated to guarantee that each district receives 50% of the sum of its state and local revenues by the

first business day of January, 60% by February, 70% by March, 80% by April, and 90% by May.

All of the April payment, all, or most of the May payment and some of the June payment may be made as part of the sustaining advanced payments and the final payment for the state fiscal year in order to fully expend the state fiscal year appropriation for General Support of public schools in March 1999. If necessary, the March payment may also be reduced to ensure that no more than the state fiscal year appropriation for General Support of public schools is expended by March 31 (the last day of the state's fiscal year).

General Aid Payments to school districts do not include Growth Aid. Payments are made in June and September only. The following aids are also distributed according to the 1998–99 General Aid Distribution schedule: Limited English Proficiency Aid, Gifted and Talented Aid, Extraordinary Needs Aid, Operating Standards Aid, Educationally Related Support Services Aid, Reorganization Incentive Aids (Building and Operating), Building Aids, Transportation Aid, Big 5 Career education Aid, Big 5 Computer Administration Aid, Urban-Suburban Transfer Aid, Tuition Adjustment Aid, Shared Services Aid, Instructional Computer Technology Aid.

Districts off Formula: None.

VI. TRANSPORTATION

N.Y. CODE § 3602 (7)

Funding in 1998–1999: \$755.7 million.

Percentage of Total State Aid: 6.5%.

Description: School districts transport resident pupils to public and nonpublic schools. The state provides equalized aid for school districts' approved contract, public service, and district operated transportation expenses. All expenses for the transportation of pupils with handicapping conditions are approved, if certain mileage limitations are met. The transportation of pupils within walking distance of school (1 and ½ miles) is not aidable.

Transportation Aid equals:

$(\text{Aid Ratio} + \text{Sparsity Factor}) \times \text{Approved Transportation Expenses}$

where:

Aid Ratio equals the greater of the following: (i) $1.263 \times \text{Operating Aid Ratio}$, or (ii) 1.010 less (1995 Actual Valuation/1996–97 Resident Weighted Average Daily Attendance (RWADA), but not more than 90% nor less than 5%.

$\text{Sparsity Factor} = 21 - [(1996 \text{ Enrollment} / \text{Square Mile}) / 317.88]$

RWADA = 1/2-day Kindergarten pupils weighted at .50, Full Day K- 6 pupils weighted at 1.00, and Grade 7–12 pupils weighted at 1.25

Local Share: Local share is that percentage (1 - Selected transportation aid ratio) of each districts' transportation expenses not reimbursed by transportation aid.

Extent of Participation: All major school districts receive this aid.

VII. SPECIAL EDUCATION

The state provides funding for special education for school age pupils through the following programs.

Public Excess Cost Aid For Pupils with Handicapping Conditions

N.Y. CODE § 3602 (19)

Funding in 1998–1999: \$1,576.3 million.

Percentage of Total State Aid: 13.2%.

Description: A district receives public excess cost aid for pupils with disabilities enrolled in programs run by public schools or BOCES. Basic Excess Cost Aid applies to all such programs. High Excess Cost Aid provides additional support for students in resource intensive programs. Districts are also eligible for Declassification Support Services Aid for the provision of support services to teachers and students in the first year that a student moves from a special education program to a full-time regular education program.

Allocation Units: Weighted Pupils with Disabilities:

Time in Special Education Programs or Services	Weight
At least 60% of the day	1.70
At least 20% of the week or 5 periods	.90
Direct/Indirect Consultant Teacher	.90

(Note that all of these pupils are included in the basic ADA count purposes of generating operating aid, and the same additional weightings are used in determining TAPU for Expense.)

Local Fiscal Capacity: Combined Wealth Ratio.

How Formulas Operate:

1. Basic Public Excess Cost Aid equals:

Aidable Expense x Aid Ratio x Weighted Pupils with Disabilities

where:

Aidable Expense = 1996–97 AOE/ 1996–97 TAPU for Expense, but not less than \$2,000 nor more than the greater of the average state AOE or \$7,110.

Aid Ratio = $1 - (\text{CWR} \times .51)$; but not less .25.

(2) High Excess Cost Aid is available for public school pupils with disabilities in programs in which the cost exceeds the lesser of (i) \$10,000, or (ii) 4 x AOE/TAPU, without limits.

- (3) Declassification Support Services Aid equals:

Public Excess Cost Aid Per Pupil x .50 x 1997–98 Pupils in Need.

Local Share: The local share is proportional to the district's fiscal capacity, except that wealthier districts are protected by the .25 minimum aid ratio provision.

Extent of Participation: All major school districts receive this aid.

Private Excess Cost Aid For Pupils with Handicapping Conditions

N.Y. CODE § 4405 (3)

Funding in 1998–1999: \$124.4 million.

Percentage of Total State Aid: less than 1%.

Description: Excess Cost Aid is available to those districts that have contracts with approved private schools, Special Act School Districts, the New York State School for the Blind, and the New York State School for the Deaf for the education of students with disabilities.

Local Fiscal Capacity: Combined Wealth Ratio.

How Formulas Operate: Private Excess Cost Aid equals:

$$\text{Aidable Cost} \times \text{Excess Cost Aid Ratio}$$

where:

$$\text{Aidable Cost} = \text{Tuition}$$

$$\text{Excess Cost Aid Ratio} = 1 - (\text{CWR} \times .15); \text{ but not less than } .50.$$

Additional aid is available to districts with a combined wealth ratio of less than 1.0 and pupil placements at the two state-operated schools for pupils originally placed at the schools before July 1, 1990. Aid for the New York State School for the Blind and the New York State School for the Deaf equals:

$$\text{Taper Aidable Cost} \times \text{Taper Aid Ratio}$$

where:

$$\text{Taper Aidable Cost} = \text{Tuition} - \text{Regular Private Excess Cost Aid}$$

$$\text{Taper Aid Ratio} = 1.0 - (\text{CWR} \times .75); \text{ but not more than } 1.0$$

Local Share: Since the formula recognizes tuition expense per pupil, the local share is equal to the remainder of the tuition expense minus the tuition aid.

Extent of Participation: In 1998–99, 488 districts benefited from this aid program.

Educationally Related Support Services Aid
N.Y. CODE § 3602 (32)

Funding in 1998–1999: \$60.2 million.

Percentage of Total State Aid: less than 1%.

Description: Any district that provides support services to nondisabled pupils intended to maintain their placement in a regular education program is eligible to receive Educationally Related Support Services Aid (ERSSA). Eligibility for ERSSA services include qualified handicapped persons under the Americans with Disabilities Act and any students with disabilities whose attendance does not generate Excess Cost Aid. This program also includes speech therapy services for nondisabled pupils. Aidable services include curriculum and instructional modification and direct student support team services.

Local Fiscal Capacity: Combined Wealth Ratio.

How Formula Operates: ERSSA equals the sum of (i) $\$335 \times \text{Operating Aid Ratio (.25 minimum)} \times (\text{TAPU} \times .09)$ and (ii) $\$500 \times \text{Public Excess Cost Aid Ratio} \times (\text{TAPU} \times .09) \times \text{Extraordinary Needs Percent in excess of 60\%}$.

Extent of Participation: In 1998–99, 633 districts benefited from this aid program.

The cost of programs for preschool children with handicapping conditions is shared equally by the state and municipalities and is not discussed in this section.

Other Special Education Aids

The following special education programs support school districts, but are not funded through General Support for public schools.

Preschool Special Education (Section 4410 of the Education Law): The state supports 59.5% of the costs of education for three- and four-year old children with disabilities. Funding in 1998–99: \$510.5 million.

Summer School Program for Disabled Students (Section 4408 of the Education Law): The state funds 70% of the costs of summer school programs for pupils with disabilities. Funding in 1998–99: \$155.9 million.

Disabled Pupil Court Orders: This aid funds the State Education Department’s 50% share of outstanding prior year claims authorized under Section 236 of the Family Court Act. Funding in 1998–99: \$19.0 million.

Special Education – Federal Medicaid Recovery: The 1998–99 state fiscal year included a \$172.3 million offset to state special education costs based on recovery of Federal Medicaid funds for medically related services provided to children in special education programs.

VIII. COMPENSATORY EDUCATION

Beginning in 1993–94, various aid programs for pupils with compensatory education needs were replaced by operating aid set-asides. Under this program, districts with poor performance and attendance rates lose spending discretion of a portion of its Operating and Extraordinary Needs aids. As attendance or performance improves, the portion of these aids that must be “set-aside” for compensatory education decreases.

Districts subject to the set-asides are (a) districts with attendance ratios in the bottom 10% of all districts statewide; (b) the 25% of districts with the greatest percent of students falling below the statewide reference point on certain pupil evaluation program tests in the prior school year; and (c) the state’s Big 5 city school districts, which set-aside funds for class size reductions in kindergarten through grade three classes.

IX. GIFTED AND TALENTED EDUCATION

N.Y. CODE § 3602 (23)

Funding in 1998–1999: \$13.9 million.

Percentage of Total State Aid: less than 1%.

Description: Any district conducting a gifted and talented program in accordance with the regulations of the Commissioner is eligible to receive gifted and talented aid.

How Formula Operates: Gifted and Talented Aid equals:

$$\$196 \times 3\% \text{ of } 1997\text{--}98 \text{ Adjusted ADA}$$

Extent of Participation: In 1998–99, 570 districts benefited from this aid program.

X. BILINGUAL EDUCATION

Limited English Proficiency Aid N.Y. CODE § 3602 (22)

Funding in 1998–1999: \$58.6 million.

Percentage of Total State Aid: less than 1%.

Nature of Program: All school districts are required to have a plan for serving limited English proficiency (LEP) pupils. The type of program provided (bilingual or English as a second language) depends on the number of pupils sharing a language other than English. Districts may provide the programs directly or by contract with a BOCES or another school district. In addition to the \$60.1 million paid through the LEP formula, \$11.2 million was available through competitive grants for bilingual programs in 1998–99. These grants will be used to continue existing funding of regional bilingual programs at BOCES and to support innovative two-way bilingual education programs.

How Formula Operates: LEP Aid equals:

$$.16 \times 1998\text{--}99 \text{ BOA per TAPU} \times 1997\text{--}98 \text{ Program Participants}$$

Program participants are those scoring below the 40th percentile on an English language assessment instrument.

Extent of Participation: In 1998–99, 287 districts participated in the program.

XI. EARLY CHILDHOOD EDUCATION

Universal Pre-Kindergarten Aid N.Y. CODE § 3602 (e)

Funding in 1998–1999: \$58.9 million.

Percentage of Total State Aid: less than 1%.

Description: Beginning in 1998–99, state funds will be provided to expand the availability of pre-kindergarten programs for four-year-old children.

How Formula Operates: Grants are based upon a wealth equalized allocation formula providing up to \$4,000 per child served and ensuring that no eligible school district receives less than \$2,700 per child. Statutory modifications enacted in 1998 further ensure that the program gives priority to districts with high concentrations of poverty.

Extent of Participation: In 1998–99, 65 districts participated in the program.

XII. OTHER CATEGORICAL PROGRAMS

BOCES Aid

N.Y. CODE § 1950 (5)

Funding in 1998–1999: \$390.6 million.

Percentage of Total State Aid: 3.3%.

Description: School districts other than the Big 5 city districts are eligible to join a Board of Cooperative Educational Services (BOCES). BOCES are authorized to provide shared services to two or more districts upon request. BOCES provide many occupational education programs as well as special education, limited English proficiency (LEP), and selected academic programs. In addition, BOCES provide management services such as computer processing and purchasing, especially for smaller districts.

The state reimburses districts for BOCES related costs through BOCES Services Aid, BOCES Administrative Aid, and BOCES Facilities Aid.

How Formulas Operates:

BOCES Services Aid = 1997–98 approved service expenses x Aid Ratio

BOCES Administrative Aid = 1997–98 approved administrative expenses x Aid Ratio

BOCES Facilities Aid = 1998–99 approved facilities expense x Aid Ratio

where:

Aid Ratio equals the greater of (i) $1 - (.008 / \text{District Actual Valuation Tax Rate})$ or (ii) $1 - \{[(1995 \text{ Actual Valuation} / 1996\text{--}97 \text{ RWADA}) / \$293,600] \times .51\}$. For BOCES Services and Administrative aids the Aid Ratio must be between .360 and .900. The minimum Aid Ratio for BOCES Facilities Aid is zero.

A save-harmless provision guarantees that total BOCES Aid cannot be less than the amount apportioned to each district during the 1967-68 school year, unless a district's expenditures for BOCES services is less than during 1966-67.

Extent Of Participation: Seven districts chose not belong to a BOCES in 1998–99. (Once a district joins, they must remain a component of the BOCES.) In addition, the Big 5 city school districts are prohibited from belonging to a BOCES, but they are eligible for Special Services aid in lieu of BOCES aid.

Special Services Aid
N.Y. CODE § 3602 (17)

Funding in 1998–1999: \$143.6 million.

Percentage of Total State Aid: 1.2%.

Description: Because the Big 5 districts cannot join BOCES, Career Education Aid (CEA) and Computer Administration Aid (CAA) support these services in such districts.

How Formulas Operate:

$\text{CEA} = \$3,720 \times \text{CEA Ratio} \times \text{Career Education Pupils}$

$\text{CAA} = (\text{Expenses up to } \$62.30 \times \text{Enrollment}) \times \text{Computer Expenses Aid Ratio}$

where:

$\text{Career Education Aid Ratio} = 1 - (\text{CWR} \times .59)$; Minimum: .360

$\text{Career Education Pupils} = 1997\text{--}98 \text{ Grade } 10\text{--}12 \text{ ADA in a Career Education Trade Sequence} + .16 \times \text{Business Sequence ADA}$

Enrollment = fall 1997 K–12 enrollment

Computer Expenses Aid Ratio = $1 - (\text{CWR} \times .51)$; Minimum: .300

Extent of Participation: Only the Big 5 city districts receive this aid.

Textbooks Aid
N.Y. CODE § 701

Funding in 1998–1999: \$132.7 million.

Percentage of Total State Aid: 1.2%.

Description: Districts use Textbooks Aid to defray the cost of textbooks.

Allocation Units: Pupil Enrollment.

How Formula Operates: Textbooks Aid equals:

1997–98 cost of textbook (limited to \$40.90) x 1997–98 Resident Public and Nonpublic Enrollment.

State Share: In 1998–99, the lottery funded portion of textbook aid was \$15 per pupil and the general fund portion was \$25.90 per pupil, for a combined textbook aid payment of \$40.90 per pupil. In 1997, legislation enacted incremental per pupil increases in textbook aid up to 78.18 in 2001-02.

Extent of Participation: All districts are eligible for textbooks aid.

Other Programs and Aid Categories Funded through General Aid

Operating Standards Aid (N.Y. CODE § 3602 (38): Beginning in 1998–99, funds will be available for services and expenses related to achieving the Board of Regents' new learning standards. The funds must be used in accordance with a district plan designed to achieve these new learning standards through direct instructional services to students, professional development for teachers, and innovative educational practices. Funding in 1998–99: \$81.91 million.

Reorganization Incentive Aid (N.Y. CODE § 3602 (14): Reorganization Incentive Aid is provided for both operating and building expenses incurred by those school

districts that have reorganized in the past 14 years. The aid is paid as a supplement to regular operating and building aid when districts meet certain conditions prescribed by law. Aid payments will total \$43.29 million in 1998–99. The Commissioner of Education is also empowered to award study grants up to \$50,000 to districts to study the feasibility of consolidation with other school districts; and \$20,000 to districts to study collaborative service delivery systems for school-aged, at-risk youth. Funding in 1998–99: \$1.28 million.

Aid For Small City School Districts (N.Y. CODE § 3602 (31-a): In 1979, the state instituted Aid for Small City School Districts to provide funds to districts at or near constitutional tax limits. In 1985, small city constitutional tax limits were eliminated by a referendum. This aid permits such districts to adjust their taxes gradually to an appropriate level. However, this formula has been suspended and aid has remained at 1994–95 amounts. Funding in 1998–99: \$81.9 million.

Shared Services Aid for Big 5 City Districts (N.Y. CODE § 1950 (8-c), §3602 (20): Shared Services Aid is provided for Big 5 City Districts and other districts that are non-components of BOCES to help cover the cost of instructional support services. Funding in 1998–99: \$3.5 million.

Library Materials Aid (N.Y. CODE § 711): The materials purchased under this program are for use in public schools and are to be loaned on an equitable basis to nonpublic school pupils. Funding in 1998–99: \$12.7 million.

Minor Maintenance and Repair Aid (N.Y. CODE § 3602 (6-d): Beginning in 1998–99, this program aids minor maintenance projects necessary to preserve school facilities statewide. School districts will receive funding based upon the average age of their facilities and enrollment growth. Minimum district aid equals \$2,000. For the 1998–99 school year, New York City's aid may not exceed \$33.33 million. Funding in 1998–99: \$50.0 million.

Full-Day K Conversion Aid (N.Y. CODE § 3602 (12-a): This new aid category provides funding to encourage school districts to establish full-day kindergarten programs. School districts converting to full-day kindergarten programs will receive current year operating aid in 1998–99 for any increase in the number of students served in full-day programs in 1998–99 compared to 1997–98. Funding in 1998–99: \$13.0 million.

Education of Homeless Children (N.Y. CODE § 3209): The state reimburses districts for the direct cost of educating homeless children. Funding in 1998–99: \$4.0 million.

Aid for Incarcerated Youth (N.Y. CODE § 3202 (7): The state supports the provision of educational services to youth detained in local correctional facilities. Funding in 1998–99: \$10.5 million.

Employment Preparation Education (EPE) Aid (N.Y. CODE § 3602 (24): The state provides funds to school districts and BOCES offering adult education programs. Funding in 1998–99: \$96.2 million.

Urban-Suburban Transfer (N.Y. CODE § 3602 (36): Funds will be provided in 1998–99 to districts that participate in a voluntary interdistrict transfer between an urban and suburban school district to reduce racial isolation. Related transportation expenses are eligible for transportation aid. Funding in 1998–99: \$1.1 million.

Tuition Adjustment Aid (N.Y. CODE § 3602 (2) (g): The state provides Tuition Adjustment Aid for school districts that maintain only an elementary school and contract for the education of secondary students in another school district with a higher combined wealth ratio. Tuition Adjustment Aid equals the difference between the BOA generated by secondary students if they were educated in the home district and the BOA actually generated by these students in the receiving district. Funding in 1998–99: \$1.2 million.

Shared Services Savings Incentive Aid (N.Y. CODE § 3602 (14) (i): The state provides this aid to school districts and BOCES that creatively manage shared services and decrease costs to taxpayers and the state. Funding in 1998–99: \$0.2 million.

Categorical Reading Aid (N.Y. CODE § 3602 (31-a): This aid provides funds to Big Five City districts to improve pupil reading skills and academic performance. Funding in 1998–99: \$64.0 million.

AI/DP Grant [Section 3602(31-a) of the Education Law]: N.Y. CODE § 3602 (31a): This aid funds attendance improvement and dropout prevention programs. Funding in 1998–99: \$1.0 million.

Improving Pupil Performance (N.Y. CODE § 3602 (31-a): This aid provides incentive grants for improving pupil performance in Big Five school districts. Funding in 1998–99: \$66.4 million.

Fort Drum Area School Districts (N.Y. CODE § 3602 (31-a): Grants are available to school districts in the Fort Drum area that have experienced increased pupil enrollments due to the influx of personnel at the Fort Drum military reservation. Funding in 1998–99: \$2.6 million.

Magnet and Demonstration Schools (N.Y. CODE § 3602 (31-a): This aid supports magnet schools in 19 school districts (including the Big Five cities). Funding in 1998–99: \$134.7 million.

Education of OMH/OMR Pupils (N.Y. CODE § 3602 (31-a): These funds support educational services for children who are residents in, and those released from, office of Mental Health and Office of Mental Retardation and Developmental Disabilities facilities pursuant to Chapter 66 of the Laws of 1978 and subdivision 5 of section 3202 of the Education Law, as well as for children who reside in intermediate care facilities for the mentally retarded who receive educational services pursuant to Chapter 721 of the Laws of 1979. Funding in 1998–99: \$22 million.

CIMS Aid (N.Y. CODE § 3602 (31-a): These funds support Comprehensive Instructional Management Systems (CIMS) programs. Funding in 1998–99: \$2.5 million.

Office of State Comptroller Audits (N.Y. CODE § 3602 (31-a): The state allocates funds to ensure accountability through audits of school districts and, BOCES. Funding in 1998–99: \$0.3 million.

Bus Driver Safety (N.Y. CODE § 3602 (31-a): These grants support a statewide school bus driver safety program. Funding in 1998–99: \$0.4 million.

Other State Aid Programs

The following programs support school districts, but are not funded through the general support for public schools appropriations.

Experimental Pre-Kindergarten Program: This program provides health, psychological, and social services to four-year old children from poor communities. Funding in 1998–99: \$50.2 million.

Education of Native Americans: The state funds the full cost of K–12 education (including transportation) for the state’s 2500 Native American children. Funding in 1998–99: \$15.1 million.

Lunch and Breakfast Programs: The state subsidizes school lunch and breakfast programs for schools with extraordinary needs. Funding in 1998–99: \$31.7 million.

Teacher Resource and Computer Training Centers: Funding in 1998–99: \$20.0 million.

Effective Schools Consortia: This aid provides support for technical assistance to low performing schools in New York City to improve instructional and administrative practices. Funding in 1998–99: \$1.9 million.

Schools as Community Sites: School districts and BOCES with high percentages of students in poverty may apply for grants to promote coordinated management of the resources of the schools and communities. Funding in 1998–99: \$6.0 million.

Extended School Day/School Violence Prevention: These funds are used to support school-based intervention programs and before and after-school programs. Funding in 1998–99: \$15.2 million.

Teacher-Mentor Intern: Funding in 1998–99: \$3.0 million.

Basic Education for Public Assistance Recipients: Basic education programs are available to public assistance recipients, 16 years of age or older who have a reading level below the ninth grade. Funding in 1998–99: \$0.5 million.

Children of Migrant Workers: The state provides grants to school districts that develop educational programs for children of migrant workers. Funding in 1998–99: \$0.1 million.

Adult Literacy Program: The state provides grants to community based organizations to sponsor adult literacy programs. Funding in 1998–99: \$3.3 million.

Comprehensive School Health Demonstration Program: This program supports health education programs at the elementary level. Funding in 1998–99: \$0.5 million.

School Health Demonstration Project: This aid supports health services and health education for at-risk pupils in the Buffalo School District. Funding in 1998–99: \$0.2 million.

Primary Mental Health Project: The state supports school-based programs for the detection of learning problems experienced by children in the primary grades. Funding in 1998–99: \$0.6 million.

Professional Development Grants: Grants are available to schools for professional development programs. Funding in 1998–99: \$1.5 million.

Transferring Success: Aid is available to support the replication of exemplary education programs. Funding in 1998–99: \$0.6 million.

Parenting Education: This program supports young adults parenting skills by expanding opportunities for involvement in their children’s education. Funding in 1998–99: \$0.5 million.

Workplace Literacy: This aid supports labor organizations in the operation of programs in basic literacy and job skills. Funding in 1998–99: \$1.4 million.

Consortium for Worker Education: This aid supports adult education given to union members and workers in New York City. Funding in 1998–99: \$7.5 million.

AIDS Education Program: These funds support local and regional education and training programs. Funding in 1998–99: \$0.99 million.

Apprenticeship Training: Funds are provided to local education agencies to support apprenticeship-training programs. Funding in 1998–99: \$1.83 million.

Youth-at-Risk Fund: These funds support school district and BOCES partnerships between schools, community groups, business, social service providers to serve at-risk youth. Funding in 1998–99: \$5.3 million.

Missing Children Prevention Education: Funds are provided to school districts and BOCES to develop courses of study in the prevention of child abduction. Funding in 1998–99: \$0.9 million.

Advances to Hurd City School Districts (Chapter 280 of the Laws of 1978): The state provides loan funds (Hurd advances) to selected city school districts.

These loans are payments to city districts that require moneys above their constitutional local tax limits. The resources are used to make contributions to the teachers retirement system. Beginning in 1992-3, advances will be reduced by 5% per year, until no advances are made in the 2011–2012 school year. Funding in 1998–99: \$14.12 million.

District Specific Appropriations: In addition to the above programs, numerous district-specific appropriations were made in the 1998–99 state Fiscal Year. Funding in 1998–99: \$31.2 million.

XIII. TEACHER RETIREMENT AND BENEFITS

Description: The New York State Teachers' Retirement System (TRS) is constituted in accordance with Article 11 of the New York State Education Law, which derives from chapter 503 of the laws of 1920. Employers (public school districts, municipalities, or state agencies employing teachers and similar professionals) are responsible for the collection of employee contributions and for the funding of employer contributions to the system that is a public corporation independent of the state.

The TRS board establishes the annual contribution rate and determines the annual payments due. The timing and method of payments are governed by law, which includes provisions for the comptroller of the state to withhold some or all of the state aid due a district in order to make payments to the TRS for the district. If a district owes additional sums to the system, a direct payment is made. The New York City school district maintains its own pension system.

XIV. TECHNOLOGY

New York state aids school technology through the following programs:

Computer Hardware and Technology Equipment Aid (N.Y. CODE § 3602 (26): All districts are eligible for aid to purchase or lease computer and technology equipment for instructional purposes. Schools may use up to 20% of this aid for the repair of hardware and equipment or for staff development. Funding in 1998–99: \$17.1 million.

Computer Software Aid (N.Y. CODE § 751): All districts are eligible for computer software aid to purchase instructional software. Funding in 1998–99: \$14.1 million.

Aid for Instructional Computer Technology (N.Y. CODE § 3602 (26-a): This aid supports approved instructional computer technology expenses (those that are not eligible for Building Aid or are not claimed for any other technology aid). Funding in 1998–99: \$9.0 million.

Learning Technology Grants. The state aids learning technology programs, including services benefiting nonpublic school students. Funding in 1998–99: \$3.3 million.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Building Aid (N.Y. CODE § 3602 (6))

Funding in 1998–99: \$850.9 million.

Percentage of Total State Aid: 7.0%.

Nature of the Program: The state provides building aid to construct, renovate, purchase, or lease school buildings. Building Aid is also available for expenses related to the installation of computer laboratory hardware and for the purchase of stationary metal detectors. A regional cost factor accounts for disparities in the cost to build and repair school facilities across the state.

The following expenses are eligible for building aid: (a) principal and interest payments for bonds, bond anticipation notes, and capital notes sold to finance building projects, (b) capital expenditures from budgetary appropriations, (c) expenditures from capital reserve funds, (d) debt service payments on installment contracts, and (e) lease expenditures.

No bonds or bond anticipation notes (BANS) may be sold before the state's approval of the project. In addition, bonds may be issued only for lawful purposes for which the state legislature has established a period of probable usefulness in law, and that period regulates the maturity of the bonds.

How Formula Operates: Building Aid equals:

$$\text{Building Aid Ratio (BAR)} \times \text{Approved Building Expenses (ABE)}$$

where:

$$\text{BAR} = 1 - .51 \times \frac{1995 \text{ Actual Valuation}/1996\text{--}97 \text{ RWADA}}{\text{Statewide Average } (\$293,600)}$$

ABE = 1998–99 new debt service and BANS expenses + 1997–98 estimated ABE + the excess, if any, of 1997–98 BANS and new debt service expenditures claimed over expenditures reported on 11/15/97

All building projects approved by the voters after July 1, 1998 will receive a 10% addition to BAR, but not to exceed 95%. Additionally, the minimum aid ratio will be 10%.

State Share: Districts may use the highest of the current year aid ratio or the aid ratio computed for use in any year commencing with the 1981–82 school year.

Local Share: The local share equals the sum of any expenditure in excess of the cost allowances and the difference between the approved expenditures and the state share.

Extent of Participation: In 1998–99, 602 school districts will benefit from this aid.

XVI. STANDARDS /ACCOUNTABILITY MEASURES

In New York State, the primary measures of student and school performance in the elementary and middle grades are the Pupil Evaluation Program (PEP) tests and the Program Evaluation Tests. The Regent’s competency tests (RCTs), the occupational education proficiency examinations, and the Regent’s Examinations are the primary measures in the secondary grades. In an effort to increase accountability, the Board of Regents prepares School Report Cards for each district. Each school report card shows how well students are performing on major state tests and provides school attendance, suspension, and dropout rates. The measures are reported for a three-year period. The school report card also compares the school’s results with (a) schools that are similar, (b) the school district, and (c) public schools statewide.

XVII. REWARDS/SANCTIONS

Since 1989, the Schools Under Registration Review (SURR) process has been the primary means used by the SED to identify and support the state’s lowest-performing schools. Beginning in 1996–97, schools farthest from state performance standards were identified for registration review. The state

performance standards include the following measures: Pupil Evaluation Program (PEP) Tests in reading and math; preliminary Regent's Competency Tests in reading; demonstration of competency in eleventh grade in reading, writing, and math; and dropout rate. Through the review process, the lowest performing schools are identified, warned that their registrations might be revoked, and assisted in improving their educational programs. If schools do not improve, the state revokes their registration. When a school's registration is revoked the Commissioner of Education develops an operational plan for the school and requires the school district to implement the plan. In 1998–99, 102 public schools were under registration review (97 in New York City and five in other districts). This was an increase of four schools over the previous year.

XVIII. FUNDING FOR NON-TRADITIONAL SCHOOLS

The New York State Charter Schools Act of 1998 authorizes the establishment of charter schools. Local school boards, the trustees of the state of New York, and the Board of Regents may grant charters. The total number of charter schools may not exceed 100. Charter entities may issue a charter for up to five years, after which they may renew the charter for five more years. Charter schools must serve at least 50 students and employ three teachers.

Charter school financing is based on the number of students served and the approved operating expenses of the students' districts of residence. Payments from districts to charter schools include state and federal aid and any other aid to students with disabilities. Districts will disburse funds to charter schools in six payments, beginning on the first business day of July and every month thereafter.

XIX. AID TO PRIVATE SCHOOLS

Nonpublic School Aid (Chapters 507 and 508 of the laws of 1974): This aid reimburses nonpublic schools for the actual expenses incurred to conduct specified state testing and data collection activities. Funding in 1998–99: \$55.0 million.

Private Blind and Deaf Schools Aid (N.Y. CODE § 85): The state provides funds to eight private schools for the deaf, two private schools for the blind, and one school for multiply handicapped children. Funding in 1998–99: \$5.8 million.

XX. RECENT/PENDING LITIGATION

In 1995, plaintiffs filed two cases that challenged the constitutionality of New York's system of school finance. In *Reform Educational Financing Inequities Today (REFIT) v. Cuomo*, 655 N.E.2d 647 (N.Y. 1995), 40 districts argued that the gap in spending between poor and wealthy districts was evidence of gross inadequacies in the education available to many of New York's students. The state countered by arguing that funding inequities are not indicative of inadequacies in educational opportunities. The New York State Court of Appeals ruled in favor of the state. The Court held that the plaintiffs failed to demonstrate that students in poorer districts received less than a "sound basic education" as mandated by the state's education clause (N.Y. Const. Art. XI).

In *Campaign for Fiscal Equity (CFE), Inc. v. New York*, 655 N.E.2d 647 (N.Y. 1995), the plaintiffs argued, among other things, that the state's school finance system failed to provide students in the New York City school district with a "sound basic education." The plaintiffs pointed to the inadequacies in physical facilities, supplies and materials, teacher quality, and curricular offerings to support their claim. The Court of Appeals acknowledged the sufficiency of the plaintiff's claim and granted CFE consent to pursue a constitutional challenge to New York's education finance system. Fact discovery for *CFE v. New York* ended in December 1998. The trial will begin sometime in 1999.

XXI. SPECIAL TOPICS

None reported.