

KIDS FIRST



IN EVERY DECISION

Mid-Year State Aid Cuts: Driving Schools Off a Financial Cliff

New York's schools and state government both face a financial cliff in the months ahead. Mid-year cuts in state aid would drive schools over the edge sooner.

School leaders made tough choices to hold down local tax increases

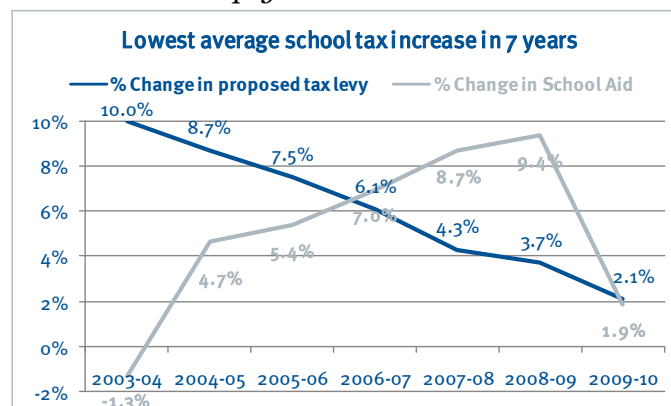
School leaders made hard choices this year to hold down local tax increases while protecting student services. *Despite the smallest state aid increase in six years, schools adopted budgets with the lowest average tax increase in seven years.*

School leaders were expecting to face even tougher choices for next year, even before the Governor proposed mid-year School Aid cuts.

That was the overwhelming consensus when we asked superintendents how hard it would be to repeat this year's low tax increases, assuming another year of frozen operating aid.

One superintendent of a high need small city district put it this way:

"Last year we scrubbed the budget in an effort to reduce taxpayer burdens. We set as a goal, do no harm to children and we were pretty much able to avoid direct impacts on services to children. That drawer is now empty."



SOURCE: NYSCOSS analysis of NYSED state aid and school property tax report card data; Big 5 City Districts excluded.

New York State
Council of School Superintendents
7 Elk Street
Albany, NY 12207
(518) 449-1063

Tougher choices next year – even without mid-year cuts this year

In a nationwide survey, 89 percent of New York superintendents said they expected to eliminate positions in their school budgets for next year. This survey was completed before Governor Paterson revealed his proposals for mid-year aid cuts.

For school leaders, the assumption must be that if mid-year cuts are enacted, they would be repeated in the Governor’s budget for next year, cutting School Aid below the level of the freeze that many local leaders have been expecting, as set by existing law.

Some districts may be able to accommodate mid-year cuts from reserves. But reserves are not a recurring option, while we must assume the cuts will be recurring.

So exhausting any reserves now would make the problems that superintendents were expecting next year and the year after even bigger.

One superintendent of an upstate suburban district put it this way:

“If we deplete all fund balance it would mean double digit tax increases in 2010-11. We are desperately seeking to avoid solving a short-term crisis by creating a long-term catastrophe.”

Mid-year cuts are especially hard for schools and for poor communities

Mid-year cuts are hard for any institution. They must make the whole savings in just half a year.

But schools operate with some special constraints – we don’t have the option to choose to serve fewer customers, or to take longer to process transactions.

Schools must educate every child who shows up, every day, and we must do it within a 180-day school calendar that paces out instruction in every subject, every year.

Significant cuts cannot be absorbed just by cutting or freezing supply, equipment, or travel expenses; because they comprise small shares of total spending, and because bulk purchases are sometimes made at the start of the school year to realize discounts, or because some are locked-in by year-long contracts (bus fuel, for example).

Immediate personnel reductions seem most likely for poor districts. Yet as one rural superintendent observed, *“I’m already at bare bones for staff – one or two sections per grade based on enrollment. You can’t put 42 kids in one class.”*

Analyzing the reduction formula

Measured one way, the proposed mid-year aid cuts appear progressive: the wealthiest districts would face the steepest cuts as a percentage of their aid.

But poorer districts count on state aid to fund a larger share of their budgets. Measured against their total expenditures, cuts to the poorest 10 percent of school districts average nearly three times greater than those for the wealthiest 10 percent of districts.

Mid-year reductions would undercut the stimulus

Of the over 40,000 jobs the Obama Administration reported were saved through the federal stimulus plan in New York State, nearly three-quarters – roughly 29,000 were in education.

The proposed mid-year cuts represent more than one-half the federal Stabilization Funds used to avert School Aid cuts in this year’s state budget. If the mid-year reductions are enacted and continued, more than 10,000 school jobs could be lost.

Conclusion

School superintendents must do what policymakers also do: construct budgets that balance needs against resources – in our case balancing what schoolchildren need with what taxpayers can afford.

We know that more tough choices lie ahead, and we are prepared to face them. But we can make better choices for students and taxpayers, if we have more time.

That is one of the lessons from the current year: most state aid was frozen, but local school leaders did their best to protect services for students while holding down local tax increases.

Our efforts won record support from voters on the third Tuesday of last May, when over 97 percent of school budgets won approval by their local voters – the highest pass rate on record.

Enacting mid-year cuts now would send schools off a financial cliff before they can make better decisions to protect school-children, and before the state can act to help schools reduce the costs they ask taxpayers to share.