

Economic and Fiscal Outlook for the State and the Schools

**2011 Winter Institute
February 28, 2011**

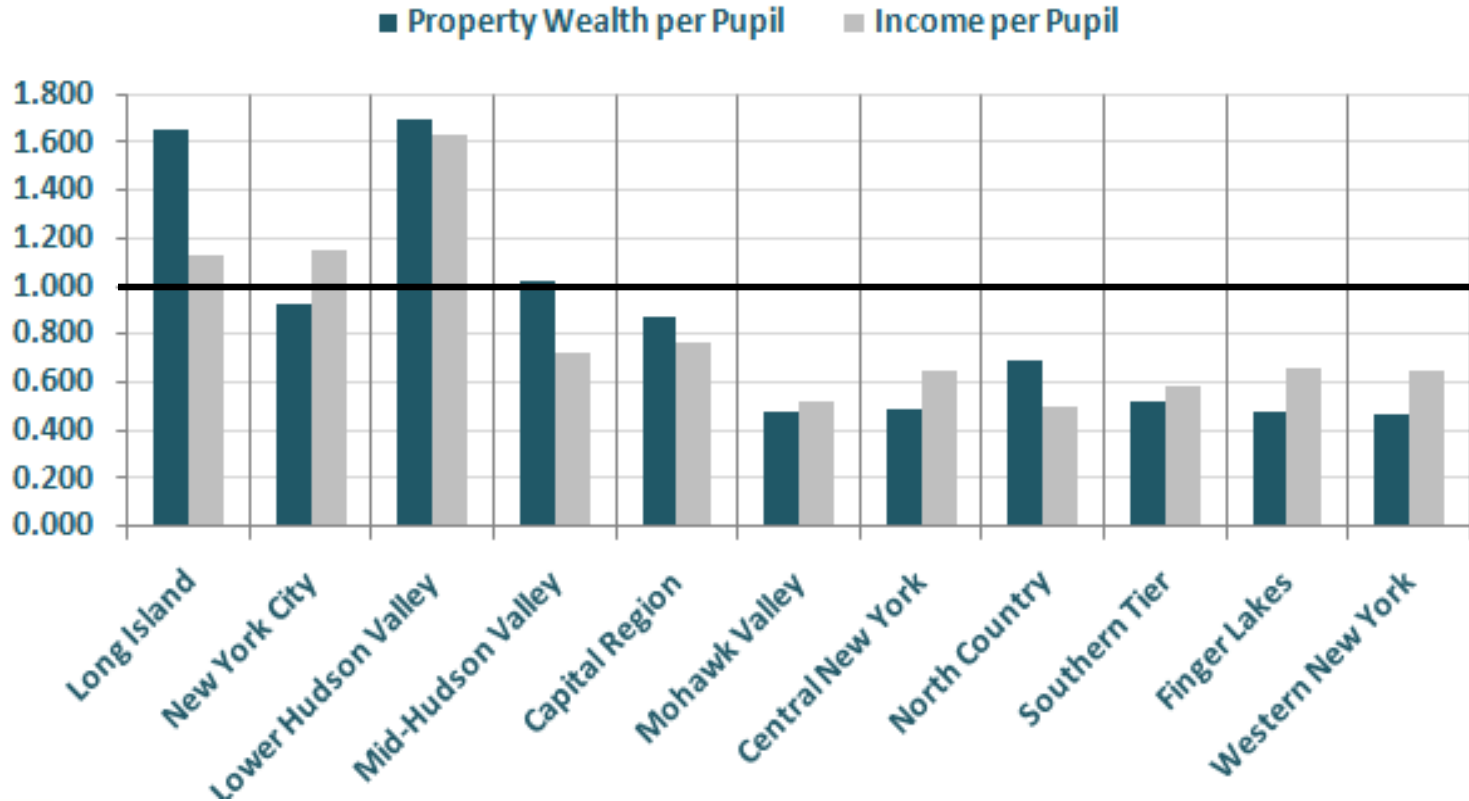


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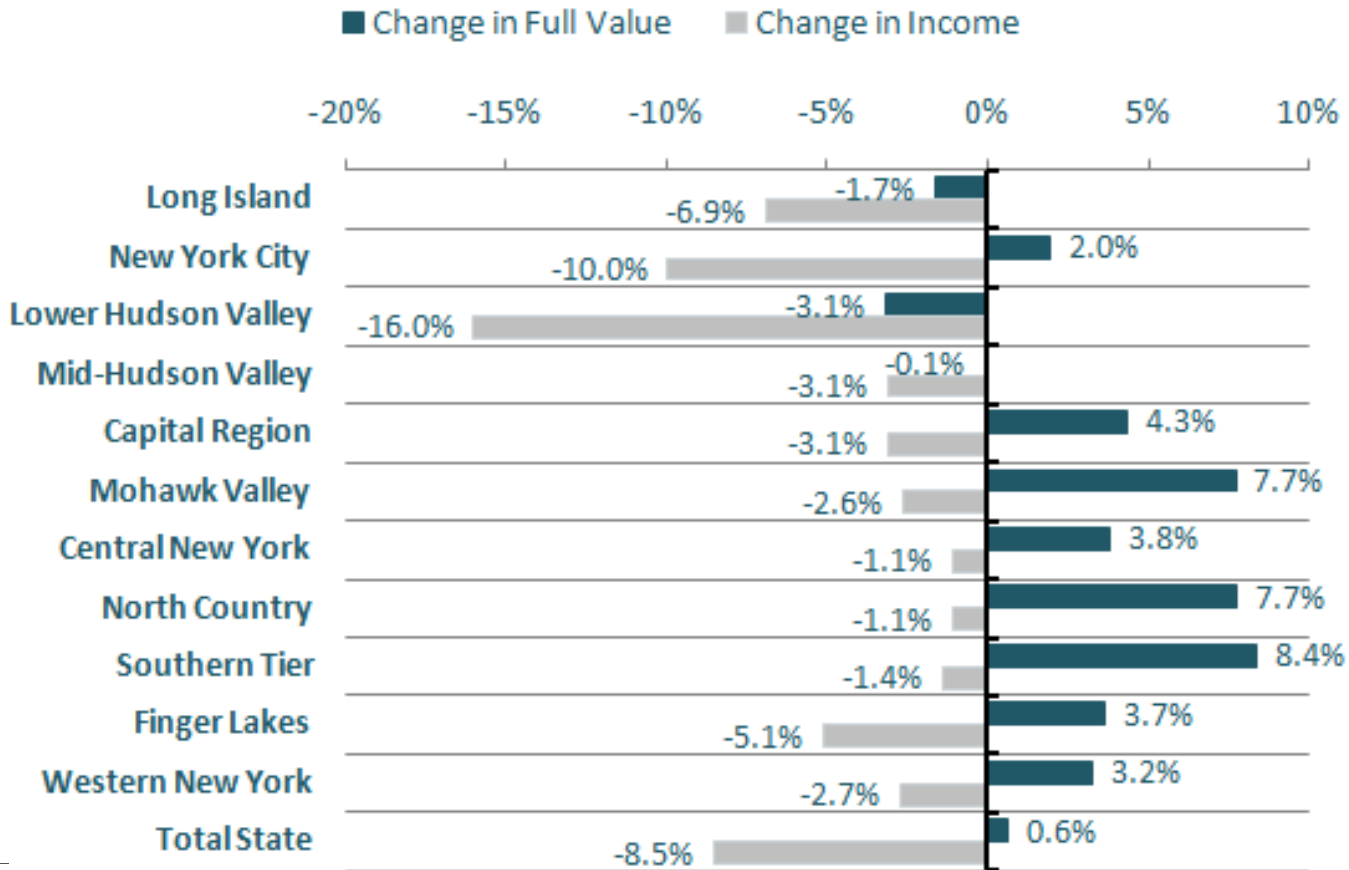
Comparing the regions

2008 income and property wealth per pupil

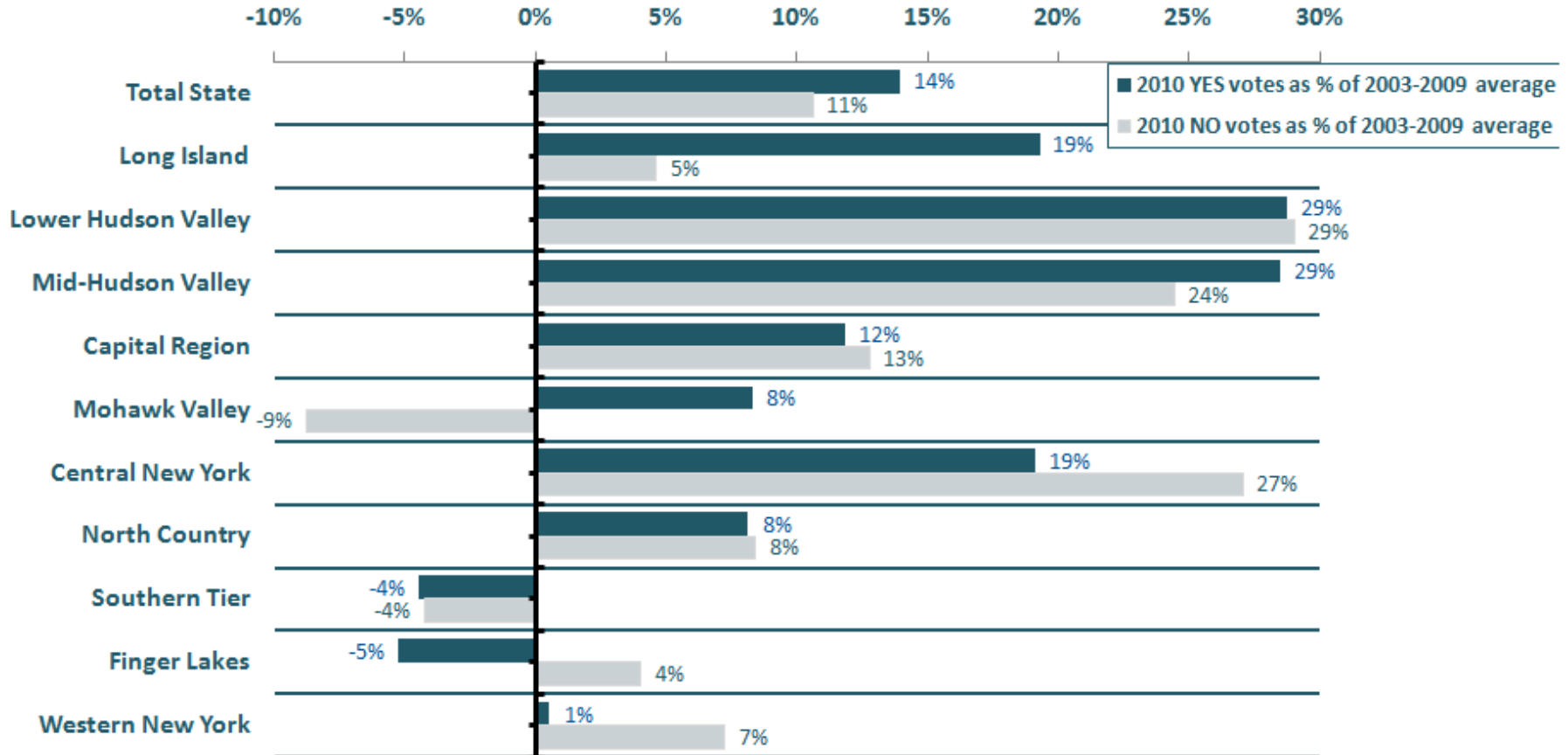
Ratio of region to state average (1.000 = average wealth)



Impact of the “Great Recession” in School Aid variables: — Change in full value and income, 2007 to 2008



Budget vote turnout in context: 2010 vs. historical average (2003-2009)



SOURCE: Council analysis of NYSED school budget vote data

The State Budget: The Big Picture

State General Fund State Budget Surplus/Deficit Projections – before and after Governor’s budget (billions of dollars)

	2011-12	2012-13	2013-14	2014-15
Base-level (before actions)	(\$10.00)	(\$15.28)	(\$17.88)	(\$21.42)
Governor’s Budget (after actions)	\$0	(\$2.30)	(\$2.50)	(\$4.40)

How the Governor would close the \$10 billion deficit:



School Aid as a Share:

- of total projected spending: 30.2%
- of all proposed cuts: 31.7%

Source: NYS Division of the Budget, 2011-12 Executive Budget “Five-Year Financial Plan”

Overview of the Governor's Proposals

- Proposed \$1.5 billion cut in School Aid – chiefly through new “Gap Elimination Adjustment.”
- Budget would also shift \$176 million in special education costs from the state to school districts:
 - Summer special education
 - Placements in private (“4201”) schools for the blind and deaf
 - Residential costs for children and youth in family and Children’s Services Facilities.
- New grant programs to reward performance gains and encourage efficiency-- \$250 million budgeted for each, but no expenditures planned in 2011-12.
- Changes in BOCES, Transportation, and Building Aid to affect 2012-13 aid.

Proposed School Aid – how the pieces come together:

Major Elements in Proposed 2011-12 School Aid Changes (\$ in billions)			
Program	2010-11	2011-12	Change
Foundation Aid	14.894	14.894	-
Building Aid	2.489	2.660	0.171
Other Aids	4.479	4.622	0.143
Gap Elimination Adjustment	(2.138)	(2.786)	(0.648)
Federal Offset to 201-11 GEA	0.726	-	(0.726)
Federal Education Jobs Fund	0.608	-	(0.608)
Reduction to Cover State Medicaid Shortfall	(0.132)	-	0.132
Total Aids	20.925	19.390	(1.536)

SOURCE: Compiled by the Council from NYS Division of the Budget, 2011-12
Executive Budget -- Agency Presentations, p. 78.

Foundation Aid

- ❑ Frozen in 2009-10 and 2010-11
- ❑ Budget would continue freeze into 2011-12 and 2012-13.
- ❑ Foundation Aid = 50% of total revenues for state's poorest 20% of districts
 - *Half their revenues frozen for 4 years*
- ❑ Final phase-in of formula would be pushed to 2016-17 – 6 years past original target.

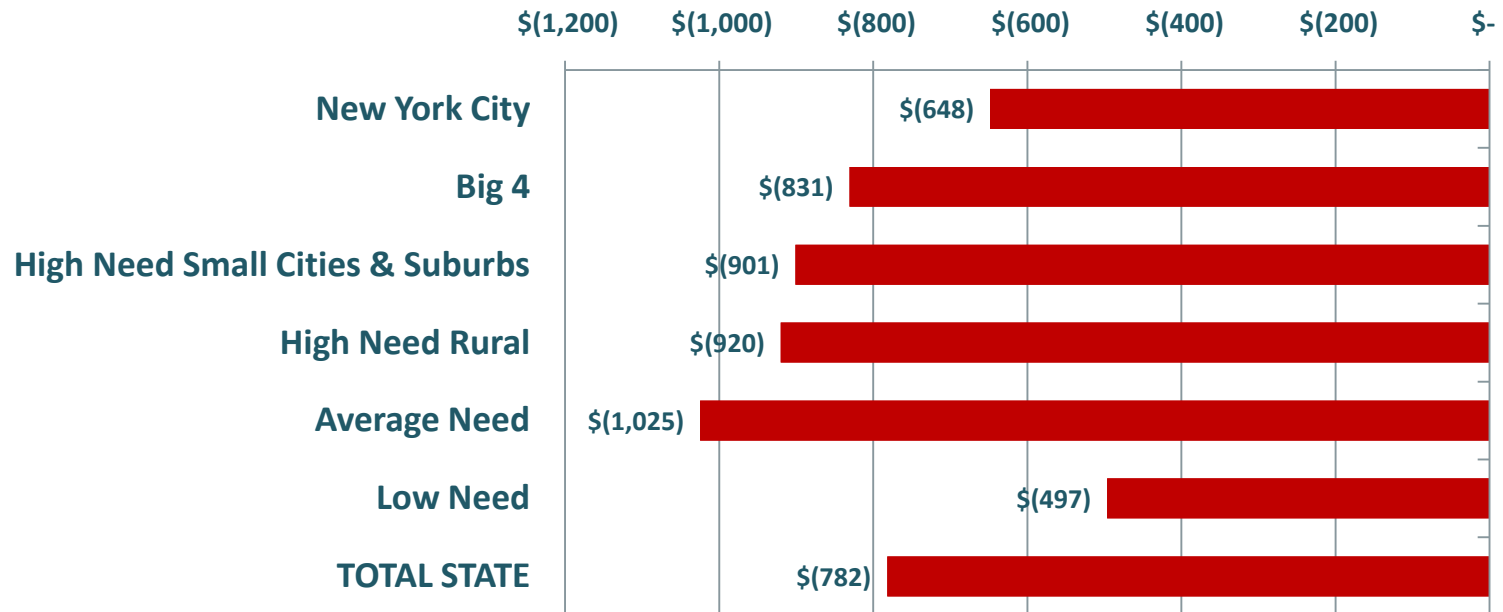
Gap Elimination Adjustment – bigger and permanent

Gap Elimination Adjustments (\$ in billions)	2010-11	2011-12
Gap Elimination Adjustment	2.138	2.786
Federal offset	.726	0
Net GEA	1.412	2.786

- Before applying limits, cuts can range from 11% to 23% of total aid (excludes Building and UPK), based on student poverty and Combined Wealth Ratio
- Cuts limited based on “High Need” status, tax effort, and “administrative efficiency”
- Hard eligibility cut-offs on adjustments = arbitrary aid differences
- ***GEA would be permanent – designed to limit changes total School Aid based on change in personal income***

Analyzing the Gap Elimination Adjustment

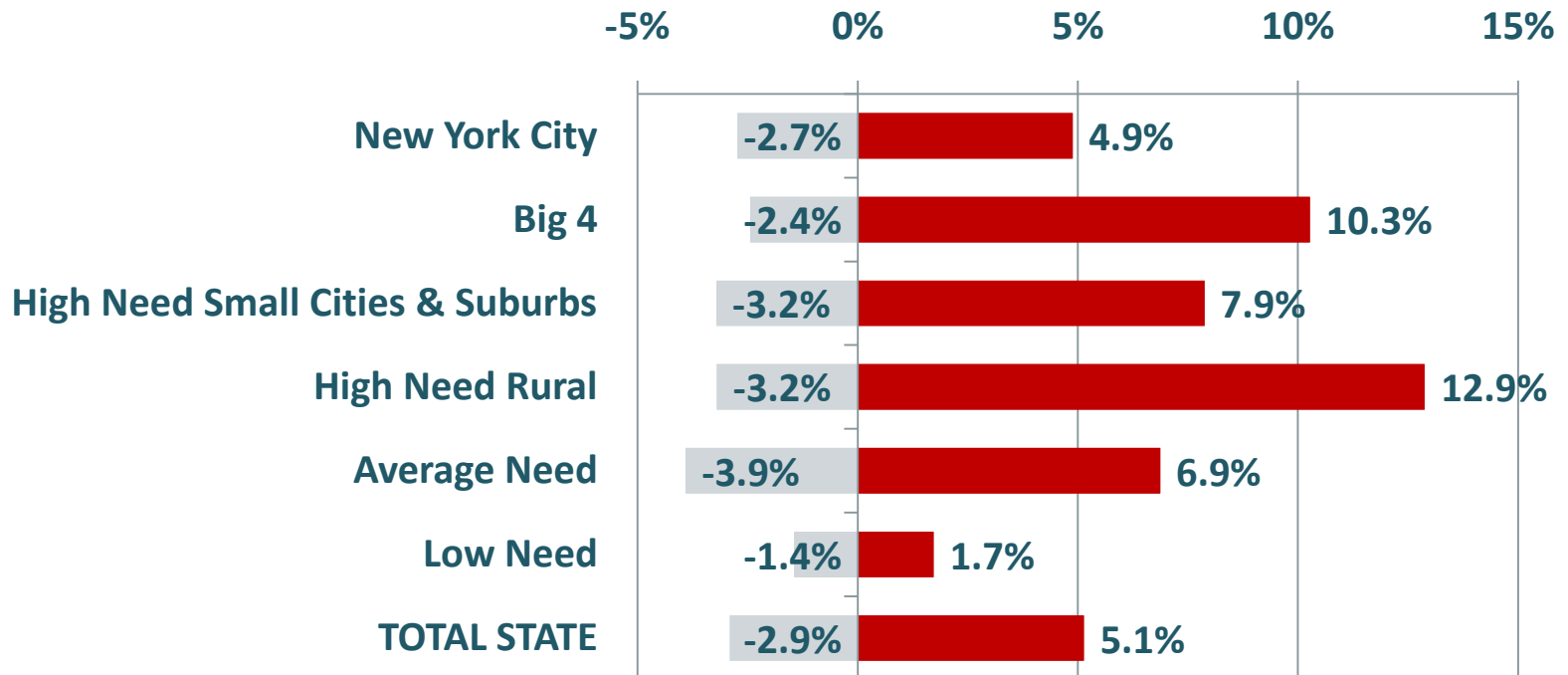
Proposed Gap Elimination Adjustment per Pupil



SOURCE: Council analysis of NYSED School Aid data

Analyzing the overall cut

■ Total Cut as % of Total General Fund Exp. ■ Total Cut as % of Local Tax Levy



SOURCE: Council analysis of NYSED School Aid data

Looking ahead: The “Five-Year Financial Plan”

GOVERNOR'S BUDGET -- FIVE-YEAR SCHOOL AID PROJECTION (MILLIONS OF DOLLARS)

Aid Category	2010-11	2011-12	2011-12 Change	2012-13 Change	2013-14 Change	2014-15 Change
Foundation Aid/Academic Achievement Grants	\$14,894	\$14,894	\$0	\$0	\$939	\$1,160
Universal Prekindergarten Aid	\$393	\$393	\$0	\$0	\$59	\$59
Expense Based Aids*	\$5,769	\$6,074	\$305	\$206	\$400	\$470
Other Aid Categories	\$806	\$815	\$9	\$53	\$55	\$48
Net Gap Elimination Adjustment	(\$805)	(\$2,786)	(\$1,981)	\$536	(\$1,056)	(\$1,260)
FMAP Contingency reduction	(\$132)	\$0	\$132	\$0	\$0	\$0
Total School Aid	\$20,925	\$19,390	(\$1,535)	\$795	\$945	\$740

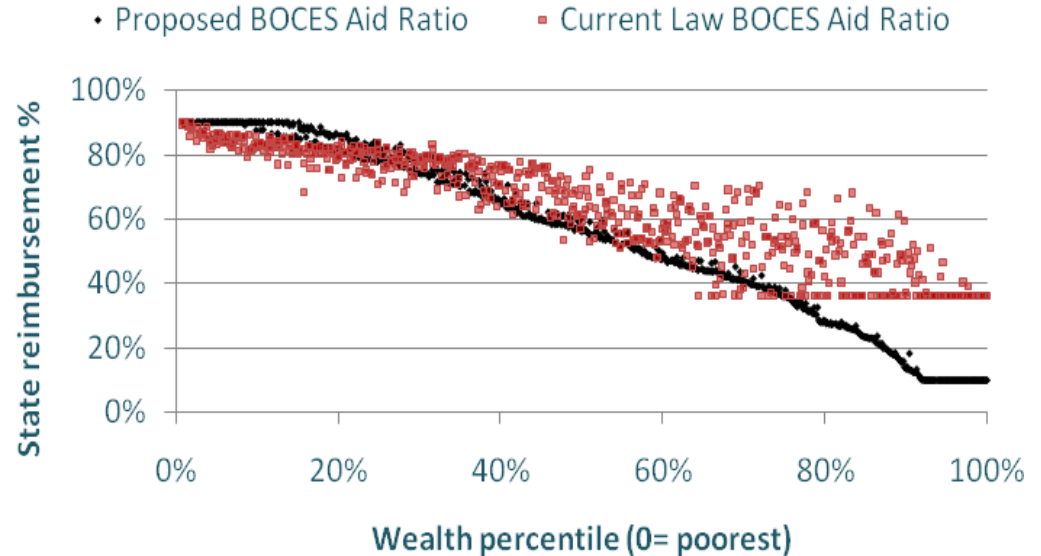
* Building, Transportation, BOCES, Special Education, and non-BOCES Special Services Aids

SOURCE: NYS Division of the Budget, 2011-12 Executive Budget Five-Year Financial Plan, p.75

Proposed changes to expense-based aids for 2012-13: BOCES Aid

- ❑ State reimbursement rate would change to Foundation Aid ratio
 - *20 percentage points less for average district*
- ❑ Aidability for many management services would be ended.
- ❑ Estimated state savings: \$134 million

Comparing current and proposed BOCES Aid ratios



SOURCE: Council analysis of NYSED School Aid data

Proposed changes to expense-based aids for 2012-13: Building and Transportation Aids

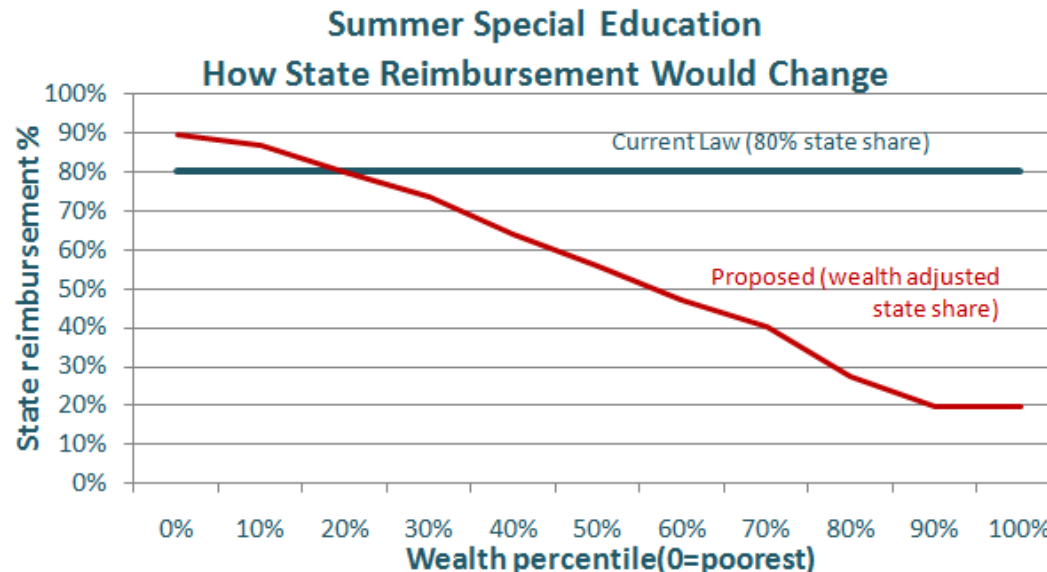
- Building Aid:** Create “Competitive Construction Fund” – projects assigned to tiers and ranked. State aid not assured. Aid forbidden based on building age in some cases.
- Transportation Aid:** Districts which do not enter shared service arrangement or follow SED best practices would face penalties. No aid for replacing “newer buses.”
- Demanding for SED to administer

Special education cost shifts – for 2011-12

On top of School Aid cuts

Proposed Special Education Costs Shifts (\$ in millions)			
Program	New York City	Other Districts	TOTAL
Summer Special Education	50	36	86
Private ("4201") Schools for the Blind and Deaf	--	--	98
Room & Board Costs for Residential Special Education Placements	37	35	72
Totals	--	--	256

SOURCE: NYS Division of the Budget, 2011-12 Executive Budget -- Five-Year Financial Plan and Assembly Ways and Means Committee Yellow Book



New Incentive Grant Programs

❑ School District Performance Incentive Awards:

- \$250 million to reward districts for gains in achievement and closing achievement grants.
- Eligibility limited to districts which have signed the Race to the Top Final Scope of Work.
- Awards for making greatest gains, would be adjusted based on district need and gains, and be limited in use to supporting RTTT activities.

❑ School District Management Efficiency Awards:

- \$250 million to be awarded to districts demonstrating they have implemented significant and recurring savings in total costs, administration, transportation, or non-personnel costs.

❑ *The budget assumes no expenditures from these programs in 2011-12*

Some other state budget assumptions

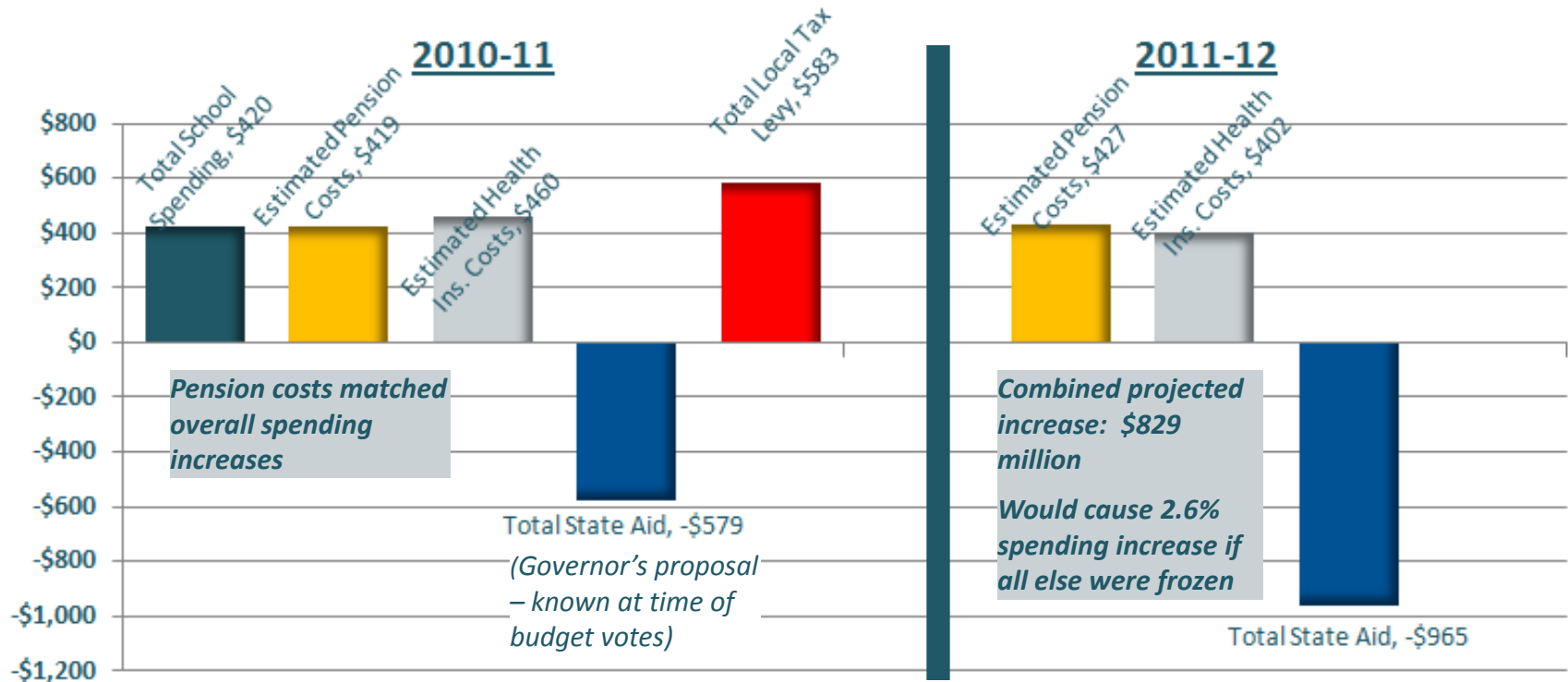
*Projected employee benefit costs for state government
Suggestive of what schools will face as well:*

State Employee Benefits	2009-10	2010-11	2011-12	2012-13	2013-14
Employees Retirement System (ERS) Employer contribution rate*	7.5%	12.1%	16.7%	18.0%	20.0%
ERS ECR after amortization	7.5%	9.5%	10.5%	11.5%	12.5%
Employee/retiree health insurance growth rates	4.8%	13.5%	10.4%	10.5%	8.8%

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

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

Estimated/projected changes in school district revenues & expenditures



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 (previous slide).

Property Tax Cap Proposed by Governor and Passed by Senate

- Would first apply to 2012-13 school budgets
- [REDACTED]
- “Cap” to be lesser of 2 percent or change in the Consumer Price Index over the preceding calendar year
- If district proposes tax levy increase above the cap, more than 60% of voters required to approve.
- If district proposes tax levy increase below the cap, more than 50% of voters required to approve.
- If first vote fails, district tries second vote.
- Only capital expenditures are exempt.
- Cap applies to local governments too, but with different procedures.

Property Tax Cap – Potential Impact

Need/Resource Category	Average Proposed Tax Levy Change(%)	Average Proposed Spending Change	Spending Change <u>With</u> Cuts to Reach 2% Tax Levy Cap	% of Proposed Budgets Passing with >60% vote
Total State	4.2%	1.5%	0.5%	55%
High Need Small Cities and Suburbs	5.9%	1.2%	-0.2%	41%
High Need Rural	3.8%	1.2%	1.1%	66%
Average Need	4.2%	1.1%	0.1%	59%
Low Need	3.6%	2.6%	1.3%	36%

SOURCE: Council analysis of NYSED Property Tax Report Card and Budget Vote Data

119 districts proposed cutting spending yet had tax increases over 2%

Rhetoric vs. Reality

Rhetoric (Governor): “We are first in spending on education, but 34th in performance.”

Reality: We were 34th in 2007 in the percentage of adults over age 25 with at least a high school diploma – people who were last in school more than 10 years ago. Some other measures:

Rank	Item
3 rd	Percentage of students passing Advanced Placement classes
2 nd	Overall education policy and performance according to <i>Education Week</i>
4 th	Raising graduation rates
1 st	Closing gap between low income and other students in 4 th grade reading results on the National Assessment of Educational Progress (NAEP)
1 st	Closing gap in 8 th grade mathematics on the NAEP

SOURCE: *Education Week*, “Quality Counts 2011”

Regions in this presentation:

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



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