

Application for Initial Funding under the State Fiscal Stabilization Fund Program

CFDA Numbers: 84.394 (Education Stabilization Fund) and
84.397 (Government Services Fund)



**U.S. Department of Education
Washington, D.C. 20202**

**OMB Number: 1810-0690
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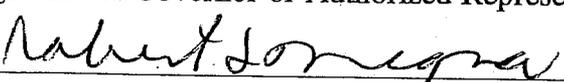
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STATE FISCAL STABILIZATION FUND APPLICATION

**PART 1: APPLICATION COVER SHEET
(CFDA Nos. 84.394 and 84.397)**

<p>Legal Name of Applicant (Office of the Governor): Office of Governor David A. Paterson</p>	<p>Applicant's Mailing Address: State Capitol Albany, NY 12224</p>
<p>State Contact for the Education Stabilization Fund (CFDA No. 84.394) Name: Robert L. Megna Position and Office: Director, Division of the Budget Contact's Mailing Address: New York State Division of the Budget State Capitol Albany, NY 12224 Telephone: 518-474-2300 Fax: 518-402-2298 E-mail address: robert.megna@budget.state.ny.us</p>	<p>State Contact for the Government Services Fund (CFDA No. 84.397) <i>(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)</i> Name: Same Position and Office: Contact's Mailing Address: Telephone: Fax: E-mail address:</p>

To the best of my knowledge and belief, all of the information and data in this application are true and correct.

<p>Governor or Authorized Representative of the Governor (Printed Name): Robert L. Megna, Director, Division of the Budget</p>	<p>Telephone: 518-474-2300</p>
<p>Signature of Governor or Authorized Representative of the Governor: </p>	<p>Date: May 20, 2010</p>

<p>Recommended Statement of Support from the Chief State School Officer (Optional):</p>	
<p>The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.</p>	
<p>Chief State School Officer (Printed Name): David M. Steiner, Commissioner of Education</p>	<p>Telephone: 518-474-5844</p>
<p>Signature of the Chief State School Officer:</p>	<p>Date: May 20, 2010</p>

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

SPECIAL NOTES:

- A State has some flexibility in determining the “levels of State support” for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. See Appendix C – Instructions for Part 4: Maintenance of Effort.

1. Levels of State support for elementary and secondary education *(the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):*

FY 2006	<u>\$19,859,480,902</u>	<u>\$19,327,255,772 (Revised)</u>
FY 2009*	<u>\$ N/A</u>	<u>\$24,570,274,526 (Revised)</u>
FY 2010*	<u>\$ N/A</u>	<u>\$22,764,548,422 (Revised)</u>
FY 2011*	<u>\$ N/A</u>	<u>\$22,553,843,260 (Executive Budget)</u>

* **Note:** New York State has elected to change the maintenance of effort calculation following discussions with the U.S. Department of Education. Rather than use NPEFS data that is not currently available for FY 2009 or FY 2010, New York State will use its own calculation of State support for elementary and secondary education that includes State Aid and payments made to school districts through the School Tax Relief (STAR) program.

2. Levels of State support for public institutions of higher education *(enter amounts for each year):*

FY 2006	<u>\$3,275,000,000</u>	
FY 2009*	<u>\$4,250,424,400</u>	<u>\$4,282,424,400 (Revised)</u>
FY 2010*	<u>\$4,167,337,300</u>	<u>\$4,133,723,300 (Revised)</u>
FY 2011*	<u>\$N/A</u>	<u>\$4,004,173,300 (Executive Budget)</u>

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(* Provide data to the extent that data are currently available.)

3. Additional Submission Requirements: In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; - and -
- (b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

SPECIAL NOTES:

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. See instructions in Appendix D.
- The term “postsecondary education” refers to public IHEs.

1. Levels of State Support for Elementary, Secondary, and Postsecondary Education

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

- | | |
|---|---|
| (a) Level of State support for elementary and secondary education in FY 2008 provided through the State’s primary elementary and secondary education funding formulae | <u>\$18,782,355,682</u> |
| (b) Level of State support for public IHEs in FY 2008 | <u>\$4,072,911,000</u> |
| (c) Level of State support for elementary and secondary education in FY 2009 provided through the State’s primary elementary and secondary education funding formulae | <u>\$20,417,212,126</u> |
| (d) Level of State support for public IHEs in FY 2009 | <u>\$4,250,424,400</u>
<u>\$4,282,424,400 (Revised)</u> |
| (e) Level of State support for elementary and secondary education in FY 2010 provided through the State’s primary elementary and secondary education funding formulae | <u>\$21,991,078,942</u>
<u>\$19,650,588,485</u>
<u>\$19,259,588,485 (Revised)</u> |
| (f) Level of State support for public IHEs in FY 2010 | <u>\$4,167,337,300</u>
<u>\$4,133,723,300 (Revised)</u> |

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Additional Information: Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?*

Yes No

* See Appendix D Worksheets for further guidance on how such increases affect a State’s “use of funds” calculations.

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

SPECIAL NOTES:

- At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.
- The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.
- Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

- (a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 \$ 0
- (b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009 \$ 0

Restoration Amounts (continued)

- (c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010

~~\$2,340,490,457~~
\$2,341,108,886 (Revised)

- (d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010

~~\$83,087,100~~
\$127,448,905 (Revised)

- (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010

~~\$44,980,234~~
\$0 (Revised)

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

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**PART 5, SECTION B: STATE USES OF THE
GOVERNMENT SERVICES FUND**

SPECIAL NOTES:

- Section B of Part 5 requests data on the Government Services Fund (CFDA No. 84.397).
- In this section, provide preliminary estimates of the percentage of the Government Services Fund that the State intends to spend under various broad categories (to the extent such estimates are available). The total percentages in the chart should equal 100 percent.
- To the extent such estimates are available; the estimated percentages must be based on the State's total Government Services Fund allocation and not on the State's initial Government Services Fund award.

Uses of the Government Services Fund

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Category	Estimated Percentage of Funds to Be Used
Public Safety	
Elementary and secondary education (excluding modernization, renovation, or repair of public school facilities): <i>Teacher Centers (\$35M), Roosevelt Academic Improvement Grant (\$6M), Teacher Mentor-Intern Program (\$4M), Math & Science High Schools (\$2.8M), Syracuse Demonstration Program (\$0.7M)</i>	20% 9%
Public IHEs (excluding modernization, renovation, or repair of IHEs): <i>State University of New York Community Colleges (\$27M), City University of New York Community Colleges (\$10.5M)</i>	4% 7%
Modernization, renovation, or repair of public school facilities	
Modernization, renovation, or repair of IHEs	
Medicaid	
Public assistance	
Transportation	
Other (please describe): <ul style="list-style-type: none"> • <i>Restore support for student financial aid through the Tuition Assistance Program (TAP) (\$103.8M)</i> • <i>Restore support for Preschool Special Education (\$326.3M)</i> • <i>Mortgage Foreclosure Prevention Program (\$21.9M)</i> • <i>Restore support for public broadcasting (\$11.2M)</i> 	76% 84%
Undetermined	
TOTAL	100%

**Application for Initial Funding
under the State Fiscal Stabilization Fund Program
Additional Submission Requirements**

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

3. Additional Submission Requirements: In an attachment to the application -

(a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education;

New York State has elected to change the maintenance of effort calculation following discussion with the U.S. Department of Education. Rather than use NPEFS data that was used for the initial application submission, and is not currently available for FY 2009 or FY 2010, New York State will use its own calculation of State support for elementary and secondary education that includes all State Aid and amounts provided through the School Tax Relief (STAR) program that represent payments made to school districts in lieu of property taxes that would otherwise be paid by district residents. This total excludes amounts provided for the Universal Prekindergarten Program (UPK) and Employment Preparation Program (EPE) that are not directly related to elementary and secondary education. The State Education Department (NYSED) is statutorily required to produce an estimate of State support for elementary and secondary education three times a year (November, February and May), and is updated to reflect additional claiming by school districts for various aid categories that is permitted throughout the year. The MOE School Aid data included in this table are derived from a School Aid dataset compiled by NYSED in February 2010. The total amounts, for any given school year, may be further revised in May 2010 and November 2010, and for several years to come based on additional claiming or revisions made by individual school districts for any of the various formula-based School Aids.

STAR data reflects payments made directly to school districts by the State. For the purposes of calculating the State's MOE, only the value of the STAR property tax exemption and New York City Personal Income Tax (NYC PIT) exemption - the amount that school districts receive directly from the State, has been included. It is important to note that the STAR exemption and NYC PIT exemption are State payments made to the school districts in lieu of property taxes that would otherwise be paid by district residents. FY 2010 STAR data is provided by NYSED based on current estimates provided by the New York State Office of Real Property Services (ORPS). Rym
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For the FY 2011 Executive Budget elementary and secondary and STAR amount, see S.6603A/A.9703A (Education, Labor and Family Assistance Budget Bill). As noted above, the MOE amount excludes funding for Universal Prekindergarten (UPK) and the Employment Preparation Program (EPE).

Amounts provided at time of the Enacted State Budget and descriptions of these programs are available at: <http://www.budget.state.ny.us/pubs/schoolPrograms.html>. A State Aid handbook is also published annually by the State Education Department and is available at: <https://stateaid.nysed.gov/generalinfo/>

The variation between the amount calculated at time of enactment and the final calculation is typically less than one percent. The updated datasets for School Aid and STAR are publicly available upon request from the State Education Department. As noted above, these datasets are statutorily required to be updated three times a year and reflect updated data provided by school districts across the State. In addition to the Executive and Legislature, the State Education Department regularly provides these datasets to the New York State Office of the State Comptroller (OSC) and the New York City Department of Education.

(b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

The calculation of the levels of state support for New York State's public institutions of higher education (IHEs) is based upon appropriations and transfers (excluding those related to tuition, fees and capital projects) as adjusted by administrative actions, made available to: the State University of New York's (SUNY) state-operated, statutory and community college campuses; SUNY's three teaching hospitals; and the City University of New York's (CUNY) senior and community colleges. The operative appropriations and other references include:

- For 2006 (AFY 2005-06)
 - Chapter 53 of the Laws of 2005
 - Chapter 61 of the Laws of 2005

- For 2009 (AFY 2008-09)*
 - Chapter 53 of the Laws of 2008
 - Chapter 57 of the Laws of 2008
 - Chapter 10 of the Laws of 2008
 - Chapter 114 of the Laws of 2008
 - Chapter 113 of the Laws of 2008
 - Chapter 219 of the Laws of 2008
 - Chapter 287 of the Laws of 2008
 - Chapter 496 of the Laws of 2008
 - Chapter 1 of the Laws of 2009
 - New York State Budget Policy & Reporting Manual B-1178
 - New York State Budget Policy & Reporting Manual B-1183

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*State Funding for Public IHEs in FY 2009 (AFY 2008-09) is being modified from \$4,250,424,400 to \$4,282,424,400 -- a difference of \$32,000,000 to reflect actual State funding levels.

- For 2010 (AFY 2009-10)
 - 2009-10 Executive Budget (S/53-A/A.153-A)

- For 2010 (AFY 2009-10) Mid-Year
 - New York State Division of the Budget Press Release, "Governor Paterson Orders \$500 Million in Current Year Agency Spending Reductions"
 - 2009-10 Deficit Reduction Legislation (Chapter 502 of the Laws of 2009 - S.66022/A.40022)

- For the FY 2011 (AFY 2010-11) Executive Budget
 - See S.6603A/A.9703A (Education, Labor and Family Assistance Budget Bill)

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

Summary

In New York, State funding – commonly referred to as School Aid – is provided to school districts to finance elementary and secondary education for pupils enrolled in nearly 680 public school districts throughout the State. This funding is allocated through numerous statutory aid formulae and categorical grant programs. However, for the purposes of identifying the State's "Primary Education Funding Formulae" New York State has selected the formula-based aids described below.

The selected aids provide funding to school districts for unrestricted operating support and reimbursement for expenditures related to transportation, school construction projects, the purchase of textbooks, computers and software, as well as providing services to students with disabilities. These aid categories represent the most essential funding elements of New York's system of State Aid for Education without which school districts would not be able to ensure students a quality education.

These selected aid formulae represent approximately 90 percent of total School Aid and are mostly wealth equalized whereby school districts with the least fiscal capacity receive a higher level of State support. These formulae take into account a school district's income and property wealth on a per pupil basis compared to a wealth per pupil State average to determine the level of State funding. They are used to allocate funding primarily on a per pupil or expenditure-based reimbursement basis. In addition, the largest unrestricted formula - Foundation Aid - takes into account student needs such as the number of students with disabilities, students in poverty and limited English proficient students, as well as total enrollment and regional cost factors.

I. Operating Support Formulae

The formulae in this category provide New York's school districts with operating support for a variety of essential costs, ranging from teacher salaries to educational programs. The largest of these formulae is Foundation Aid, which accounts for the majority of State Aid that most school districts receive. These formulae target support to high-needs districts and allow school districts to maintain the daily operations necessary to provide a high quality education.

1. Foundation Aid - The Foundation Aid formula was first enacted into law in 2007-08 and is being phased-in over a multi-year time period. This formula is the largest operating aid category providing support to school districts in New York State.

The Foundation Aid formula calculates aid based on a standard cost of education on a per pupil basis, which includes adjustments for a school district's pupil needs (including weightings for students with special education needs, adjustments for students in poverty measured by both census poverty and free and reduced price lunch counts, students with limited English proficiency and school district sparsity). This formula also takes into account regional cost

differences and calculates both a State share and what a school district is expected, but not required, to contribute from local resources based on fiscal capacity (accounting for tax effort and for district income and property wealth).

2. Charter School Transitional Aid - In New York State, public school districts pay a per pupil tuition amount to charter schools for each resident pupil who chooses to attend a charter school. Charter School Transitional Aid provides time limited State operating support to school districts to help offset a portion of these payments to charter schools. This aid helps mitigate the financial impact while school districts are adjusting their operations.

3. Full-Day Kindergarten Aid - This aid provides funding to encourage school districts to establish full-day kindergarten programs to strengthen the quality of education for five-year-old children. School districts receive this enhanced aid the first year they offer full-day kindergarten.

4. Reorganization Operating Aid - School districts currently receive additional operating aid, for a specified time period, if they merge or consolidate with another school district.

5. Academic Enhancement Aid - Academic Enhancement Aid is a formula-based aid that supports school districts that are identified by the State Education Department (SED) as districts in need of improvement for at least five continuous years as well as meeting certain financial criteria. Four high need school districts, including Syracuse, Wyandanch, Hempstead and Central Islip currently qualify for this additional funding.

II. Reimbursement-Based Formulae

The formulae in this aid category reimburse school districts for a variety of items that are essential to daily operations of schools. With this funding, school districts are able to maintain school buildings, transport students, and perform necessary administrative functions. Below are the four formulae that deliver this aid:

6. Building Aid – This aid provides State funding that allows school districts to modernize, renovate and repair existing school buildings or to address the need for increased capacity through new school construction. Building Aid provides State reimbursement of allowable costs for ongoing school capital projects, authorized by local voters, through a wealth-equalized calculation based on a district's property wealth per pupil. State funding for each approved project is provided over a period ranging from fifteen to thirty years, depending on the type of project based on an assumed amortization schedule. Additional Building Aid is also available to school districts that have merged or consolidated with another district through Reorganization Incentive Building Aid.

7. Transportation Aid - School districts receive Transportation Aid as reimbursement for approved expenses for transporting approximately 2.3 million students statewide. These essential transportation related expenses range from the purchase of school buses to operating a school district transportation office. Reimbursement is wealth-equalized with adjustments for geographic sparsity.

8. Boards of Cooperative Educational Services (BOCES) Aid – New York State has 37 Boards of Cooperative Educational Services (BOCES), which are regional consortiums of school districts that currently serve 668 school districts. BOCES Aid provides reimbursement to school districts for services contracted through BOCES via a wealth equalized formula. BOCES services include career and technical education programs, academic intervention, curriculum

development, library and media services, technology and computer support and purchasing, data processing, and numerous administrative operations. For a majority of districts, reimbursement is wealth-equalized by a district's property wealth per pupil.

III. Special Education

Foundation Aid, the State's largest unrestricted aid formula, takes into account the additional costs for educating students with special education needs via a pupil weighting for students with disabilities. In addition, the State also recognizes and provides additional State support to school districts for special situations in which students with extraordinary needs must be served sometimes outside of a standard public school classroom. The two wealth-equalized formulae that take these special situations into account are High Cost Excess Cost Aid and Private Excess Cost Aid.

9. High Cost Excess Cost Aid – This aid provides funding to school districts for costs associated with serving pupils whose disabilities require resource intensive programs operated by public school districts or BOCES.

10. Private Excess Cost Aid – This aid provides reimbursement to school districts for the costs of serving public school children placed by a committee on special education in programs that are not operated by public school districts or BOCES – primarily approved private special education providers.

IV. Special Purpose Aids

New York State has several formulae that reimburse school districts for special but essential expenses. Aid for instrumentalities of learning, including textbooks and computer software, ensures that all students are equipped with the materials necessary for a high quality education. Special Services Aid provides supplemental funding to the State's five large city school districts to ensure the existence of vital educational programs and necessary administrative support

11. Instructional Materials Aids - New York State provides annual funding for all school districts to purchase necessary instructional materials through the following formulas: Textbooks Aid, Computer Software Aid, Computer Hardware Aid, and Library Materials Aid. Typically, these formulae are not wealth adjusted (with the exception of Hardware Aid) but reimburse districts based upon their spending efforts up to a formula maximum.

12. Special Services Aid - This wealth-adjusted aid category provides supplemental funding to the State's five large city school districts (New York City, Buffalo, Rochester, Syracuse, and Yonkers), and other school districts that are not members of a regional Board of Cooperative Educational Services. Aid is provided based on: 1) a per pupil funding amount for all Career Education students in grades 10-12 enrolled in trade, industrial, technical, agricultural, health or business programs; 2) reimbursement for costs associated with data management and record keeping ranging from maintaining and reporting basic student data to maintaining a district's accounting, recordkeeping, payroll, and retirement system records; and 3) the first two components are supplemented by an additional wealth-adjusted Academic Improvement Aid.

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

The calculation of the levels of state support for New York State's public institutions of higher education (IHEs) is based upon appropriations and transfers (excluding those related to tuition, fees and capital projects) as adjusted by administrative actions, made available to: the State University of New York's (SUNY) state-operated, statutory and community college campuses; SUNY's three teaching hospitals; and the City University of New York's (CUNY) senior and community colleges. The operative appropriations and other references include:

- For FY 2009 (AFY 2008-09)
 - Chapter 53 of the Laws of 2008
 - Chapter 57 of the Laws of 2008
 - Chapter 10 of the Laws of 2008
 - Chapter 114 of the Laws of 2008
 - Chapter 113 of the Laws of 2008
 - Chapter 219 of the Laws of 2008
 - Chapter 287 of the Laws of 2008
 - Chapter 496 of the Laws of 2008
 - Chapter 1 of the Laws of 2009
 - New York State Budget Policy & Reporting Manual B-1178
 - New York State Budget Policy & Reporting Manual B-1183
- For FY 2010 (AFY 2009-10)
 - 2009-10 Executive Budget (S/53-A/A.153-A)
- For FY 2010 (AFY 2009-10) Mid-Year
 - New York State Division of the Budget Press Release, "Governor Paterson Orders \$500 Million in Current Year Agency Spending Reductions"
 - 2009-10 Deficit Reduction Legislation (Chapter 502 of the Laws of 2009 - S.66022/A.40022)
- For the FY 2011 (AFY 2010-11) Executive Budget
 - See S.6603A/A.9703A (Education, Labor and Family Assistance Budget Bill)

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5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

Funds will be provided to the State University of New York (SUNY) and City University of New York (CUNY) systems to fund community college base operating aid at a level of \$2,545 per FTE student. SUNY and CUNY distribute funding to individual community college campuses pursuant to sections 6304 and 6221 (respectively) of the New York State Education Law and Title 8 of the New York Compilation of Codes, Rules and Regulations (Part 602).

Revised Application Narrative:

Demonstrated Fiscal Crisis in New York State

In October 2009, the Division of the Budget (DOB) identified a current year budget gap of \$3.2 billion and a cumulative four-year budget gap of \$44.3 billion -- an increase to the four-year cumulative gap projection of \$19.6 billion compared to estimates in April 2009 (see table below)^{1,2}. Most of this gap was attributable to the continued weakening of New York State's economy. The \$3.2 billion current year (FY 2010) gap projected in October 2009 represented approximately 5.8 percent of New York State's projected General Fund budget of \$54.6 billion.

To address the 2009-10 funding shortfall, the New York State Legislature enacted a Deficit Reduction Plan (DRP) in December 2009 to reduce State funding for various programs in 2009-10 by \$1.9 billion³ (Chapters 502 and 503 of the Laws of 2009 signed by the Governor on 12/4/2009). Mid-year reductions were taken against all areas of the budget, including \$391 million in State funding for elementary and secondary education and a reduction in State funding for public Institutes of Higher Education (IHEs).

The DRP legislation provided that \$391 million in available American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF) -- or 67 percent of the total SFSF funding New York State had been approved to use as of December 2009 -- would be used to offset the reduction in State funding in the 2009-10 school year, in order to fund the State's primary education formulae at current law levels.

Combined General Fund/HCRA Gap Forecast				
(\$ in millions)				
	2009-10 Enacted Budget (April 2009)	1st Quarter Update (July 2009)	Mid-Year Update (Oct. 2009)	Change from Enacted
2009-10	\$0	(\$2,123)	(\$3,159)	(\$3,159)
2010-11	(\$2,166)	(\$4,623)	(\$6,796)	(\$4,630)
2011-12	(\$8,757)	(\$13,276)	(\$14,775)	(\$6,018)
2012-13	(\$13,706)	(\$18,163)	(\$19,520)	(\$5,814)
Cumulative Gap	(\$24,629)	(\$38,185)	(\$44,250)	(\$19,621)

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The budget gap for 2010-11, which the Governor addressed in his Executive Budget, as amended and supplemented by subsequent gap-closing recommendations, is currently projected at \$9.2 billion, approximately \$7 billion higher than projected when the 2009-10 budget was enacted in April 2009.

¹ New York State Mid-Year Financial Plan: (October 2009) (see pages 3-7 for explanation of projected budget gap) http://publications.budget.state.ny.us/budgetFP/midYear_update/2009-10_MidYearUpdate.pdf

² Governor's Press Release (October 2009) http://www.ny.gov/governor/press/press_1030091.html

³ New York State 2010-11 Executive Budget Financial Plan: (January 2010) (see pages 22 for explanation 2009-10 mid-year DRP) <http://publications.budget.state.ny.us/eBudget1011/financialPlan/FinPlan.pdf>

Reduction in FY 2010 (2009-10 School Year) State Funding for Elementary and Secondary Education:

In December 2009, the State legislature enacted an additional reduction in State funding for elementary and secondary education. This reduction, referred to as the "Supplemental Deficit Reduction Assessment" (DRA) was applied against formula-based school aid, excluding Building Aid and Universal Prekindergarten that resulted in a State funding reduction of \$391 million for elementary and secondary education. The legislation also provided that \$391 million in available Federal ARRA funding would be applied against the reduction in State funding in order to fund the State's primary funding formulae.

Reduction in FY 2010 State Funding for Public Institutes of Higher Education:

Funds were provided to the State University of New York (SUNY) and City University of New York (CUNY) systems to fund community college base operating aid slightly above the State Fiscal Year 2006-07 level of \$2,545 per full time equivalent (FTE) student, from a level of \$2,405 proposed in the 2009-10 Executive Budget. SUNY and CUNY distribute funding to individual community college campuses pursuant to sections 6304 and 6221 (respectively) of the New York State Education Law and Title 8 of the New York Compilation of Codes, Rules and Regulations (Part 602).

The 2009-10 Enacted Budget assumed a restoration of community college base aid to 2008-09 State Fiscal Year levels of \$2,675 per FTE student, from \$2,405 per FTE student proposed in the 2009-10 Executive Budget. As the State's fiscal situation continued to deteriorate, the State Legislature enacted a \$130 per FTE student reduction in funding, reducing total funding per FTE from \$2,675 to \$2,545. In addition, \$1.6 million of support for the State's share of rental costs of the community colleges was eliminated. For purposes of the legislatively-enacted mid-year DRP, the State did not accelerate use of the ARRA funds - as the balance available to the State had been fully applied to support elementary and secondary education.

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Explanation of Changes

New York State submitted a revised State Fiscal Stabilization Fund (SFSF) Phase I Application on January 11, 2010 that reflected changes to the application based on legislatively enacted mid-year budget actions. Representatives from the U.S. Department of Education (Department) have requested additional modifications to the January 11, 2010 submittal. This revised submission reflects the changes that have been requested by the Department to date.

Revisions:

- **Maintenance of Effort (MOE).** The calculation has been modified in order to provide consistent data for FY 2006, FY 2009, FY 2010 and FY 2011: The State has revised its maintenance of effort calculation to include all State Aid and support for elementary and secondary education, including amounts provided for property tax relief through the School Tax Relief (STAR) program that are paid directly to school districts. The State has also included the amount provided under the FY 2011 Executive Budget Proposal for elementary and secondary education and public institutions of higher education. The State has also provided an explanation of the MOE calculation for elementary and secondary education.
- **Restorations.** The restoration amounts for elementary and secondary education and public institutions of higher education have been re-calculated to reflect legislatively enacted mid-year budget actions in FY 2010 and a change in the level of State funding for public IHEs in FY 2009. The restoration amounts are \$2,341,108,886 and \$127,448,905 respectively.
- **Prior Enacted Amount for FY 2010.** The State has included a "prior enacted" school aid amount for FY 2010 and a "budgeted" amount for FY 2010 (2009-10 school year).
- **State Uses of Other Government Services Fund.** The State has modified the usage of Government Services Funds, which is reflected in the table in Part 5, Section B.
- **Description of School Aid Programs.** The State has provided links to descriptions of the funding provided for elementary and secondary education and STAR. These documents also reference the Enacted Budget amounts provided for these programs. This has been included at the end of the revised MOE narrative section.
- **Revised Application Narrative.** The State has provided justification for the need to accelerate the use of the State Fiscal Stabilization Funds in FY 2010.
- **Summary Table.** The State has provided a summary table that includes the updated MOE amounts and Restoration amounts.

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5-21-10

Stabilization Funding for New York State

Original Application Revised Application	Shortfall Calculations				Total
	FY 2009		FY 2010		
	Shortfall for K-12	Shortfall for IHE	Shortfall for K-12	Shortfall for IHE	
\$0	\$0	\$0	\$2,340,490,457	\$83,087,100	\$2,423,577,557
\$0	\$0	\$0	\$2,731,490,457	\$148,701,100	\$2,880,191,557

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5-21-10

Original Application Revised Application*	Restoration Calculations						SFSF Award Remaining for FY 2011
	FY 2009			FY 2010			
	K-12 Restoration	IHE Restoration	K-12 Restoration	IHE Restoration	Total	Total	
\$0	\$0	\$0	\$2,340,490,457	\$83,087,100	\$2,423,577,557	\$44,980,234	
\$0	\$0	\$0	\$2,341,108,886	\$127,448,905	\$2,468,557,791	\$0	

* Amount of Shortfall Exceeds Available SFSF Funding, requires pro-ration of restoration amounts.

State of New York Maintenance of Effort	
K-12	Original Application
FY 2006	\$19,859,480,902
FY 2009	N/A
FY 2010	N/A
FY 2011 (Executive Budget)	N/A

State of New York Maintenance of Effort	
Higher Education	Original Application
FY 2006	\$3,275,000,000
FY 2009	\$4,250,424,400
FY 2010	\$4,167,337,300
FY 2011 (Executive Budget)	N/A