Department of Education
Dennis M. Walcott, Chancellor

Public Comment Analysis

Date: June 24, 2011[1]

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

Date of PEP Vote: June 27, 2011

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 (known as the "FSF Formulas Weights" or "formulas"). In April, the DOE issued a public notice describing the proposed school year 2011-12 FSF Formula Weights, and stating that the proposed formulas would be voted on by the Panel for Educational Policy ("PEP") on May 18, 2011. The notice indicated that the proposed formulas for the 2011-2012 school year would be unchanged from those use for the 2010-2011 school year.

Subsequent to the release of the Mayor's Executive Budget on May 6, 2011, the DOE revised the proposed 2011-12 FSF Formula Weights and issued a revised Notice on May 13, 2011. The PEP adopted the revised formulas on an emergency basis at its May 18, 2011 meeting. The proposed formula changes are now being considered for possible permanent adoption at the June 27th PEP meeting, after the public has had additional time to comment on the revised proposed formulas.

Summary of Issues Raised and Significant Alternatives Suggested

The DOE received relevant comments received from 18 commenters during the comment period on the originally proposed formulas. One additional comment was received during the extended public comment period following the issuance of the revised formulas. All of these comments are summarized and analyzed below.

Academic Weight: How will schools with higher percentages of poverty be affected by proposed change? How does the formula account for changes in poverty rates? How is poverty defined – free or reduced lunch or both? What are the weights for pupils over and below standards?

Special Education Weight: How will schools with higher than average numbers of special education children be affected by proposed change? Is the DOE continuing to fund the cost of unfilled CTT and Self-Contained classes?

[1] If the DOE receives any additional comments up to 24 hours prior to the start of the June 27, 2011 meeting of the Panel for Educational Policy, it will incorporate them into an amended Public Comment Analysis that will be posted prior to the Panel's vote on this item.

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Will the reduced funding to special needs children as a result contemplated by the revised formulas will jeopardize their services and programs?

Implementation Method: How will the FSF formula be implemented and what adjustments are being made to calculate the dollar amount included in FSF? Will FSF Hold Harmless allocations continue? Is it true that because of budget cuts, schools are only being funded at 86% of what the formula requires? If so, what does the DOE plan to do about this? How can DOE make FSF more equitable?

Portfolio Weight: Why do vocational high schools receive more funding than other high schools? Why are the selective specialized schools and audition schools given more funding per student?

Grade Weight: What is the base funding per student that schools receive, and how does that compare to last year and the year before? Why are elementary grade students funded at lower levels than middle and HS students, especially when the class sizes in these grades are supposed to be kept smaller?

General: What research and data has DOE used when determining FSF weights? How can parents and SLT members have more opportunity to provide input into the development of the FSF formula?

Analysis of Issues Raised and Significant Alternatives Proposed

The revised proposed 2011-12 FSF Formula Weights issued on May 13, 2011 reflect some of the issues raised, as follows:

Academic Weight: The DOE is proposing to revise the FSF Academic Intervention Poverty weight from .24 to .12. FSF uses the count of children in poverty, based upon pupils eligible for free lunch, to *estimate* academic need in grades where NYS ELA and Math test scores are not given, or, where pupils entering school for the first time have not yet taken these tests. Consequently, the Poverty weight is used most often in elementary schools. (FSF Academic Weight is based upon pupil proficiency at the time they enter a school. Pupils are counted for the FSF Academic Weight only upon entering school for the first time. This is done so that improvements in proficiency do not penalize schools which are able to improve pupil performance by removing the associated academic funding.)

A review of *actual* pupil performance by grade levels compared to funding generated by the original FSF formula shows a mismatch of academic funding with academic need; the proposed change would better align funding with academic need, as shown below:

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FSF Academic Intervention Funding (AIS)	% Academic Need	% AIS Funds Current Method	% AIS Funds Proposed Method
ES	25%	61%	30%
MS	33%	10%	25%
HS	42%	29%	45%
TOTAL	100%	100%	100%

Since the Academic Poverty Weight is updated each year to reflect the actual count of pupils in poverty, it will generate changes in funding amounts in parallel with changes in the count of these pupils. The Weight will also reflect the relative academic need among schools since pupils are always counted using the criteria across all schools.

In addition to revising the Poverty weight, the proposed change would take account of the impact of the NYS test score rescaling. Current FSF AIS weights fund pupils based upon their proficiency when they initially register at a school. Without the proposed change, FSF AIS would take account of the impact of the NYS test score rescaling *only for pupils entering next September*. All other pupils at the school who were proficient when they entered school in past years -- but who now, based upon the rescaled scores, are no longer deemed proficient -- would not receive any FSF AIS funding. The proposed change will look at *all students* currently enrolled in a school and recalculate what their proficiency *would have been* at the time of entry using the new state rescaling. As a result, schools will receive funding for these pupils in FY12 under the proposal. which will result in better targeting FSF funds to pupils who score below or well below standards on NYS ELA and Math exams based upon the significantly changed scoring method introduced by New York State Education Department ("NYSED") in Spring 2010. The FSF Academic Weights do not provide funding for pupils who are rated proficient (i.e., "over" standard) on these tests.

Special Education Weight: The DOE is also proposing to adjust some of the Special Education FSF Formula Weights to align them with the different self-contained (SC) and integrated co-teaching (ICT) classroom models as outlined in compliance guidance. The current FSF formula is based upon the *early-childhood* SC and ICT classroom models, which provide for classrooms of 10 special education pupils in SC and ICT classrooms. The proposed revisions will update the weight for SC classrooms of 15 students in grades 9-12. It will also update the weights for ICT classrooms to reflect classes with 12 special education pupils in all grades except kindergarten.

Since FSF was implemented in 2007-2008, the growth in teacher salaries and the increases in mandated costs have exceeded the funding available for FSF, due to Campaign for Fiscal Equity (CFE) dollars that DOE never received and budget cuts. In FY10 and FY11, total funding remained below the level that the FSF formula predicted, despite DOE's use of federal America Recovery and Reinvestment Act (ARRA) funds to supplement city tax levy. In light of increasing costs and steady or declining revenues, DOE must ensure that all FSF weights are providing funding that adequately meets basic educational needs of all children. The changes to

the FSF special education weights comply with state and collective bargaining guidelines. These changes will decrease system-wide cost by reducing the need for additional classes, thereby helping to ensure that all pupils' basic educational needs are addressed.

The SE Weights will continue to count and fund all special education pupils in SC and ICT classrooms, as well as in other settings covered by the formula. Consequently, schools with higher than average numbers of special education pupils will continue to receive higher than average FSF funding to reflect this mandate. DOE will continue to support special education classrooms where empty seats need to be funded in order to pay for the classroom teacher(s).

Implementation Method: The DOE is now proposing to change its implementation of FSF by providing supplemental allocations to the schools which have been receiving less than the full FSF-predicted amount of funding as a result of the prior implementation method. These schools would thus receive a proportionally higher share of the total available DOE budget than they have under the previous implementation of FSF in order to improve equity among schools.

DOE will apply funding provided by New York City to backfill the loss of federal America Recovery and Reinvestment Act (ARRA) funds, to FSF to achieve this goal. In addition, monies now allocated to schools through Children First Operational funding will be added to FSF. These changes will enable DOE to move schools most below the FSF formula closer to the formula. So as not to destabilize any school, loss of funding due to these changes will be capped at 1.5% of schools" FY11 budgets.

Today schools receive total FSF funding that falls within a percentage under or over what the FSF formula would have generated, based upon the 2007-2008 condition. Since the implementation of FSF in 2007-2008, growth in salary and mandated costs incorporated in the FSF formula have outstripped the funding available due to budget cuts and lack of funding. Many schools -- which in 2007-2008 were above the FSF Formula and received "FSF Hold Harmless" equal to the overage amount -- may no longer be over the FSF Formula, even when taking into account monies in their "FSF Hold Harmless" allocations. To better reflect these changes, schools which now are below formula will have their "FSF Hold Harmless" allocations rolled into their base FSF allocation funding. The DOE believes that this change will help make the implementation of the formulas more equitable.

DOE has not proposed FSF Formula changes reflecting the following comments:

Portfolio Weight: CTE, specialized testing, and audition schools receive the portfolio weight to support additional operational needs associated with their specific instructional programs.

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Grade Weight: FSF weights for each grade level reflect more than class size. The grade weights provide funding for all basic school costs, in addition to class room teachers, that are not also covered by the $225,000 "foundation" amount that covers Principals and School Secretaries. Some of these costs, such as the number of periods teacher must be "covered" when not in the classroom, vary by school level. Middle Schools and High Schools also have some mandates that Elementary schools do not, such as guidance counselors.

The base funding per student that schools receive, as represented by the elementary grade weight, was $4003 last year and $4060 this year. The base funding amount is adjusted yearly to reflect cost increases in the average teacher salary. The actual funding that schools receive may vary from what the base funding amount would indicate when budget cuts are required. Budget cuts are applied, usually as a flat percentage, to each school's total FSF funding amount as generated by the formula.

General: DOE reviews FSF weights annually, during the school budget development cycle, to gage whether the weights generate school budget allocations that effectively and efficiently meet schools' needs and mandates. This review is especially important during tight fiscal times when needs and costs continue to grow despite flat or falling revenues. Each CEC is given the opportunity to provide feedback on the formulas before they are presented to the PEP for approval. Parents and SLT members can provide input into the development of the FSF formula during the annual CEC commentary process and/or the PEP voting process.

Changes Made to the Proposed Regulation

As noted above and described in more detail in the Revised Notice issued on May 13, 2011, the DOE revised the formulas in order to better align the Allocations Formulas and the Fair Student Funding process with the student needs they are designed to address. No other changes were made, for the reasons set forth above. Accordingly, the item will be presented to the PEP as revised on May 13, 2011.

A copy of the revised allocation formulas can be obtained at:
http://schools.nyc.gov/AboutUs/leadership/PEP/publicnotice/2010-2011/BudgetAllocationFormulaMay2011.htm