

2011 School District Property Tax Report Card Analysis



May 17, 2011

NEW YORK STATE
COUNCIL OF SCHOOL SUPERINTENDENTS

2011 School Property Tax Report Cards

- School districts outside the “Big 5” cities* are required to submit their operating budgets for voter approval on the third Tuesday in May every year (May 17 this year).
- Filing a “Property Tax Report Card” detailing current and proposed spending, tax levy and reserve levels is part of the annual budget voting process.

* *Buffalo, New York, Rochester, Syracuse and Yonkers*

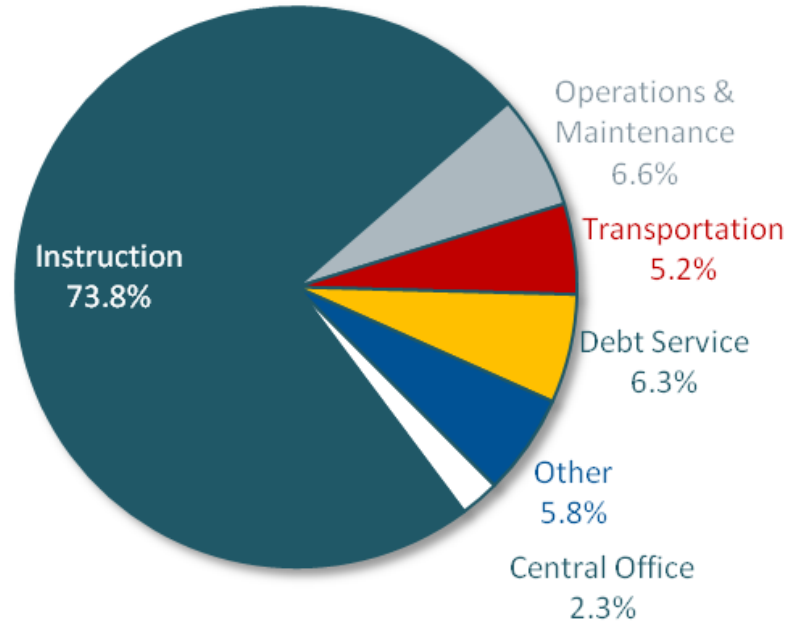
This is not the first tough year for school budgets...

- ❑ **2009-10:** Federal stimulus aid averted need for a cut in state aid, ***but over 80% of all aid was frozen***. Expense based aid (e.g., Building, Transportation, BOCES, some Special Education Aids) were permitted to increase. Total aid increased by 1.9%
- ❑ **2010-11 and 2011-12 :** State aid has been reduced both years.
- ❑ \$608 million federal Education Jobs Fund complicates explanation and analysis – approved by Congress & the President in August 2010, states were required to allocate it in 2010-11, but districts may use their shares in 2010-11 or 2011-12.
- ❑ Including federal Jobs Fund allocations, ***75% of districts are receiving less aid this year (2010-11) than in 2008-09***; that number will increase for 2011-12 with the further cuts in this year's state budget.

Where school spending goes...

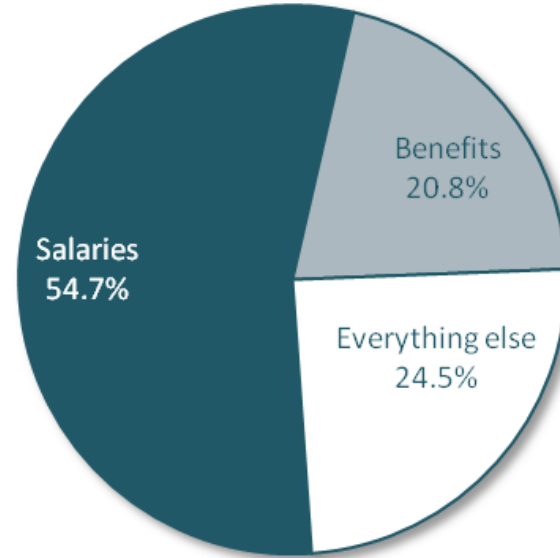
Hard to make cuts without affecting instruction or personnel

Spending by purpose



Source: Council analysis of 2008-09 NYSED School District Fiscal Profiles

Spending by object



75.5% for salaries & benefits

Source: Council analysis of 2007-08 U.S. Census Bureau data

Schools have tried to hold down spending.

Statewide average spending and tax levy changes for 2011 are very similar to those for 2010:

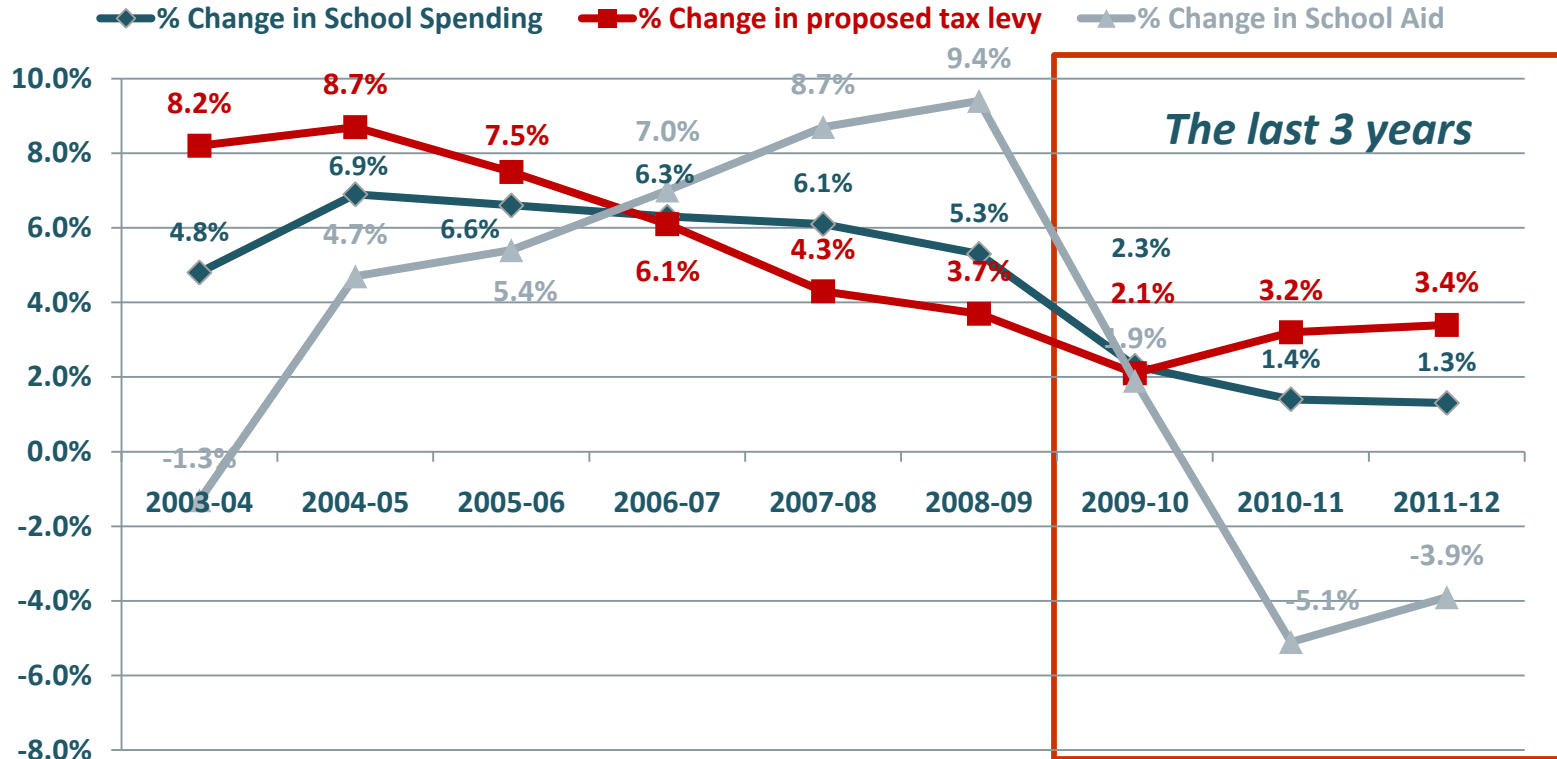
Year	% change in spending	% change in local tax levy	% change in state aid
2010-11	1.4%	3.2%	-5.1%*
2011-12	1.3%	3.4%	-3.9%*

*These figures exclude the federal Education Jobs Fund approved last August. Districts may use this aid in 2010-11 or through 9/30/2012. Including this aid , the cuts would be 1.7% for 2010-11 and 7.3% for 2011-12.

SOURCE: Council analysis of NYSED Property Tax Report Card and School Aid data.

A longer-term look...

% change in school pending, tax levy, and state aid – 2003-04—2011-12



SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data; federal Education Jobs Fund allocations excluded.

Comparing proposed spending and tax levy against benchmarks

- ❑ *37% of districts propose cutting their spending below 2010-11 levels*
 - *86% of these districts still proposed increasing their tax levy.*
 - *Why?*

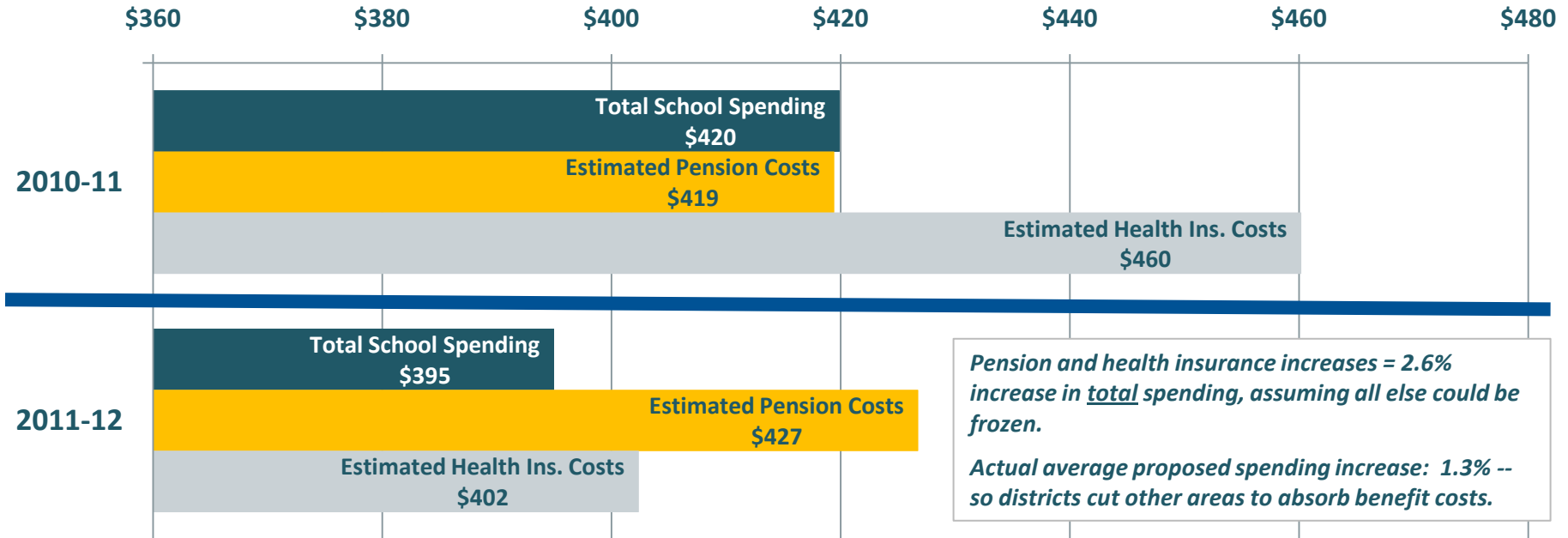
- ❑ *65% of districts are proposing spending increases below 1.92% — the contingency budget cap for 2011—*
 - *The State Education Department holds that spending under a contingency budget cannot exceed what a district proposed in a defeated budget.*

- ❑ *83% of districts are proposing tax levy increases above 1.6%, the inflation figure that might be used in a new property tax cap.*

Similar pressures on schools in 2010 and 2011: *Declining state aid, surging pension and benefit costs*

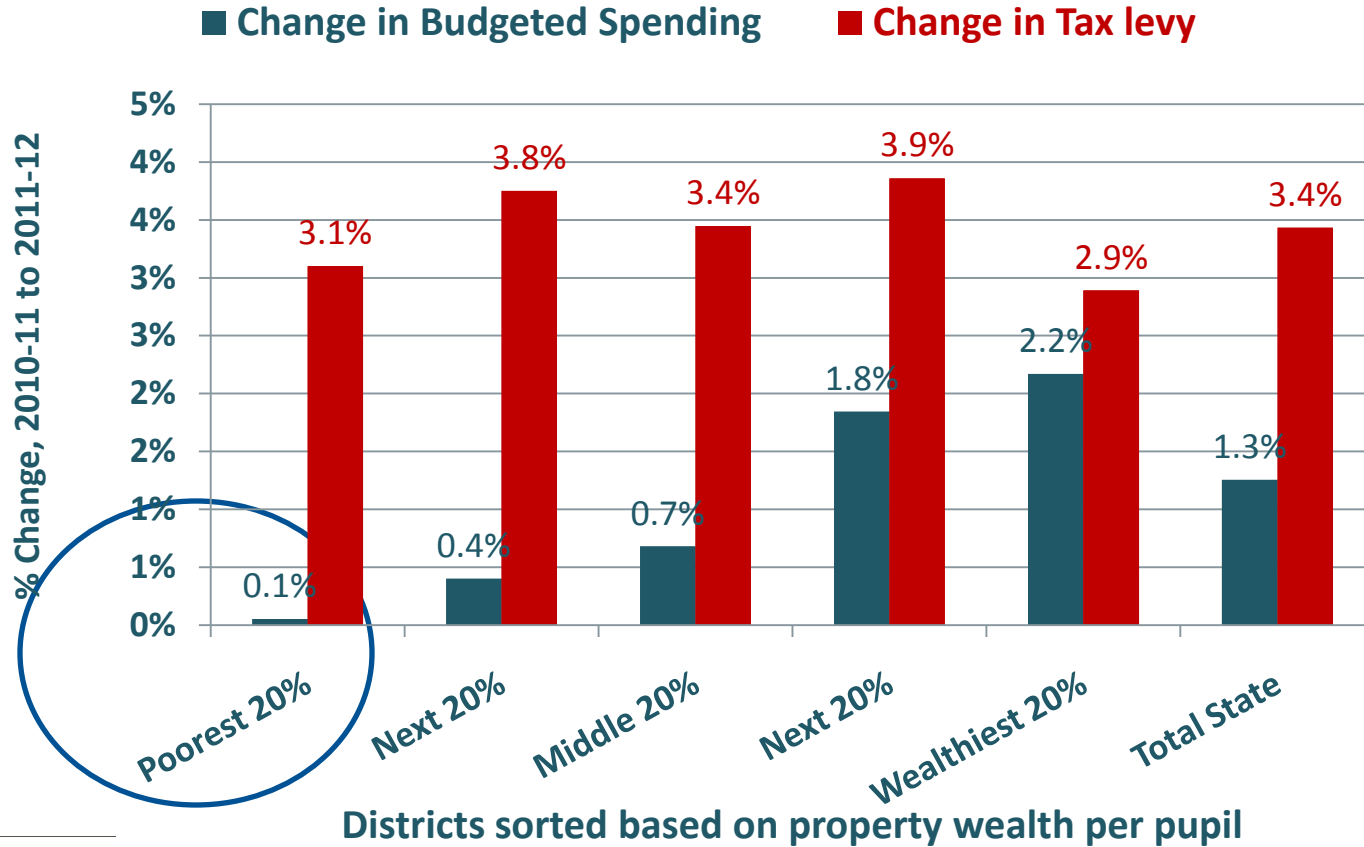
Pension & health insurance increases > than overall increases
 Implication: *Districts cut other spending to absorb benefit costs*

Year to-year change in millions of dollars



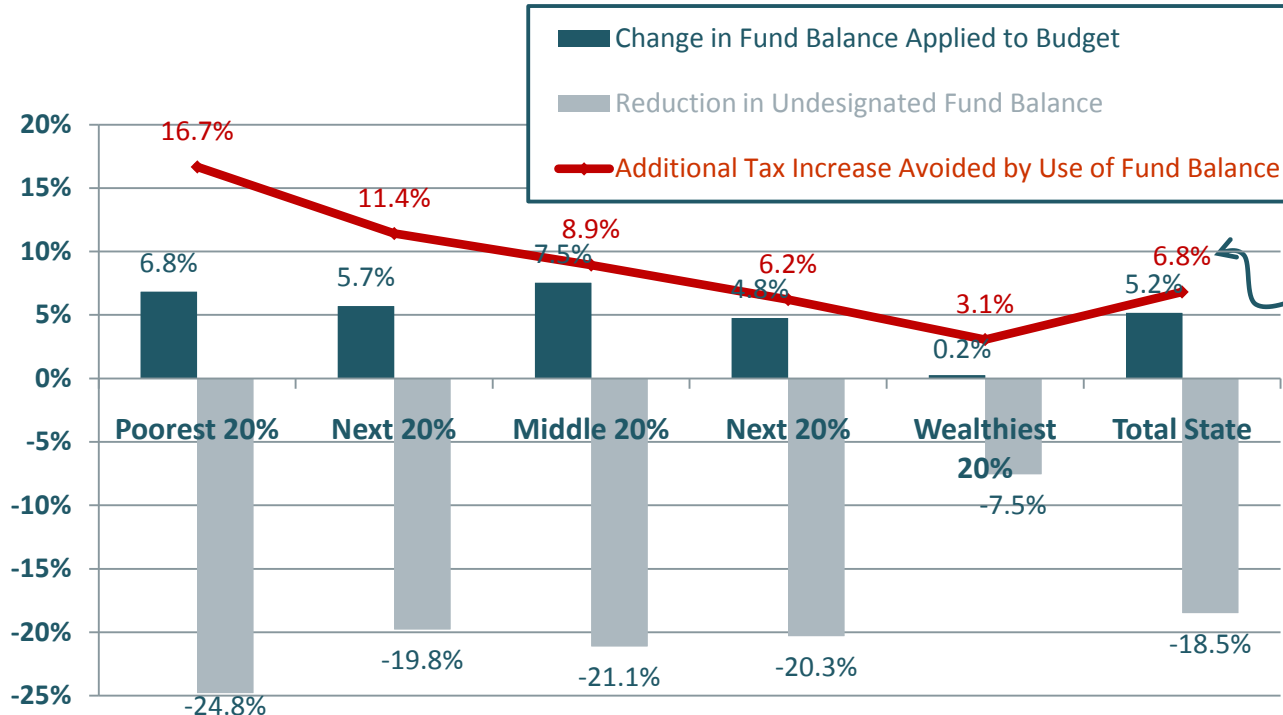
SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data, Office of the State Comptroller local government data; and benefit cost factors reported by the NYS Division of the Budget and NYS Teachers Retirement System.

Poor districts appear to be struggling most – Almost no change in total spending, despite benefit costs



SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data.

Districts are relying more on reserves...



Without fund balance, districts would have needed to raise taxes by almost 7% more, or make equivalent cuts

If districts use all reserves this year, they would need bigger tax increases or spending cuts next year.

SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data.

Districts are not “draining” all their reserves this year. Neither is state government.

- ❑ *To match what districts are using in fund balance this year would require roughly a 7% additional tax increase, or 4% spending reduction.*
 - *If districts did use up all reserves this year, they would require even greater tax increases or spending reductions next year.*
- ❑ *Pension and health insurance increases will not stop after this year.*

Projected employee benefit costs for state government – suggestive of what schools could face:

	2010-11	2011-12	2012-13	2013-14
Employees Retirement System (ERS) Employer contribution rate -- percent of payroll*	12.1%	16.7%	18.0%	20.0%
Employee/retiree health insurance -- percent change from prior year	13.5%	10.4%	10.5%	8.8%

SOURCE: NYS Division of the Budget, *2011-12 Executive Budget Five-Year Financial Plan*

• **NOTE:** Approximately 80% of school employees are in the Teachers Retirement System. TRS has advised districts that the contribution rate will rise from 8.62% to 11.11% for 2011-12 school budgets. TRS does not provide out-year contribution rate projections.

Next year could be a better year for state aid.

But...

- ❑ *The enacted state budget provides a 2-year appropriation for School Aid. This reflects a projected \$805 million, 4.1% increase in aid.*
 - *No individual district can count on a 4% aid increase, however.*

- ❑ *Districts also face the prospect of a property tax cap.*

S. 2706/A. 3982 – Governor’s Property Tax Cap Proposal

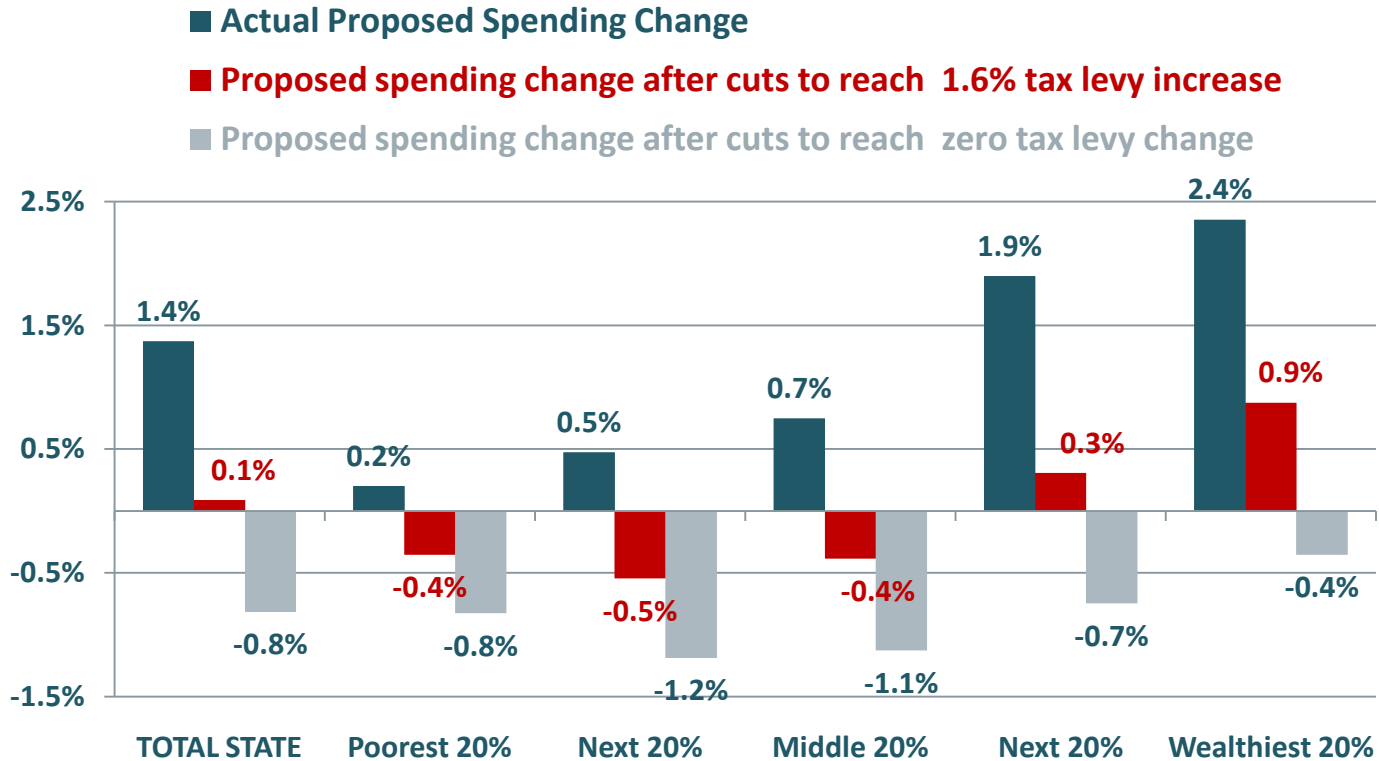
- ❑ The bill provides:

*“If, however, the tax levy proposition is then not approved by the qualified voters, then the trustees or **board of education shall adopt a budget that requires a tax levy no greater than that for the prior school year** (emphasis added; p. 5).”*

- ❑ If voters reject proposed tax levy increase, district is capped at same levy as last year.
- ❑ Different for municipalities – without voter approval, they may increase levy by lesser of inflation or 2%.
- ❑ For schools, lesser of 2% or inflation (1.6% for 2011-12) decides vote needed to approve levy increase:
 - 60% + 1 to approve tax levy increase if greater than 2% or inflation, whichever is less;
 - 50% + 1 if levy increase is less than “cap.”

Spending cuts needed to meet cap if in place this year:

(Data included only for districts proposing tax increases above “cap”)

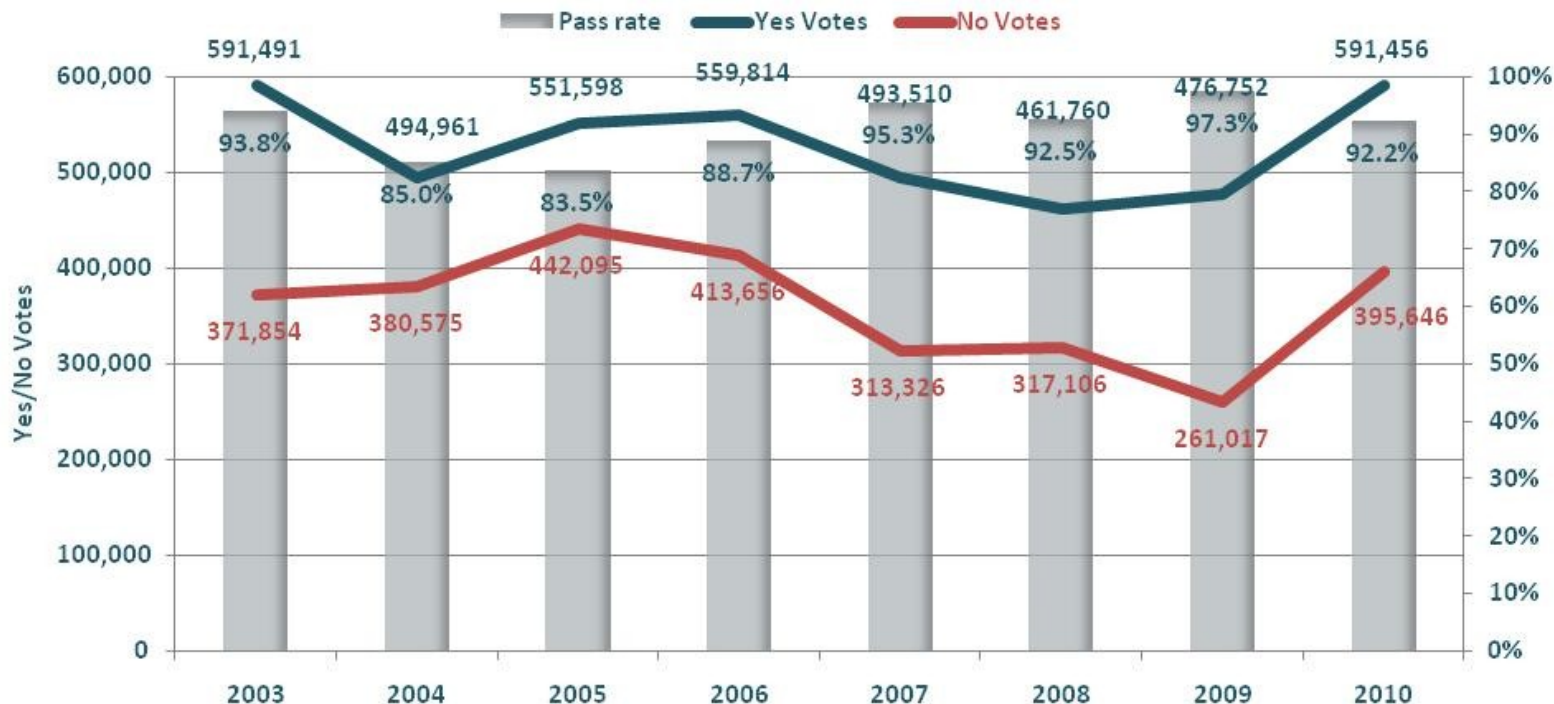


SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data.

Today is budget vote/board election day for schools

Last year 92% passed on 1st vote. What % this year???

Pass Rates and Yes and No Votes, 2003 to 2010



SOURCE: Council analysis of NYSED school budget voting data

Regional comparisons:

Long Island: Nassau, Suffolk

New York City

Lower Hudson Valley: Putnam, Rockland, Westchester

Mid-Hudson Valley: Dutchess, Orange, Sullivan, Ulster

Capital Region: Albany, Columbia, Greene, Rensselaer, Saratoga, Schenectady, Warren, Washington

Mohawk Valley: Fulton, Herkimer, Montgomery, Oneida, Schoharie

Central New York: Cayuga, Cortland, Madison, Onondaga, Oswego, Tompkins

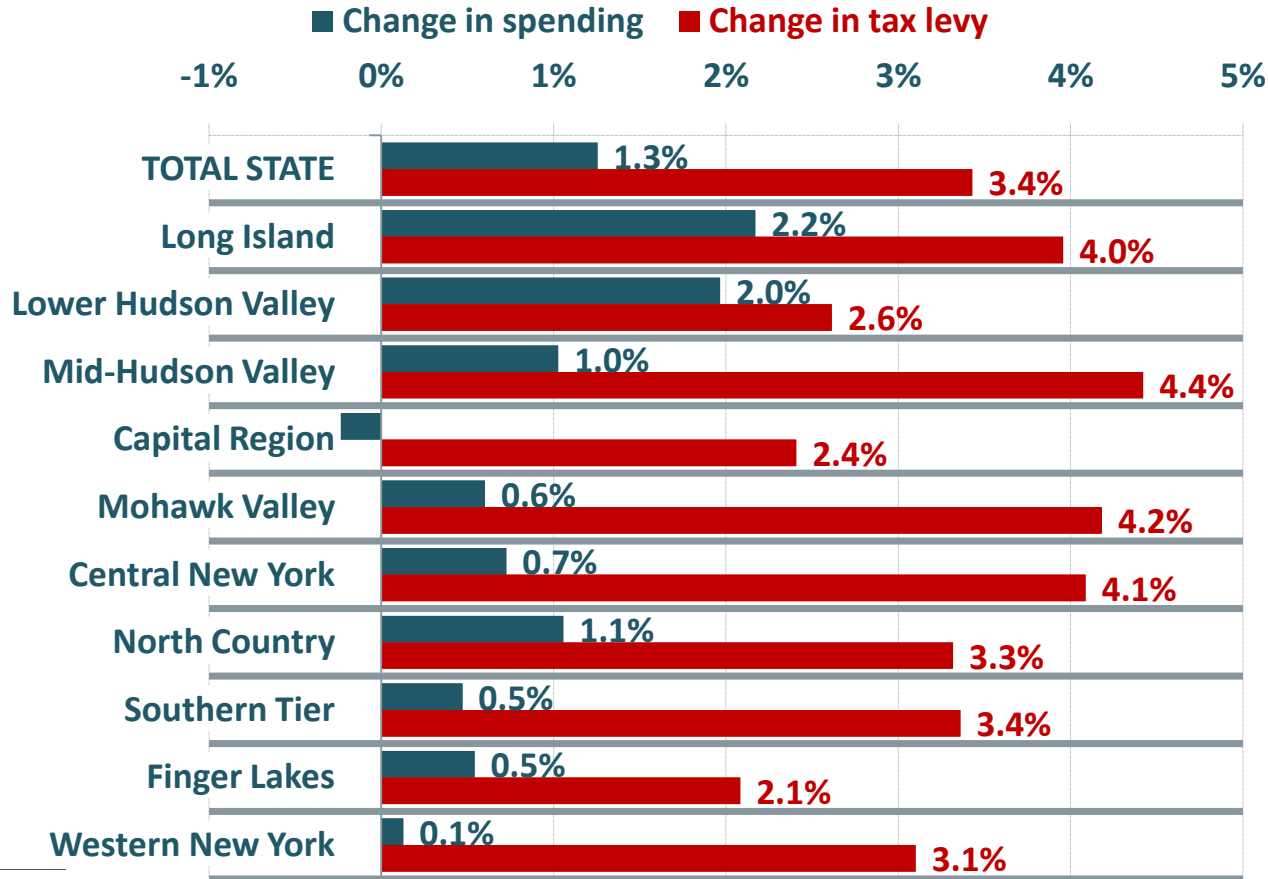
North Country: Clinton, Essex, Franklin, Hamilton, Jefferson, Lewis, St. Lawrence

Southern Tier: Broome, Chemung, Chenango, Delaware, Otsego, Schuyler, Steuben, Tioga

Finger Lakes: Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne, Wyoming, Yates

Western New York: Allegany, Cattaraugus, Chautauqua, Erie, Niagara

Proposed spending and tax levy change



SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data.



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