



Testimony

Impact of Mid-Year State Aid Cuts Upon Schools

Assembly Committee on Ways and Means
November 14, 2008

Chairman Farrell and other members of the Assembly:

I am Robert Lowry, Deputy Director of the New York State Council of School Superintendents.

Thank you for this opportunity to provide the school superintendents' perspective on how mid-year state aid cuts would hurt schools, and what the state can do to help schools cope with the its diminished capacity to deliver aid.

Superintendents must do what policymakers should do – balance what schoolchildren need with taxpayers can afford. They also play the pivotal role in translating the statewide policies you enact into practices that can make sense for each of the communities you serve.

I worked for this committee in 1990 and 1991 when school aid was cut twice in less than a year. I know about the hard choices that you and the Governor face. We respect his forthright approach to presenting those challenges to the people, and Speaker Silver's candor in stating that the challenges may be even greater than the Administration now predicts.

But my role now is to explain as forcefully as possible why enacting mid-year cuts in aid to schools would be a mistake.

Impact of Recent State Aid Increases

First, I want to say a few words about the impact of recent increases in state aid.

They are one investment that is paying-off.



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The Foundation Aid formula that you enacted in 2007 truly is an under-recognized achievement in public policy.

It has provided strong increases in general purpose aid. For the most part it drives the greatest aid per pupil to the districts with the greatest needs. By using understandable factors in the computation of aid, it has strengthened accountability. It also improved the predictability of school aid, enabling districts to engage in more effective planning.

The resumption of funding increases for Universal Prekindergarten sparked a stunning one-year, 13 percent jump in the number of districts offering the program this year.

It is disappointing that not all districts can use all their UPK aid – and they have good reasons why they can't. But you should recognize that the use is greatest in the neediest districts. As a group, the high need school districts are using over 90 percent of the UPK funds they have been allocated.

Across the state we have seen broad gains in results on state tests and improvements in graduation rates. It is too early to ascribe that progress to recent aid increases, but surely they have helped. Over and over again, we hear that these increases have enabled districts to take steps we know will improve outcomes for children:

Many districts have acted to reduce class sizes, to offer more extra help for struggling students, and to add after-school tutoring sections.

More and more districts report increases in students in poverty; some have used new aid to hire social workers and guidance counselors to help students cope with problems in their lives away from school that impede success in school.

Many have added enrichment programs and extracurricular activities that make school more engaging, including for young people who might otherwise dropout.

Several have expanded foreign language instruction, and some have started programs to let students get an early start on college.

Many made investments in upgrading teacher training and acquiring new technology.

One upstate rural district replaced a textbook series for the first time in 12 years.

We do know for certain that the aid increases have had a dramatic and positive fiscal impact.

Statewide, proposed local school tax increases this past spring averaged 3.3 percent – below the latest estimates of inflation and down by almost half from what they were two years ago.

The state aid increases have improved equity.

Analyzing proposed school budgets in prior years, it was common to find that the poorest districts were forced into proposing either the lowest spending increases, or the biggest tax increases, or both.

That is what happened in 2003-04, for example, the last time school aid was last cut. The poorest 20 percent of districts did propose both the smallest spending increases and largest tax increases. Even as their tax bills climbed the most, they fell further behind in the resources and opportunities they could offer to their schoolchildren.

In contrast, over the two years that the Foundation formula has been in place, the poorest districts have been able to combine greater spending increases and lower tax increases.

Potential Impact of Mid-Year Aid Cuts

Now, the state's dire budget outlook threatens the progress you and we have been able to make. We recognize that no elected official wants to cut aid to all schools. But these cuts, at this time, would be especially damaging.

First, the overall scale of the cut is dramatic – \$800 million. In the middle of their fiscal year, schools are being asked to absorb reductions more than twice as great in total as the entire budget of the Syracuse City school system, a district that serves over 20,000 students.

In relative terms, these cuts are greater than the mid-year cuts schools absorbed in 1990. They also appear to be less progressive by at least one measure, inflicting deeper cuts on poorer districts than in 1990. All districts are required to absorb a cut of at least 3 percent. Minimum aid losses were lower in 1990.

There is another way in which these cuts will be harder for schools to absorb than those of two decades ago.

Schools now operate with many more mandates. Since 1990, the state has added requirements for extra help for struggling students, professional development for teachers, more detailed

requirements for special education, and more mandates to promote school safety and fiscal accountability.

The federal No Child Left Behind Act roughly tripled the volume of required standardized testing in pre-high school years, and that dramatically raised costs for schools.

More broadly, with the standards movement, schools have embraced the idea that “all means all” – all students must receive a curriculum that can truly prepare them for the adult demands of work or higher learning. New York State sought to enact that aspiration into policy through a mandate that all prospective high school graduates must pass Regents Exams in five subjects.

State aid cuts at any time are hard to absorb, but mid-year cuts are hardest of all. First, as with any institution, schools must achieve a full reduction in just half a year. But that presents special problems for schools.

Schools do not have the option of choosing to serve fewer customers, or of taking longer to process transactions. We must serve every child who shows up, and must do so in a 180 day calendar that paces out instruction in every subject, for every year.

More than 70 percent of school spending is for personnel, mostly for teachers. Statewide, less than 2 percent is devoted to district central administration. Significant cuts cannot be absorbed just by cutting or freezing supply, equipment, or travel expenses; first because they comprise small shares of total spending, and second, because in some cases bulk purchases were made at the start of the school year – to realize discounts – or because commodities, such as bus fuel, are locked-in by year-long contracts.

If mid-year cuts do force districts to lay off teachers, the impact isn't just that those who remain have to work harder, teaching more students in each class. It means disruption in learning for children, as they are shuffled from one teacher's classroom to a new one.

We have tried to gain a sense from our members what actions they would need to take to absorb these cuts.

A few do say they may be able to manage through by using reserves, and freezing hiring and purchasing. Others foresee extensive staff reductions – one upstate small city may need to layoff everyone it hired to start this past fall. One downstate small city will consider scaling back the full-day kindergarten program it just started this year. Essentially all districts expect to cut

back on student transportation for field trips, sports, extracurricular activities and for after-school extra help sessions.

There is another sense in which mid-year cuts are especially disruptive for schools.

No other institution provides the public with so many opportunities for input into decision-making. Unlike other entities, schools must seek voter approval for budgets every year. They overseen by independently elected boards, must provide for shared decision-making involving parents and teachers, and typically make extensive use of advisory committees. They also report more data on their successes and shortcomings, both programmatic and financial, than any other institution.

All this is appropriate. It gives the community the greatest opportunity to affect the direction of the one institution that has the greatest influence on its future well-being.

But the outcomes of all that careful deliberation and decision-making directed by all those democratic process can be derailed by the imposition of mid-year budget cuts.

Instead of carefully judging what spending can produce the greatest longer-term payoff for children and taxpayers, school leaders are forced to execute cuts that will produce the biggest short-term savings.

We've heard from many superintendents that they fear the cuts they would have to make would hurt the services that make the most difference for the most challenged students. They foresee laying off lower paid teaching assistants, teacher aides, and cutting other forms of extra help for these children.

Using School Reserves to Offset Cuts

I need to say a few words about the Governor's suggestion that school districts use reserve funds to accommodate the cuts.

We do not expect the state's fiscal problems to be over in just one year. So, for the same reason that the Governor resists using the state's "rainy day" reserves to close this year's state deficit, we question the soundness of expecting schools to exhaust their reserves to close what would be state-imposed gaps in their budgets.

Using reserves this year creates a deeper hole to fill next year, which we also anticipate to be rough.

Further, in some cases districts have put money into their unreserved fund balance to cover future costs for which specific reserves are not authorized – for example, to fund unpredictable special education costs, expected enrollment growth, or energy conservation projects.

Reserves are especially important in poor rural districts that are heavily dependent upon state aid; sometimes they experience dramatic swings in aid from one year to the next.

We note also, that the Administration projects a state deficit of \$1.5 billion in the current year. But the Governor is seeking cuts projected to save \$2 billion – to get a head start on closing next year's gap. That is prudent. But it feels as though the schools are being asked to deflate their cushion for next year so that the state can inflate its.

Our members are frustrated by any implication that they have done anything inappropriate in building these reserves. They do so to protect their schools and taxpayers against unforeseeable cost increases or revenue losses. School districts operate with a 4 percent cap on what they may keep as an unreserved fund balance. Local governments have no statutory limit, and balances of 10 percent or more are not unusual.

The Governor also noted a recent audit by the State Comptroller which concluded that some districts have excess funds in a reserve designated to cover liabilities to retiring employees for unused leave time. The fallout from this audit has been troubling.

First, we know some districts had liabilities more in line with the sums they have in reserve and the Comptroller's Office is helping them to correct the record.

We also know that some districts – including more than three-quarters of those audited in depth – used this reserve to set aside funds to pay for future retiree health insurance costs. This was not authorized by law, but districts in some cases acted in good faith based on bad advice from accountants or vague guidance from the State Education Department.

It may not have been legally permissible, but it was fiscally responsible. Another Comptroller's report last May warned that state government and municipalities need to begin preparing to accommodate these costs.

Forcing districts to drain these reserves now would ensure more negative consequences for their taxpayers later, when retiree health insurance bills do eventually come due.

We support the Governor's proposal to allow schools to use these reserves to offset any aid cuts that may come, and the Comptroller's legislation to give schools a legal means to save for other retiree costs.

Mandate Relief

Schools have been taking actions to reduce their costs already. Most report efforts to achieve energy savings. Many have sought to reduce health insurance costs, by negotiating higher employee contributions or by joining regional consortia. Some have been cutting staff and some have been doing more to share services with other districts, either directly or through BOCES.

When we ask superintendents what the state could do to help their schools reduce expenses, most often they recommend steps to bring down health insurance costs or put our special education mandates more in-line with federal law and other state practices. We should also be making more aggressive use of BOCES to promote functional consolidation of school district administration and some student services.

Again, we recognize that we are all in for not just one bad year, but probably several. So state government should be acting now to help position schools to meet the longer-term challenges we all must bear.

We strongly support the mandate relief that Governor Paterson has proposed. They will not produce savings to help districts accommodate any mid-year aid cuts but they should be enacted because they will help schools over the longer term.

Deferring imposition of state mandates until the start of the next school year would avoid disrupting already adopted local budgets.

Streamlining planning and reporting requirements will enable school leaders to spend more time on activities that can make a difference for schoolchildren and taxpayers, instead of compiling many documents that no one at the state has time to review.

The Governor has also proposed changes to Contract for Excellence requirements to give targeted districts more flexibility to accommodate state aid cuts. We need to take more time to evaluate whether the proposal would provide adequate help.

Conclusion

Once again, thank you for convening this hearing, for listening today, and for all your past support for New York's public schools.

We hope the actions you take in the weeks and months ahead will not reverse the progress that your support has made possible and will help schools better meet whatever budget challenges are yet to emerge.