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**BCSD Advocacy White Paper**  
December 2016

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**Executive Summary**

**Introduction**

New York public schools are funded using a combination of federal and state funding, as well as local taxes. This approach utilizes an unpredictable methodology for allocating aid to school districts that currently does not consider shifting demographics. After years of state aid to schools being withheld to help close New York State's budget gap (Gap Elimination Adjustment), legislation was implemented this past year to eliminate the GEA.

Tax cap legislation was also implemented several years ago to help control the increasing tax burden felt by homeowners. School districts are now working on a levy cap of 2 percent or the rate of inflation, whichever is less, placing a limit on the amount of money that can be raised through local taxes. For this fiscal year, that translates into a levy cap of 0.12 percent. School districts are struggling to meet the educational needs of all students because they have little or no control of expenditures due to unfunded mandates and rising costs, and their ability to raise revenue is capped at an amount close to zero.

The Foundation Aid Formula was enacted in 2007 to comply with the Court of Appeals Campaign for Fiscal Equity ruling. The original Foundation Aid Formula was created to replace more than 30 existing categorical aids to establish an equalized and transparent funding stream. Funding was to be distributed to school districts based upon student need factors including: poverty, English Language Learner status, and the number of students with disabilities, as well as the local levels of poverty or wealth, based upon income or property values. Its original formula required a 3 percent annual increase. However, needs and resources have shifted in our regions since the Foundation Aid Formula was enacted. Districts are struggling to meet the increased costs due to NYS mandates related to



Students with Disabilities, English Language Learners, and multiple accountability measures.

The most significant and draconian unfunded mandates which negatively impact school districts are *The Taylor Law* and *The Triborough Amendment*. These make it extraordinarily challenging, if not impossible over time, for school districts to manage in an era of tight property tax levy caps and modest State Education Aid. The tax levy cap is directly juxtaposed to the Taylor Law.

There are five key areas that comprise Bedford Central's advocacy efforts: **Unfunded Mandates; The State Aid Formula; The Property Tax Levy Cap; the ability for Contingency Planning; and, Special Education**. In this paper, we provide position statements and suggested modifications to New York State's school funding model which would assist the Bedford Central School District in providing adequate, equitable, fair and affordable education for all children. Currently, the method of school funding does not adequately serve BCSD. This document states the critical challenges facing the Bedford Central School District which impact our ability to provide the best education possible to our students, and legislative corrections to such challenges.

This document has been crafted with input from a Bedford Central School District Board of Education ad hoc Advocacy Committee, the BCSD Board of Education Finance Committee, the BCSD Community Budget Advisory Committee, and the school administration. We have also incorporated recommendations from other State and regional advocacy groups, such as the New York State School Boards Association, New York Council of Superintendents of Schools, Lower Hudson Council of Superintendents of Schools, The Statewide School Finance Consortium, and New York State Association of Business Officials.

The Bedford Central School District believes the state Legislature and the Governor should reform the state education funding system in a manner that provides for:

- a. **Adequacy** – to provide sufficient resources to assure the opportunity for a sound basic education for all students.
- b. **Equity** – to distribute a foundation level of state aid for every student that is based on the actual cost of providing a sound basic education that fairly compensates for differences in community costs, needs and resources.
- c. **Flexibility** – to increase the percentage of operating aid so that Boards of Education retain the discretion to determine what educational programs best address local needs. Local school districts should be permitted the flexibility to establish certain reserve funds to responsibly plan for future volatility in expenses.
- d. **Predictability** – to provide timely passage of the state budget and stable funding distributed through a consistent, uniformly applied formula that would facilitate long-term planning by school districts.
- e. **Clarity** – to establish a funding formula that is easily explained and understood.

(New York State School Boards Association, Legislative Priorities, 2017)

## **Unfunded Mandates**





The Bedford Central School District encourages the Governor and Legislature to minimize unfunded and underfunded mandates to school districts.

When the tax levy cap was introduced, the Governor recognized that it would be deleterious to New York's public education system unless there is significant mandate relief. However, to date, there has been no mandate relief. School districts continue to be burdened and fiscally constrained by the unfunded or underfunded mandates of NYS. Although many mandates are supported by the educational community, the reality is that each mandate requires a variety of resources: administrative, clerical, and financial.

The most significant and draconian unfunded mandates which negatively impact school districts are *The Taylor Law* and *The Triborough Amendment*. These make it extraordinarily challenging, if not impossible over time, for school districts to manage in an era of tight property tax levy caps and modest State Education Aid. The tax levy cap is directly juxtaposed to the Taylor Law. There exists no accommodation for relief in State Aid Funding and/or the current tax cap when legally binding salary increases elevate the expenses above the allowable tax cap revenue. Bedford Central encourages accommodations in the tax cap and/or State Aid to recognize the mandated salary increases under The Triborough Amendment on expired employee contract salary schedules as currently stipulated under the Triborough Amendment to the Taylor Law. Bedford Central requests that the Legislature review the Taylor Law and Triborough Amendment to develop a fair approach that support a sustainable quality education funding model.

As stated by the *The Education Dollar: Where Does the Money Go?* by the New York State Association of School Business Officials:

*Tax caps, local government efficiency plans and rebates do little to address the underlying cost drivers of school spending. As mentioned in this study, the largest share of school spending (77 percent) is instructional (i.e., teacher salary) costs and fringe benefits. The largest increases in school spending over a nine-year period were teacher pensions, employee health care and special education. Most, if not all, of these costs drivers are mandated by the state.*

Teacher and principal evaluations continue to be at the forefront of a school board's responsibilities (NYSSBA). **Annual Professional Performance Review**, or **APPR**, is a state-governed process that determines the standards for these ratings and the process for assessing teachers' and leaders' effectiveness. The process is redundant in that many districts already maintain a mechanism for assessing teacher and school leader effectiveness. The amount of hours necessary to adhere to APPR is excessive, and does not yield usable data. Bedford Central encourages the Legislature to revise the APPR process to be much more streamlined and to provide more meaningful data to inform curriculum, instruction, and local assessment.

Bedford Central encourages the Legislature to support efforts such that any school district that has successfully completed three consecutive audits with no significant findings





should be able, at the discretion of boards of education, to choose to change their internal audit schedule to a two-year cycle. If a two-year cycle is approved by a board of education, in year one, a risk assessment is performed followed by testing, as directed by the audit committee and/or board of education, in year two.

Full-day kindergarten has been shown to be of clear benefit to students in the short and long term. Bedford Central supports legislation to provide and sustain funding for full-day kindergarten for all school districts in New York State.

Bedford Central, like other school districts, considers the safety and security of its students as a top priority. School districts should not have to choose between the safety and security of their students and other programs and services for students. Accordingly, Bedford Central supports legislation to exempt school safety enhancing equipment and School Resource Officers from tax levy cap calculations.

**Recommendation #1:** *BCSD calls upon the State to examine all unfunded and underfunded mandates with the goal of minimizing such mandates, which place a burden on local school districts and detract from instructional programs and services for students. Such mandates include, but are not limited to:*

*The Taylor Law and The Triborough Amendment*

*The current APPR process and requirements*

*Full-day kindergarten for which funding should be provided*

*Exempt school safety enhancing equipment and expenses associated with School Resources Offices from the tax levy cap calculation.*

### **The State Aid Formula**

State Aid is comprised of a number of various aid categories. Foundation Aid is the most significant of the aids. BCSD believes the current formula for calculating Foundation Aid does not fairly represent the need that exists in its constituent communities.

### **Measure of Central Tendency**

The communities that comprise the Bedford Central School District on whole experience high property wealth and high gross income. This skews the formula used for State aid, because it does not account for the recent growth in poverty, English Language Learners, and special education costs. The measure of central tendency utilized to calculate the State Aid formulas to factor property wealth and gross income is the “mean.” The Bedford Central School District believes the use of the “median” would provide a more realistic portrayal of fiscal need for our schools, programs, and students.

### **Underrepresentation of Student Need**

The Foundation Aid formula considers various factors including pupil needs, such as the number of students eligible for Free and Reduced Priced Lunch (FRPL), the number of English Language Learners (ELL), and Census Poverty data.





The student poverty count is based on federal census data from 2000, with no newer data available, due to changes in the way the data is collected. The use of the old 2000 Census data negatively impacts Bedford Central. Data collected in a more accurate manner would account for our increase in poverty and our ELL population. Therefore, Bedford Central is not receiving its fair share of aid due to the use of outdated data sets, and encourages the Legislature to require more current and accurate data sets.

BCSD encourages the State to improve data collection for measuring student poverty. The reporting system for students eligible for free and reduced price lunch (FRPL) undercounts children in districts with the greatest need. Bedford Central concurs with NYSSBA in recommending the state use the more recent “Small Area Income and Poverty Estimate” (SAIPE) data for student poverty and a weighted count of “Direction Certification” students for FRPL. (NYSSBA, 2017-18 Budget Recommendations)

FRPL is used as a proxy for student need in the Foundation Aid formula. Schools cannot require parents to fill out FRPL forms, and instead rely on voluntary income inquiry forms. Underrepresenting need reduces aid for which districts may be eligible. The current FRPL rates underrepresented student need in Bedford Central. Direct Certification Data counts those students automatically eligible for free lunch based on participation in other means-tested programs, e.g. SNAP, Medicaid, Home Energy Assistance Program (HEAP). The Bedford Central School district strongly encourages the Legislature and Governor to use direct certification data as a replacement for FRPL. Updated federal poverty estimates should be utilized.

#### Meeting the needs of ELL Students

As the number of English Language Learners continues to rise across the state, school districts have also assumed greater educational obligations for ELL students under changes that have required hiring additional bilingual educators and making new programs available. Students who are English Language Learners present districts with a challenging and varying set of educational needs. State support is critical as school districts strive to meet these needs. Changes to Part 154 of the Commissioner’s regulations increase requirements in reporting and delivery of ELL and bilingual education services at the building level. Adjustments must be made to state aid to ensure that non-native English speakers receive the programs and support they are entitled to.

The Foundation Aid formula includes a moderate and indirect pupil count adjustment for ELL students, which has proven to be insufficient, as the formula is not fully funded and does not adequately reflect the current costs associated with meeting student need. The current weighting should be reviewed and adjusted to incorporate present day requirements. Bedford Central concurs with NYSSBA in recommending a targeted aid based on the same principles as the pre-Foundation Aid limited English Proficiency aid category to more effectively account for growth in students classified as English language learners. (NYSSBA, 2017-18 Budget Recommendations)

#### Regional Cost Index





The formula recognizes that it costs more to educate students in some parts of the state than others. However, the Regional Cost Index (RCI) has not been changed since it was included with the original formula in 2007. The State Education Department already conducts these reviews every three years. The RCI should be updated periodically, to ensure that regional cost differences are measured accurately. (NYSSBA, 2017-18 Budget Recommendations)

**Recommendation #2:** BCSD encourages the Governor and Legislature to utilize methods in State Foundation Aid calculations that fairly represent need in Districts. These include:

- ❑ Distributing State aid through an equitable funding formula with built-in annual adjustments that provides essential resources and services to all students and complies with New York’s Constitution and meets statutory and regulatory requirements.
- ❑ Utilizing the “median” rather than the “mean” as a measure of central tendency for data points used to measure district wealth.
- ❑ Utilizing data that accurately portrays student need within a district, such as Small Area Income and Poverty Estimates (SAIPE) to fairly represent actual student need and Direct Certification Data as a proxy for student need instead of FRPL which can dramatically underrepresent actual need.
- ❑ Providing accommodations for school districts serving a large number of English Language Learners through the use of targeted aid or adjustment to Foundation Aid Formula to account for such costs.
- ❑ Updating the Regional Cost Index to ensure that regional cost differences are measured accurately and thus incorporated into the funding formula.

#### Other areas of the State Aid formula in need of adjustment

There are multiple areas of State Aid. BCSD believes adjustments are required in a number of these categories.

#### Building Aid

Building Aid is based on student attendance and district assessed property valuation. Building Aid uses the actual valuation of the district divided by Resident Weighted Average Daily Attendance (RWADA). The 2012 actual valuation, which was used for the 2015-16 aid for Bedford Central was over \$8 billion dollars; whereas, both Chappaqua’s and Katonah-Lewisboro’s actual valuation amount was less than \$5 billion. A measure of student poverty is not part of the calculation. Bedford Central encourages the Legislature to utilize a measure of student poverty and/or other need to be factored into the calculation of Building Aid, as this would be a more fair representation of need. BCSD recommends Direct Certification Data be used as such proxy for need.

#### High Tax Aid

High tax aid is provided by the state to school districts whose residents pay a comparatively high percentage of their income in property taxes. This aid often helps support districts with otherwise relatively low state aid levels. Bedford Central joins NYSSBA in calling on the state to maintain funding for this category in 2017. (NYSSBA, Legislative Priorities, 2017).





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**Recommendation #3:** *BCSD encourages the State to utilize some measure of poverty, specifically Direct Certification Data, in the calculation of Building Aid; and, that the State maintains funding for High Tax Aid.*

### **Contingency Planning**

Under the current and modest property tax levy cap, the ability of school districts to plan for emergencies, unanticipated required expenses, and/or other contingency expenses is severely limited. This limitation places districts in fiscal peril and inhibits responsible long-range fiscal planning. School districts should be able to adjust contingency budgets under the property tax cap for growth in the local tax base. Bedford Central encourages the Legislature to create mechanisms to develop contingency.

Bedford Central supports NYSSBA's call for legislation authorizing school districts to establish and fund reserves for future obligations associated with payments to the Teachers' Retirement System (as they can for ERS) and other postemployment benefit obligations. These reserves would allow districts to appropriately plan for future obligations in a fiscally prudent manner. Well-funded reserves for these purposes can help keep academic programs strong and local property taxes stable in years when rates and costs increase. (NYSSBA, Legislative Priorities, 2017)

In addition, Bedford Central encourages the Legislature to allow school districts to establish fund reserves/contingency funds for healthcare expenses. Volatility in annual increases in health care expenses, especially for school districts that are self insured, can be catastrophic to a school district's budget and ability to deliver quality services to students.

**Recommendation #4:** *BCSD calls upon the Governor and Legislature to create mechanisms for school districts to create reserve or contingency funding for potentially volatile or unanticipated expenses, including:*

- Teachers' Retirement System*
- Other postemployment benefit obligations*
- Healthcare expenses for current employees*

### **The Property Tax Levy Cap**

The Bedford Central School District supports minimizing burdensome tax increases on residents. In an economic environment in which our residents' household budgets are also constrained by slow economic growth, BCSD does not believe it is fair to correct structural imbalances in school funding revenue and expenditures on the backs of its valued property owners and supporters of its schools. The current property tax levy cap, combined with inadequate State Aid, places unreasonable constraints on the fiscal operations of a school district, and threatens the maintenance of effective instructional and support programs for students. The Tax Levy Cap, combined with levels of State aid, is simply not compatible with increases in school district expenditures. Health benefit increases and regional contractual salary settlements are outpacing budgetary limitations brought about by the





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current property tax levy cap. The Taylor Law and Triborough Amendment remove such increases from the control of the District in the case of an expired contract.

Currently, revenue constraints do not account for changes in the nature of needs of students. Bedford Central has experienced an increase in the number of English Language Learners, students experiencing poverty, and students requiring special education services, yet current revenue generation mechanisms does not adequately account for cost increases necessary to properly serve these populations of students. A cap on identified allowable expenditures would more realistically support the provision of required programs and services for all students.

We encourage the Legislature to revise the property tax levy cap, in conjunction with the State Aid Formula, to provide for fiscal predictability so districts may more effectively plan for the future. The cap should be a cap on identified allowable expenses, not revenues. The Bedford Central School District has been forced to reduce programming in the areas of library services, tiered academic support, world language instruction, music programs, support staff to provide for proper supervision, sufficient personnel to administer programming, professional growth and development for all staff, and many other areas.

In addition, the current tax levy cap is subject to the variability of the CPI and thus does not allow for long term planning. Bedford Central encourages the Legislature to establish a minimum allowable tax increase on identified allowable expenses, or if CPI falls below that minimum amount.

**Recommendation #5:** *Adjust the property tax cap to be a cap on identified allowable district expenses, not tax revenues, and establish a minimum cap to be utilized if the CPI falls below that minimum.*

#### Accommodations for School Districts in Fiscal Stress

Bedford Central's fiscal stress level increased for 2016. This stress can be exacerbated due to a significant loss in revenue due to tax certiorari cases or the unexpected loss of a significant portion of the value of their taxable property. We encourage the Legislature to hold school districts financially harmless whenever they experience the unanticipated, significant loss of revenue due to tax certiorari cases or the unexpected loss of a significant portion of the value of their taxable property.

**Recommendation #6:** *Hold school districts financially harmless whenever they experience the unanticipated, significant loss of revenue due to tax certiorari cases or the unexpected loss of a significant portion of the value of their taxable property.*

Regarding school communities which are the home of significant tax exempt or not-for-profit organizations, NYSSBA asserts:

*Recent changes in state law have extended both the Cold War and alternative veterans' property tax exemptions to a taxpayer's school district property taxes. Property tax exemptions do not reduce the level of property taxes within a community.*





*They shift a larger portion of the tax burden to other taxpayers within the school district, many of whom are unable to afford such an increase, including seniors, disabled individuals and others with fixed incomes. Although this exemption is offered at local discretion, it places board members in a no-win situation. NYSSBA believes that the state should offer such benefits through state-funded mechanisms.*

*School district budgets are also impacted by tax incentives offered by Industrial Development Agencies (IDA). Payments in lieu of taxes (PILOT) and other tax abatement agreements reached between an IDA and a company or other entity reduce the amount of revenue that a school district would otherwise receive and initially negatively impact a district's tax cap calculation. While the goal of such agreements is to improve and develop the local economy, they are not always negotiated with meaningful input from the district. NYSSBA calls on the state to require better communication and disclosure by IDAs and to provide ways for school districts to have a formal role when considering property tax agreements that impact both their schools and taxpayers. (NYSSBA, Legislative Priorities, 2017)*

Bedford Central supports NYSSBA's position regarding tax exempt properties and the negative impact and stress such arrangements place on the local school district. The current model is detrimental to communities with large numbers of properties which are tax exempt, thereby requiring other owners of taxable properties to bear the larger tax cost. The communities served by Bedford Central houses two Correctional Facilities, a large hospital, State properties, and numerous other not-for-profit organizations. Bedford Central therefore encourages the Legislature to explore methods to adjust school district's property tax levy cap accordingly when the school district houses a certain threshold of tax exempt properties.

**Recommendation #7:** *Provide accommodations and relief within the property tax levy cap for school districts which are the home of a certain threshold of tax-exempt or not-for-profit entities.*

### **Special Education**

School districts maintain a commitment and sacred and statutory obligation to meet the needs of students with disabilities. Meeting such needs in an effective manner brings extraordinary expense upon a school district, which causes local competition for scarce resources. Bedford Central supports lowering the extraordinary cost threshold to provide relief to school districts working hard to educate students with such extraordinary needs.

**Recommendation #8:** *BCSD encourages lowering the extraordinary cost threshold to provide relief to school districts working hard to educate students with such extraordinary needs.*

