

Education and Arts

*State Education Department
Council on the Arts*

I. Overview

The Executive Budget reflects a continued commitment to improved student outcomes, sustainable cost growth and an equitable distribution of aid. School Aid increases at a rate tied to the State's underlying fiscal capacity with most of the allocated increase provided to high need school districts. Additional aid is linked to improved academic performance, management efficiency and full implementation of a new teacher evaluation process.

Public education in New York represents a significant commitment of State and local resources. With total spending levels exceeding \$53 billion, New Yorkers have maintained the highest per-pupil spending levels in the nation — even in these difficult financial times. Not only is education the largest area of State spending, it is also the largest component of local property taxes. This substantial investment is a reflection of New York State's long-standing commitment to providing opportunity for all students.

Although New York's investment in public education is substantial, student achievement as a State has been subpar. New York ranks 38th in the nation in high school graduation rates. Recognizing that the quality of public education is fundamental to a prosperous future for this State, the 2012-13 Executive Budget builds upon measures implemented last year to create an educational system that ensures every child has an opportunity for a sound, basic education, and holds schools and teachers accountable for the results they achieve.

II. History/Context

Statewide increases in school spending, State support for education, and school property taxes have far outpaced the rate of inflation over the last ten years. New York public schools spend more per pupil (\$18,126) than any other state and 73 percent above the national average. However, New York's high education spending has not resulted in high student performance.

Several initiatives were implemented in 2011 that began to improve our ability to provide educational opportunities for our students at a level of spending that State and local taxpayers can sustain.

First, taxpayer support for education was made predictable and sustainable at both the State and local levels. Although a year-to-year reduction in State support was required

last year to meet New York's fiscal reality, the 2011-12 Enacted Budget included a two-year appropriation for School Aid and a statutory commitment to provide annual increases beginning in 2012-13. These increases will be tied to the rate of growth in New York State personal income. At the local level, a property tax cap was enacted to limit school tax increases to the lesser of 2 percent or the rate of inflation. Local voters retain control, however, and can override the cap with approval of 60 percent of voters.

In addition, Governor Cuomo began to change the education paradigm by creating a competitive performance grant program to encourage school districts to implement innovative reforms that improve student achievement and make the long-term structural changes necessary to reduce costs and deliver more dollars directly to the classrooms. The Governor's performance grant program focuses on student achievement and greater efficiencies in school district management. These grants emphasize rewarding school districts that have made replicable and sustainable reforms. The first round of grants will be awarded in the coming months.

These changes were a start, but more needs to be done to build a world class education system for New York.

III. Proposed 2012-13 Budget Actions

The Executive Budget reflects a continued commitment to supporting improved student outcomes, sustainable cost growth, and equitable distribution of aid.

Consistent with the two-year appropriation enacted in 2011-12, the 2012-13 Executive Budget recommends \$20.3 billion in School Aid for the 2012-13 school year, a year-to-year increase of \$805 million, or 4 percent. School Aid will continue to represent the largest State-supported program, accounting for nearly 30 percent of General Fund spending.

The Executive Budget also continues the State's commitment to increase School Aid at a sustainable level in future years by including an appropriation for the 2013-14 State fiscal year. Under this appropriation, School Aid growth will continue to be tied to the State's underlying fiscal capacity, as represented by the growth in New York State personal income.

In addition, the Executive Budget supports several initiatives to improve the quality and efficiency of our schools. The Executive Budget links additional State Aid to compliance with the new teacher evaluation process that will lead to increased accountability. School districts will not be eligible for aid increases unless they have fully implemented the new teacher evaluation process by January 17, 2013.

In addition, a Commission will be created by Executive Order with the mandate to change New York's education paradigm to focus on school accountability – in both management

and teaching – in order to improve student achievement and operational efficiency. An expanded second round of performance grants will support innovative proposals to improve the efficiency and performance of school district operations, and an initiative will be developed to help schools make major purchases like school buses more cost-effectively. These reforms will seek to focus school district resources on improvement in the classroom, where they belong.

IV. Summary of Spending

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	19,507	20,312	805	4.1

V. Major Initiatives

School Aid

- **Target School Aid Increases to High Need School Districts.** The Executive Budget maintains last year's commitment to provide an \$805 million increase in School Aid for the 2012-13 school year, with most of the allocated increase provided to high need school districts. Of the total increase, \$290 million is provided for general support which is targeted to high need school districts, as well as those school districts that were impacted the most by aid reductions in the 2011-12 school year. Another \$265 million supports increased reimbursement in expense-based aid programs (e.g., reimbursement for school construction, pupil transportation expenses, and BOCES) and other miscellaneous aid categories under current law. High need school districts will receive 76 percent of the 2012-13 allocated increase and 69 percent of total School Aid. Importantly, \$250 million will be used for performance grants.
- **Award Funding Based on Performance.** The 2011-12 Enacted Budget authorized two competitive grant programs totaling \$500 million to encourage school districts to implement innovative approaches to achieve academic gains and management efficiency. As part of a grant process already underway, a total of \$150 million in performance grants will be awarded in the 2011-12 school year, to be paid over a three year period beginning with \$50 million in 2012-13. The Executive Budget expands this initiative and authorizes an additional \$200 million in grants to be paid in the 2012-13 school year, and an additional round of awards for 2013-14.

- **Leverage School Districts' Buying Power by Centralizing Bus Purchases.** The Executive Budget recommends improving the cost-effectiveness of the State's school transportation program by centralizing the purchase of school buses through the use of a single State contract that is developed with advice from school districts. Except in extraordinary circumstances, the State will only reimburse school districts for buses purchased through the central contract. This approach will enable both the State and the local school district to benefit from the combined purchasing power of all school districts statewide. Prospectively, it will also eliminate technical obstacles to shared maintenance and other services between districts. Savings from this effort will allow school districts and the State to focus limited resources on improvement in the classroom.
- **Provide Sustainable School Aid Growth.** The Executive Budget reaffirms the State's commitment to increase funding for school districts in the future by including an appropriation that covers School Aid payable in the 2013-14 state fiscal year. This appropriation provides a 3.5 percent increase in School Aid for the 2013-14 school year based on estimated growth in New York State personal income.

Preschool Special Education

New York State offers extensive services to its students with disabilities, including services to children before they reach school age. The State's investment in Preschool Special Education has doubled over the past ten-years to a projected State cost of \$1.1 billion for the upcoming school year. The Executive Budget proposes several changes to both rationalize the existing Preschool Special Education financing system and eliminate potential conflicts of interest.

- **Rationalizing the Current Finance System.** School districts, while making most programmatic decisions, do not share in the costs of preschool special education, which are paid by the State and counties with 59.5 percent and 40.5 percent shares, respectively. Without a fiduciary interest in the program, school districts may have little incentive to see that services are provided appropriately and efficiently. To address this disconnect and to eliminate potential conflicts of interest, the Executive Budget proposes to:
 - Apportion all growth above each county's share of 2011-12 school year costs equally to school districts, the State, and the county;
 - Increase the role of counties when providers request an exception to existing payment rates;
 - Require justification when a distant provider is chosen over closer, suitable providers; and
 - Prohibiting, in most cases, children being evaluated by the same agency that provides the child educational services or by an evaluator with a less-than-arms-length relationship to the agency, to avoid the inherent potential for conflict of interest in these relationships.

Other Education Budget Actions

- **Improve the Teacher Evaluation Process:** In 2010, as part of its successful application for the Federal Race to the Top grant, New York State made a commitment to implement a teacher evaluation system. The system would make student performance a major component of that teachers' evaluations – and thus an element of employment decisions. In spite of commitments by education stakeholders to develop and implement the new teacher evaluations, it has not yet occurred. Therefore, the Governor is linking increases in State Aid to compliance with the evaluation system to ensure implementation, and increase accountability for improving student performance. A new and truly effective teacher evaluation system must be implemented within the next year. If this is not accomplished the Obama Administration has already indicated that our \$700 million Race to the Top money will be at risk. School districts will not be eligible for aid increases unless they have fully implemented the new teacher evaluation process by January 17, 2013.
- **Reform Teacher Disciplinary Hearings.** Currently, the teacher disciplinary process fails to provide outcomes in a timely fashion, causing a backlog of cases and unnecessary expense. Recent records show that the arbitration process lasts an average of 653 days – far exceeding the statutory timeframe of 155 days. There is little incentive for school districts and employee bargaining units to resolve arbitration in a timely manner because the State pays the hearing cost. The Executive Budget recommends several reforms to the teacher disciplinary process. These proposals include allowing the State Education Department to set reasonable limits on the costs of teacher disciplinary hearings, disqualify hearing officers who fail to comply with statutory deadlines, and change the payment structure to encourage speedier outcomes. The new payment structure will have the costs of teacher hearings shared by school districts and the employees' bargaining unit, or the employee if not represented by a bargaining unit, so that both have a stake in the timeliness of the process. Savings to the State will be reinvested to reduce the backlog of payments owed to school districts.
- **Maintain the Contracts for Excellence Program.** In recognition of both the fiscal circumstances facing the State and the continued need to encourage improvements in academic outcomes, all school districts currently in the Contracts for Excellence program would remain in the program unless all of the school buildings in the school district are reported as "In Good Standing" for purposes of the State accountability system. This approach will ensure participation of 23 school districts, including the Big Five city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). School districts that remain would be required to maintain funding on Contract for Excellence programs at the same level required for the 2011-12 school year.

- **Continue the State's Commitment to State Assessments and the General Educational Development (GED) Exams.** The 2012-13 Executive Budget continues the State's commitment to State Assessments and GED testing by maintaining an additional \$7.7 million in funding for these programs—\$7.0 million for State Assessments and \$0.7 million for GED testing—as originally provided in the 2011-12 Enacted Budget. This continued investment and reallocation of other resources will ensure the continuation of all existing Regents exams and maintain access to the GED exam.

State Support for Arts Programs

- **Funding for Arts Grants.** The 2012-13 Executive Budget provides \$31.6 million in funding for arts grants administered by the New York State Council on the Arts (NYSCA). This amount reflects New York's commitment to encouraging access to high-quality artistic programs for the citizens of the State. Annually, the Council awards approximately 2,500 grants, used largely to subsidize costs of not-for-profit arts organizations, including orchestras, museums, dance companies and theatres.