

FUNDING ISSUES



Tuition Rate Methodology

The amount an 853 school received per student/per day is their tuition rate. The cost of tuition is calculated by the "tuition rate methodology." The methodology is recommended by the New York State Education Department annually and approved by the Division of the Budget. The tuition rate methodology is a cost based formula that does not adequately reimburse for allowable expenses because some of the assumptions in the formula are inflexible and do not represent the actual workings of a school. The following information will provide an overview of the tuition rate methodology while highlighting a few of the inherent flaws.



Methodology Overview

Tuition rates are determined based on expenses incurred two years ago. Those expenses are outdated and therefore do not align with current programmatic costs. Schools are not allowed to keep reserves and thus are dependent on the cashflow that the tuition rate generates. The outcome is simple, if enrollment cost reduces, the monthly stipend reduces and the amount a school can expend is reduced. 853 schools run into a predicament as many fixed expenses cannot be reduced or eliminated when enrollment decreases. The methodology assumes a 1 to 1 ratio between enrollment and total expenses, but in practice that is not a reasonable expectation.



Reconciliation & Waivers

Annually, the tuition rate is reconciled based on actual expenses. In theory, if you had additional allowable expenses your tuition rate would increase and if you had reductions your tuition rate would reduce. However, because of growth caps and internal formula control, tuition rates may only increase by a certain amount. Tuition rate may be reduced even if the reduction in spending was a one-year savings rather than a structural reduction.

Schools may seek a waiver when they believe that reconciliation has unfairly impacted their tuition rate. Unfortunately the process takes months and recently in many cases years.



Annual Growth Factor

Even though allowable costs may increase due to a number of legitimate factors, tuition rates may only increase by a percentage approved by the Division of the Budget. This means that schools must reduce expenses in other areas when costs outside their control increase above the allowable rates. Examples of such costs include: utilities, health care, infrastructure needs, and pandemic-related costs.



Annual Growth Factor - History

During the last major recession, growth to tuition was capped at 0% for 4 years. This placed significant strain on the schools. The information below represents the growth approved in the past 5 years.

2016-17: 4%

2017-18: 4%

2018-19: 3.4%

2019- 20: 3.6%

2020-21: 0% was recommended by NYSED. DOB has not approved the methodology for 2020-21 school year.