Department of Education

Joel I. Klein
Chancellor

Date: August 13, 2010

Topic: Formulas Used to Allocate Revenue Among Community School Districts and Schools

Date of PEP Vote: August 16, 2010

Summary of Proposed Item

Annually, the New York State Education Law and Chancellor's Regulation B-801 require the Chancellor to develop objective formulas for use in allocating the DOE's share of revenues among its community school districts and schools. The proposed formulas for the 2010-2011 school year are unchanged from those use for the 2009-2010 school year. The formulas were temporarily adopted on an emergency basis by the Chancellor on June 3, 2010, and now come before the Panel for Educational Policy for permanent adoption.

Summary of Issues Raised and Significant Alternatives Suggested

The below summarizes the relevant comments received during the public comment period.[1] While many of the comments were received from the same commenter, as part of a single letter, we have broken them out into separate points in order to make them easier to understand.

The first comment suggested that the proposed formulas be altered to adopt a new per capita weight for students attending specialized middle schools or non-specialized high schools with unique, accelerated academic programs such as gifted and talented ("G&T") programs. The change would mean that the DOE would provide additional revenue above its baseline per-pupil amount for each student enrolled in such schools or programs.

The second comment suggested that the DOE expand the existing Fair Student Funding ("FSF") Portfolio School/Specialized Academic weight (the "portfolio weight") to include additional categories of schools, and sought clarity on how schools become eligible to receive the portfolio weight.

The third comment suggested that the DOE erred by excluding academic need in the calculation of a school's Operating Threshold, and suggested that the DOE's approach resulted in either the

[1] Additional comments and questions related to the budget process as a whole were made during community education council meetings held prior to the start of the formal comment period. A summary of those comments and questions (and the DOE's responses) is attached.

reduction of funding flowing to or the increase in funding flowing away from schools that serve a significant number of students who live in poverty, have fallen short of attaining academic proficiency, or are ELL or special education students. The comment suggested that the DOE alter its calculation of the Operating Threshold to address these perceived problems.

The fourth comment questioned why the DOE included supplemental funding received from the state in order to pay for classroom teachers as part of the effort to reduce classroom size (known as the EGCSR State School Support Supplement) in its calculation of the funds available for the DOE's school operations budget, but excluded other types of funding used to pay teachers from that calculation.

The fifth comment questioned the effect of the allocation formulas on the budgets of two schools, K217 and K321. The commenter stated that K217 was scheduled to receive less money per student than K321, despite having a higher rate of students in poverty, ELL students, and special education students.

Similarly, the final comment questioned the effect of the allocation formulas on Midwood High School. The comment noted that Midwood High School was to receive less funding per pupil than Stuyvesant High School, a similarly sized school with fewer ELL or special education students.

Analysis of Issues Raised, Significant Alternatives Proposed and Changes Made to the Proposed Item

The DOE declined to incorporate the comments into the proposed allocation formulas.

The DOE's overall budget was reduced this year. Because of the reduction in the overall budget, the addition of a new weight for gifted and talented students, or the expansion of the existing portfolio weight to include additional categories of schools, would necessarily throw off the balance of the existing weights, and take money away from other students and basic DOE operations. The DOE is unable to take that step this year in the face of the already reduced revenue available to fund the existing weights at their current scope.

Regarding the second comment's inquiry into how schools are selected as eligible for the portfolio weight, the weight currently applies to approximately 15 specialized testing high schools or selective, fully screened schools. These schools traditionally offer more instructional periods per day than the five-and-one-half periods required for high school students by the New York State Commissioner's Regulations. The portfolio weight provides the additional funding needed to support the operation of these additional periods.

Regarding the third comment, there appear to be confusion regarding how the Operating Threshold relates to the FSF formulas. All schools received their FY11 FSF allocation according to the full FSF formula, including funding for academic need, regardless of the results of the Operating Threshold process. The Operating Threshold measured the minimum cost of staffing and supplying classes in accordance with contractual and legal mandate, and was intended to ensure that all schools would receive no less than the minimum level of funding needed to support their projected pupil population. In other words, the Operating Threshold established a

funding “floor” below which the school’s revenue allocation should not fall. Because the goal of this “floor” was to meet minimal instructional needs, the DOE excluded the supplemental FSF weights from its calculations. The calculation of the “floor” did not affect the application of the FSF formulas, which do take account of poverty and academic achievement. The FSF formulas were used to allocate over $4.4 billion to schools, thereby providing adequate funding to support supplemental services for pupils in need.

With regard to the fourth comment, the DOE includes only unrestricted funds in its calculation of the operations budget. This includes the supplemental state funding described above, along with FSF and Children First funds. Restricted funds are not included in the calculation.

With regard to the fifth comment, it is not correct that K217 is receiving less money than K321. According to the budget data available as of August 12, 2010, K217 is receiving 24% more funds per pupil than 321, precisely because it has a higher proportion of students living in poverty, ELL students, and special education students.

With regard to the final comment, the disparity between Midwood High School and Stuyvesant High School is caused by the fact that Stuyvesant High is one of the fifteen schools eligible for the portfolio weight. As explained above, the schools receiving the portfolio weight have additional operational needs that require additional funding.

Accordingly, the regulation will be presented to the PEP as it is posted.

A copy of the allocation formulas can be obtained at [LINK]