

At the Edge:

A Survey of New York State School Superintendents on Fiscal Matters

*After three tough budgets,
schools are struggling to balance
higher expectations and
diminished resources*

October 2011



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HIGHLIGHTS

Financial Background

- ✓ This year, schools absorbed one of the largest state aid cuts in history, and now face operating under a property tax cap.
- ✓ But 2011-12 is the *third* tough year for school budgets, not the first: 90% of districts are getting less help from the state than they were three years ago.
- ✓ Roughly three-quarters of school spending goes to personnel (looking at what the spending buys) and instruction (looking at the purpose of spending). As the need for cuts continues, it becomes harder to spare those areas.

Survey highlights

- ✓ **The survey:** The Council of School Superintendents conducted an online survey of its members on school fiscal matters; 283 superintendents (42%) responded.
- ✓ **Overall condition:** 75% of superintendents say their district's financial condition is worse or significantly worse than a year ago.
- ✓ **Reliance on one-shots:** 89% are concerned or very concerned by their district's reliance on one-time resources (reserves) to fund recurring costs. Without the use of fund balance this year, districts would have needed to raise taxes by 7 percent more than they actually did, or make cuts of corresponding magnitude.
- ✓ **Salary and benefit concessions:** Salary or benefit concessions have increased among all categories of employees over the past 3 years, led by superintendents. 66% percent of superintendents reported accepting a salary freeze or other cost saving adjustment this year.
- ✓ **Job cuts:** Districts reduced their workforce by an average of 4.9% this year; other, non-teaching student support positions took the steepest cuts – 8%. Position reductions were generally steepest among city and rural districts. *These are reductions on top of those taken in prior years.*
- ✓ **Instructional cuts:** 63% of districts increased class sizes this year. 47% reduced or deferred purchases of instructional technology– at a time when technology seen as a key to improving outcomes and reducing costs.
- ✓ **2011-12 budget impact:** Majorities of superintendents said their district's budget this year had a negative impact on instruction in core subjects, extra help for students, other student services, extracurricular activities, operations and maintenance. Rural districts toward the center of the state foresaw the greatest negative effects on instruction.
- ✓ **Tax cap:** Nearly all superintendents said it was likely that, had the tax cap been in place this year and voters had not approved a tax levy increase, their districts would have had to eliminate teaching and other student services positions, reduce extracurricular activities, and defer equipment purchases. At least 80% of superintendents foresaw negative effects on most district operations. City superintendents and those serving in the Southern Tier and Central New York generally anticipated the greatest damage.
- ✓ **Race to the Top:** 91% of superintendents said the cost implementing Race to the Top activities would significantly exceed the funding they expect their district to receive from that federal grant. 81% worry that cost concerns will prevent their district from implementing new teacher/principal evaluation procedures in a manner that would best serve students.
- ✓ **Tax cap or state aid – which is a greater concern?:** Statewide, superintendents are almost evenly divided over which is the greater financial concern for their district – the tax cap or possible future state aid levels. 25% picked the tax cap, 23% chose state aid, and 52% said they are of equal concern. But statewide trends mask sharp regional differences, with superintendents in poorer regions more likely to cite state aid.
- ✓ **Priorities for new spending:** Asked to pick priorities for new spending if their district received funding beyond that need to pay for current services and state mandates, superintendents chose extra help for struggling students, reducing the local tax levy, and reducing class sizes. More than half gave extra help as their first or second priority.

INTRODUCTION

The start of a new school year is always a time for optimism, a time when everything once again seems possible, for students and for their schools.

That is true once again this fall. But schools in New York State have changed since last September, and the changes from three Septembers ago are even starker.

This year, schools absorbed one of the largest cuts in state aid ever, and now face operating under a property tax cap next year. But it was not the first tough year for school budgets.

Schools have now absorbed three years of state aid cuts and freezes: 90 percent of districts are receiving less help from the state than they were in 2008-09. Districts have also accommodated surging costs for pensions and health insurance.

Balancing these pressures has taken a toll on schools and on the opportunities they can offer students.

The New York State Council of School Superintendents conducted a survey of its members to understand the budgeting choices made by school districts over the past three years, as well as their consequences. The survey also asked questions about future financial prospects.

Looking back

These are some key findings from the survey:

- 75 percent of superintendents say their district's financial condition is worse or much worse than one year ago.
- 89 percent are concerned or very concerned by their district's reliance on reserves to fund recurring operating costs.
- Districts report reducing their total workforce by an average of nearly 5 percent in 2011-12. Majorities also reported reducing teaching and other direct student support positions the year before.
- Staffing reductions were generally steepest in city and rural districts:
 - City superintendents reported cutting teaching positions by an average of 6.1 percent this year.

- Those serving rural communities report reducing both administration and direct student services positions by roughly 10 percent.
- Concessions to reduce personnel costs have increased across all categories of employees over the past three years, led by superintendents. This year, 66 percent of superintendents report taking a salary freeze or other reduction in salary or benefits.
- 63 percent of districts increased class sizes this year.
- 47 percent report reducing or deferring purchases of instructional technology this year – at a time when technology is seen as a key to both improving instruction and reducing costs.
- Majorities also report cutting funding for professional development for all types of staff – at a time when the Regents Reform Agenda will require more staff training – to implement new standards and assessments and new procedures to evaluate teachers and administrators.
- Majorities of districts anticipate negative impacts from their 2011-12 budgets on core instruction, extracurricular activities, other direct student services, operations and maintenance, and administration.
- The highest priority uses for new funding would be: (1) increasing extra help for students who need it and (2) reducing the tax levy.

Looking forward: Pursuing higher expectations with diminished resources

The worry among superintendents about reliance on reserves is an indicator of near universal alarm about future prospects. Concern over the accumulating impact of past budget choices is compounded by what lies on the horizon for schools – rising expectations combined with diminished revenues.

The Board of Regents Reform Agenda, fueled by nearly \$700 million in federal Race to the Top funding, challenges schools to meet higher standards measured by better assessments, to strengthen teaching and leadership, partly through more rigorous evaluation, to make greater use of data in improving instruction, and to work more aggressively in turning around chronically struggling schools.

At its heart, the Regents agenda is about getting more students to finish high school and earn a diploma, and to ensure that diploma means something – that a graduate is prepared to succeed in a college or a career or both. Those goals are right.

In the mid-1990s, the state embarked on its last major reform thrust, joining the nationwide movement referred to as “standards-based reform.” In New York, higher standards were enacted into policy chiefly by a requirement that all graduates pass Regents Exams in five subjects.

Local educators and their representatives (including the Council), challenged the state on aspects of how the aspiration was translated into requirements upon schools. But tremendous energy was unleashed. Schools embraced the idea behind standards-based reform: “*all means all*” – all children are owed the promise of an education that honestly prepares them for the demands of adult life – and then embarked to deliver on that promise.

In many respects the new reform agenda is more promising and more thoughtfully conceived than its predecessor. But apprehension, more than exhilaration, is the reaction now. A common query is, “How do we do more for students when we are struggling to hold on to what we’ve got?”

The apprehension arises, of course, from recent fiscal hardships, the expectation of continued austerity in state aid, and the prospect of adapting to the property tax cap, starting with the next school year.

The tax cap law requires districts to gain approval by 60 percent of voters for a proposed local tax levy increase greater than 2 percent or inflation, whichever is less. A levy increase below that threshold requires approval by a simple majority. If approval is not granted, the district cannot increase its tax levy over the prior year at all.

The Council’s survey asked superintendents about the choices their districts might have made had the cap been in place this year and had they been required to adopt a budget with no tax increase.

Nearly all superintendents reported their districts would have probably adopted further reductions in teaching and other instructional support positions.

Over three-quarters saw reductions as probable in both extra help for struggling students and in advanced classes.

If required to operate with no tax increase this year, over 80 percent of superintendents foresaw negative effects on most areas of school operations. The most severe impacts were anticipated for art and music instruction, athletics, and extracurricular activities, reflecting, perhaps, that districts have tried to shield those areas up to now.

The survey also asked superintendents which is a greater concern for their district – the tax cap or possible future state aid levels. For the state taken as a whole, the results are even – 25 percent cited the tax cap, 23 percent picked state aid, and 52 percent said they are of equal concern.

But the statewide results mask striking variations across districts. Among poorer districts, state aid levels drew much more concern than in better-off regions. For 20 percent of the state’s school districts, a 1 percent tax increase would raise less than \$50,000. These are districts which were capped by circumstances, before they were capped by law.

Conclusion

Difficult, painful choices will have to be made if schools are to come close to effectively balancing the pursuit of higher expectations with diminished resources. Those tough choices will be made at either the state or school district level, or in some combination. But they will be made.

It is hard to make good decisions off bad information. The purpose of this report is to present good information about the financial choices schools have been making to better understand the choices that lie ahead, for both school district leaders and for state policymakers.

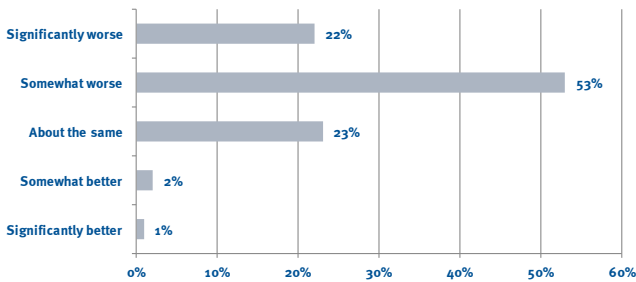
OVERALL FISCAL CONDITION

The survey’s first substantive questions asked superintendents for an overall appraisal of their school district’s current fiscal condition and how it had changed over the past year. Specifically, superintendents were asked to think about their district’s financial position “in terms of its ability to fund services meeting the expectations of parents in your community.”

The survey reveals widespread alarm about the financial outlook for the state’s public schools.

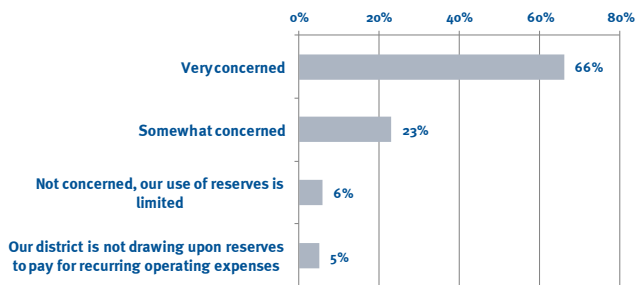
Three-quarters of superintendents said their district’s financial condition is worse or significantly worse than one year ago.

Compared to one year ago, how has the financial condition of your district changed, in terms of its ability to fund services meeting expectations of parents in the community?



There are other indications of worry over future financial prospects. Most strikingly, 89 percent are concerned that their districts are relying upon reserves to fund recurring operating expenses. Two-thirds of superintendents said they were “very concerned” by their districts’ reliance on these temporary resources.

To what extent, if at all, are you concerned that your district is drawing upon reserves to pay for recurring operating costs?

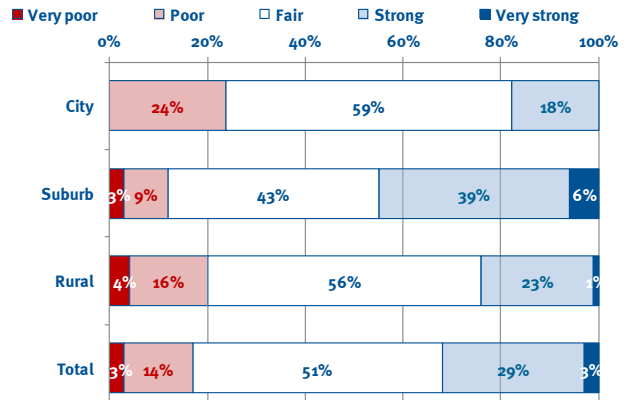


Comparing regions and types of communities

There was variation across types of districts and across regions in the assessment of overall fiscal condition and trajectory.

Superintendents of urban districts were twice as likely as their suburban counterparts to assess their district’s fiscal condition as poor or very poor – 24 percent to 12 percent.

How would you describe the current financial condition of your school district, in terms of its ability to fund services meeting the expectations of parents in your community?



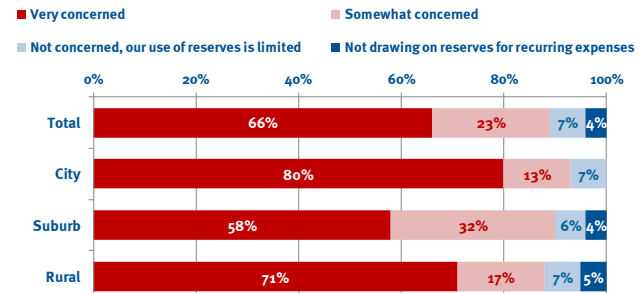
Rural superintendents were most likely to describe their district’s fiscal condition as worse than a year ago (81 percent).

Compared to one year ago, how has the financial condition of your district changed, in terms of its ability to fund services meeting expectations of parents in the community?

	Significantly better	Somewhat better	About the same	Somewhat worse	Significantly worse
City	0%	0%	35%	47%	18%
Suburb	0%	3%	29%	52%	16%
Rural	1%	1%	17%	55%	26%
Total	1%	2%	23%	53%	22%

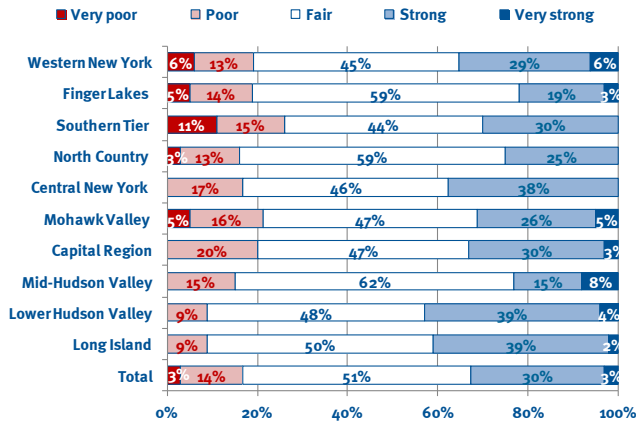
Urban superintendents were most concerned by their district’s reliance on reserves to fund recurring operating costs (93 percent).

To what extent, if at all, are you concerned that your district is drawing upon reserves to pay for recurring operating costs?



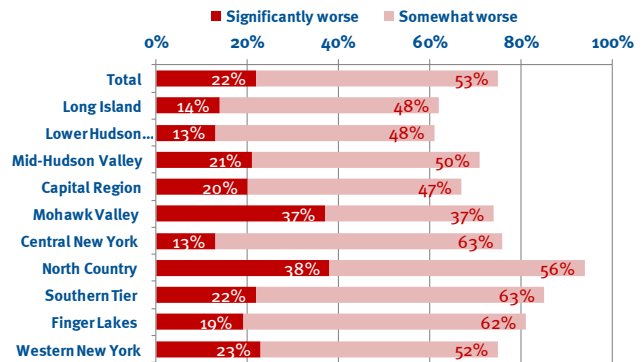
Superintendents in the Southern Tier region¹ were most likely to rate their district’s financial condition as poor or very poor (26 percent), while those in Long Island and the Lower Hudson Valley were most positive in their overall appraisal – with only 9 percent in each region rating their district’s fiscal condition less than fair.

How would you describe the current financial condition of your school district, in terms of its ability to fund services meeting the expectations of parents in your community?



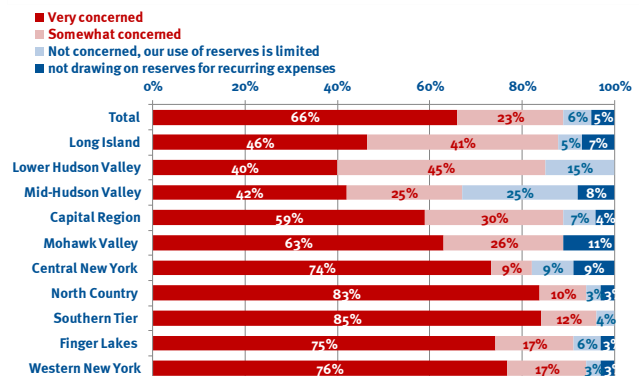
In every region, more than half of superintendents said their district’s financial condition had deteriorated over the past year. North Country superintendents were most negative, with 94 percent saying their district’s financial condition is worse or much worse. Those serving in the Lower Hudson Valley were least negative (61 percent responding worse or much worse).

Compared to one year ago, how has the financial condition of your district changed, in terms of its ability to fund services meeting expectations of parents in the community?



A striking finding is the uniformity across regions in concern about reliance upon reserves. Over 80 percent of superintendents share the concern in every region but one. The Mid-Hudson Valley is the exception (67 percent).

To what extent, if at all, are you concerned that your district is drawing upon reserves to pay for recurring operating costs?



Digging into reserves

Elected officials have faulted schools for accumulating “excessive” reserves and called on them to draw down fund balances to avert the need for layoffs or property tax increases. There are at least three problems with this strategy.

¹ The regions used in this report are defined as follows:

- Long Island:** Nassau and Suffolk Counties
- 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

First, schools are more limited by law in the reserves they are allowed to maintain than other public entities in New York State.

School districts are permitted to maintain an unrestricted fund balance equal to up to 4 percent of their budget. Municipalities have no percentage limit and the Government Finance Officers Association recommends maintaining an unreserved fund balance of between 5 and 15 percent of general fund revenues, or up to two months' expenses. So what New York school districts are permitted to maintain as a maximum rainy day fund is less than what experts deem adequate as a minimum.

Second, reserves run out. Eventually, a district must either permanently reduce expenditures to align them with its reliably recurring revenues, or raise taxes to generate revenues to match its spending. The deeper the reliance on reserves, the more painful the day of reckoning when they run out.

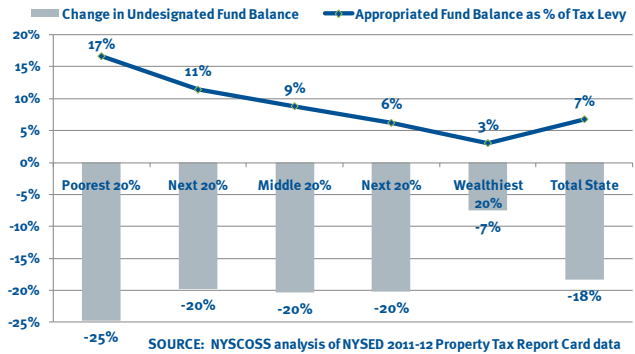
Third, year-in and year-out, schools already use reserves to manage blips in their financial operations.

For example, in the Property Tax Report Cards filed for their May 2011 budget votes, school districts reported "assigned" fund balances totaling over \$1.2 billion. Without these funds appropriated out of existing reserves or current year operating surpluses, districts would have had to raise taxes or cut spending by an equivalent sum.

To put that figure in perspective, to match what they used from fund balances in their 2011-12 budgets, school districts would have had to raise local taxes by 6.8 percent more than they actually proposed (10.2 percent, rather than 3.4 percent). Or they would have had to cut spending by an average of 4.1 percent from what they actually budgeted.

By these measures, poor districts depended on reserves the most in putting together their 2011-12 school budgets. Without what they appropriated from fund balance, the poorest 20 percent of districts (measured by property wealth per pupil) would have had to raise taxes by *an additional 17 percent, or make cuts averaging 4.7 percent.*

Districts drawing down reserves to avoid cuts and tax increases (districts grouped by property wealth per pupil)



These figures illustrate the magnitude of actions schools will need to take if reserve funding is exhausted, and why so many superintendents are concerned by their districts' reliance upon it.

In fact, the overall dependence on non-recurring revenues in 2011-12 school budgets is even greater than these figures suggest.

In August 2010, Congress and President Obama enacted the Education Jobs Fund (EJF) designed to create and save teaching and other school-level positions. New York school districts received \$607 million from this one-time federal initiative, to be used in the 2010-11 school year, or up through September 2012. Because the Jobs Fund was enacted well after 2010-11 school budgets were adopted, most districts deferred using their allocations until this year (2011-12).

When this federal aid is used up – by 2012-13 – districts will need to find alternative funding for the positions the Jobs Fund supported, or cut them from their budgets.

IN THEIR OWN WORDS: OVERALL FISCAL CONDITION...

While I indicated that our fiscal situation is strong for the coming school year, we will quickly slip to less than fair in a year. This will occur both financially as we lose reserve funds and academically as we lose our capacity to teach our children the state mandated courses.

~Upstate rural superintendent

Our district's budget impact on the overall program was minimal. This occurred due to the fact that used reserves to offset aid losses. At our current rate of spending and absent significant change, our school district will be insolvent in 2.5-3 years. Clearly, significant change is needed.

~Upstate rural superintendent

My school district is one of the smallest in NYS. I am the only administrator acting as both Principal and Superintendent... The current unfunded mandates as well as soaring pension costs and increases in diesel are having a tremendous impact on this district. Our portion of state aid demonstrates the unfairness of the inequities in state aid. I have reserves to sustain the district for only one and a half more years. We are currently in the midst of an annexation study... This district will not survive unless our annexation merger is successful or the state addresses the inequities in state aid.

~Upstate rural superintendent

We tried to hold on and were successful, but the future is bleak. We only got away with it this year because of overall community support.

~Downstate suburban superintendent

BUDGETING CHOICES

The core of the Council’s survey is an exploration of the budgeting choices schools have made over the past three years.

An overview of revenue and expense trends

While the Legislature was debating his first proposed state budget, Governor Andrew Cuomo contended that schools could absorb cuts in state aid without laying off teachers or hurting services to students.

But while 2011 is the Governor’s first year in office, it is not the first tough year for school budgets.

State aid was also cut in 2010-11, and most state aid was frozen in 2009-10. As a result, 90 percent of the state’s school districts are getting less help from the state than they were three years ago, in 2008-09.

Excluding Building Aid, only four districts are getting as much state aid as they were three years ago.

Below is a chart tying together changes in state aid, district spending and local tax levy over the past nine years. The latter figures are taken from the “property tax report cards” districts file for annual May budget votes. Because the “Big 5 Cities” do not conduct budget votes and do not file the report cards, data is not included for those districts.

Through 2008-09, the chart lines for state aid and local tax levy follow patterns that might be anticipated: as state aid increases grew larger, local tax increases grew smaller.

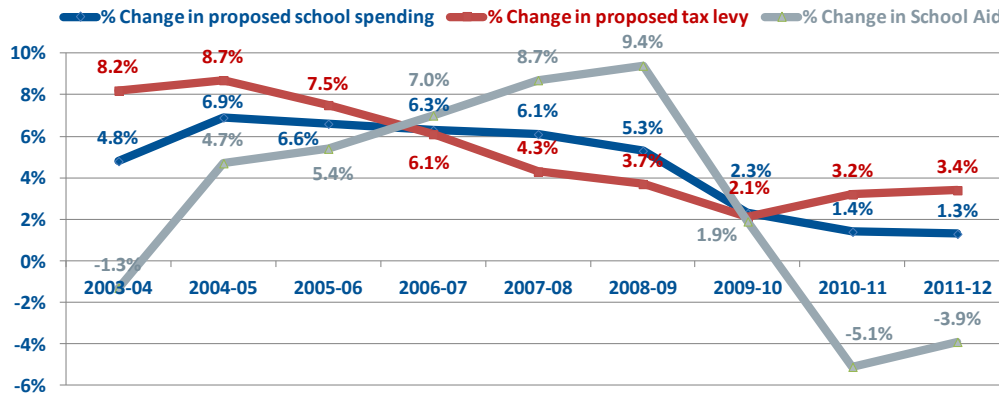
But starting in 2009-10, the predictable pattern was broken. Though state aid nearly flattened out that year, average local tax increases continued declining. While the average state aid increase dropped from 9.4 percent to 1.9 percent, the average tax increase fell from 3.7 percent to 2.1 percent.

Anecdotally, superintendents that year told the Council they recognized that their taxpayers were fearful over family finances and could not be asked to take on more costs, or that they doubted they could gain voter approval for a budget which continued baseline spending growth.

In 2010-11, school districts lowered their average spending increase from (2.3 percent to 1.4 percent), but, but with state aid being cut, the average tax increase grew from 2.1 percent to 3.2 percent. Average spending and tax increases are similar for the current year, 2011-12.

It is striking to contrast recent school tax increases with those of 2003-04 – the last prior year with a state aid cut. The average proposed local tax increase in spring 2003 was 8.2 percent – roughly five percentage points higher than what schools sought either this year or last year.

Changes in school spending, tax levy and state aid -- 2004 to 2011
(Big 5 Cities not included)

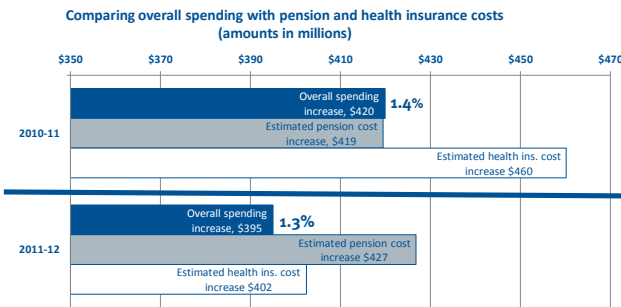


SOURCE: Council analysis of NYSED School Aid and Property Tax Report Card data; federal Education Jobs Fund allocations excluded.

NOTE: 2010-11 Federal Education Jobs Fund allocations are not included as part of state aid. With Jobs Fund allocations, School Aid changes would be -1.7% for 2010-11, and -7.3% for 2011-12.

While absorbing cuts in state aid over the past two years, schools have also had to accommodate surging pension costs and, like the entire economy, they have struggled to manage the costs of health insurance.

Our estimate is that the average overall increase in school spending in each of the last two years was about what would have happened if districts could have frozen all their costs other than pensions. Add in the growth in health insurance costs and it means that that the average district cut all its other spending, on balance, to accommodate those two areas and hold down overall spending and tax increases.²



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.

Three observations about school budgets

Before delving into the survey’s findings on what actions districts took in putting together budgets, three points should be kept in mind.

First, you can’t cut what you don’t have. Poor districts are less likely to report that they eliminated advanced classes because they are less likely to have them in the first place. A district conducting all instruction in a single building will not report that it

² We estimated growth in pension and health insurance costs by starting with historical school costs as reported by the State Comptroller’s Office. We projected cost changes by assuming schools experience changes in costs for health insurance and Employees Retirement System (ERS) similar to those for the state government workforce as estimated in Executive Budget documents. We projected Teachers Retirement System (TRS) costs by adjusting historical expenditures by changes in the required employer contribution rate.

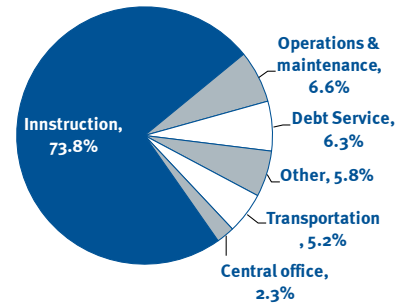
closed a school, unless it takes the extreme step of “tuitioning out” all its students to a neighbor.

Second, some things cannot be cut because they are mandated by Albany or Washington. For example, there must be a principal for every school building, pension contribution rates are dictated by state retirement systems, and the operation of special education services is heavily prescribed by state and federal mandates.

Third, understanding where schools cut requires understanding where their spending goes to start.

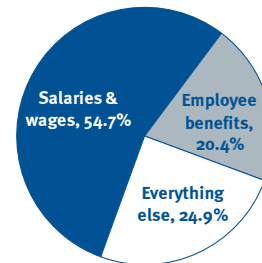
Asked why he robbed banks, Willie Sutton said, “Because that’s where the money is.” Looking at the purposes behind school spending, the money is in instruction. Looking at what commodities schools buy, most spending goes for personnel – salaries and benefits.

Where school spending goes -- by purpose



Source: Council analysis of NYSED School District Fiscal Profiles (2008-09 school year); Big 5 Cities not included

Where school spending goes -- by commodity



Source: Council analysis of US Census Bureau data (2008-09 school year); Big 5 Cities not included

At first, district leaders will attempt to avoid cuts that hurt instruction or cost jobs. But as the need for cutting continues and deepens, as it has over the last three years for New York schools, it becomes harder and eventually impossible to spare those two major areas.

Personnel

If 70 to 80 percent of school spending goes to personnel, the implication is that something approaching 70 to 80 percent of any necessary cuts will come from personnel, at least once easier options have been exhausted.

There are two ways to save money on personnel: employ fewer people, or spend less on each employee. The survey shows districts employing both tactics.

Here are some of the key findings of the survey concerning personnel:

- The percentage of districts exercising each type of cost saving action rose each year (this is actually true for every cost saving action in *all* areas).
- Administrators, led by superintendents, were most likely to have agreed to a salary freeze or other cost-saving action for their districts. In the most recent year, 66 percent of superintendents report accepting a salary freeze or other reduction.³
- 80 percent of districts reported eliminating teaching positions, a higher share than for any other job category.
- On the other hand, measured as a percentage of the total employees in each category, teaching positions absorbed the smallest proportional reductions, 4.3 percent, compared to 8.0 percent of “other instruction and student support” positions, and 7.5 percent of administrative positions.
- Overall, districts responding to the survey reported cutting total positions by an average of

³ In administrative compensation data reported to the State Education Department, the 2011-12 statewide average superintendent salary (\$165,464) remained essentially flat compared to the prior year (\$165,577), a decline of 0.1 percent. Also, over half of districts reporting figures for both years reported paying their superintendent the same or less in 2011-12 compared to 2010-11.

4.9 percent in their 2011-12 budgets; 3.2 percent through layoffs, and 1.7 percent through attrition.

The tables below provide more details.

PERSONNEL	2009-10 School Year	2010-11 School Year	2011-12 School Year
Salary freeze or other cost reduction in salary or benefits for superintendent	22%	35%	66%
Cost-reduction concession in salaries or benefits for other central office administrators	14%	25%	52%
Cost-reduction concession in salaries or benefits for building level administrators	9%	24%	47%
Cost-reduction concession in salaries or benefits agreed to by teacher union	3%	17%	34%
Cost-reduction concession in salaries or benefits agreed to by any other union (other than teachers or administrators)	5%	17%	34%
Reduction in central office administration positions	14%	23%	29%
Reduction in building-level administration positions	9%	20%	30%
Reduction in teaching positions	44%	66%	80%
Reduction in other instructional support or student services positions	34%	55%	72%
Reduction in other positions (clerical, transportation, operations and maintenance, food service, etc.)	31%	57%	74%
Other reduction in personnel costs	17%	29%	45%

Note: Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

Layoffs and other job cuts as a % of workforce, 2011-12			
	Layoffs	Attrition	Total
Teachers	2.7%	1.6%	4.3%
Other instruction and student support	5.7%	2.4%	8.0%
Administration	4.4%	3.1%	7.5%
Other	2.4%	1.3%	3.6%
Total	3.2%	1.7%	4.9%

Position reductions were typically steepest in urban and rural school districts. For example, rural superintendents reported their districts eliminated an average of 10.8 percent of their non-teaching student support positions. City superintendents said their districts eliminated 6.1 percent of teaching jobs, and around 9 percent of positions in other student support or administration.

Total position reductions, by category and district type, 2011-12				
	City	Rural	Suburb	Total
Teachers	6.1%	5.8%	3.4%	4.3%
Other Student Support	8.7%	10.8%	6.6%	8.0%
Administrators	9.3%	9.8%	6.0%	7.5%
Other	4.3%	4.9%	3.0%	3.6%
Total	6.4%	6.7%	3.9%	4.9%

Instruction

As noted, personnel costs comprise roughly three-quarters of school spending. Essentially, the only way a district can *unilaterally* cut personnel costs is by cutting personnel – positions. A district cannot haggle for a lower pension contribution rate from a state retirement system. Salaries and other benefits generally cannot be reduced except by agreement, with a union, or with a contractual employee such as the superintendent.

The survey shows a growing percentage of districts each year gaining cost-saving concessions on behalf of all categories of employees, yielding some reductions in per employee costs. But cutting the number of employees remains the primary recourse for districts compelled to find personnel savings. The resulting job losses do affect student services.

For example, 63 percent of districts reported increasing class sizes in 2011-12, up from 47 percent the year before.

Another 62 percent report reductions in other instructional costs. Examples would include reducing electives, compressing academic tracks intended to address variations in student preparedness, limiting high school course options to those required for graduation, and postponing when high school students may take certain courses.

While more aggressive use of technology is widely cited as a core strategy for both reducing costs and improving instruction, nearly half the districts reported reducing or deferring purchases in that area.

Extra help for struggling students has also suffered, with 36 percent of districts reporting they have reduced summer school and 33 percent saying they have scaled back extra help provided for students during the regular school day or year.

INSTRUCTION	2009-10 School Year	2010-11 School Year	2011-12 School Year
Increasing class size	16%	47%	63%
Reducing non-mandated art classes	2%	11%	22%
Reducing non-mandated music classes	4%	10%	24%
Reducing advanced or honors classes	1%	11%	17%
Reducing summer school	11%	22%	36%
Reducing extra help for students during the regular school day or year	8%	22%	33%
Reducing student enrollment in career and technical programs	4%	8%	17%
Reducing/deferring purchase of instructional technology	19%	35%	47%
Reducing/deferring purchase of textbooks	6%	14%	24%
Reducing/deferring purchase of library materials	8%	19%	31%
Other reduction in instructional costs	30%	46%	62%

Note: Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

Other direct student services

The Council’s survey also shows negative effects on other types of student services. Roughly half the state’s school districts reported reductions in athletics and other extracurricular activities in 2011-12, and more than a third reported cuts in pupil transportation and other services, such as guidance counseling, health and mental health services.

Again, *the cuts are cumulative in many cases* – districts also made reductions in 2009-10 or 2010-11.

OTHER DIRECT STUDENT SERVICES	2009-10 School Year	2010-11 School Year	2011-12 School Year
Reducing interscholastic sports	13%	29%	49%
Reducing other extracurricular activities (other than interscholastic sports)	10%	31%	50%
Changes in special education which reduced costs	15%	29%	48%
Reducing other direct student services	10%	19%	38%
Reducing pupil transportation	8%	21%	39%

Operations, maintenance and construction

Operations and maintenance costs comprise only 6.6 percent of total school spending on average, but in striving to “cut things rather than people,” districts have been aggressive in seeking savings in this area.

In each of the last two years, over 40 percent of districts reported deferring maintenance, undertaking some form of energy conservation, or reducing or deferring purchases of non-instructional supplies.

An apparently small proportion of districts anticipates deferring a capital project this year (17 percent). But not all districts need to take on a capital project in any given year.

OPERATIONS, MAINTENANCE AND CONSTRUCTION	2009-10 School Year	2010-11 School Year	2011-12 School Year
Deferring maintenance	23%	40%	51%
Any form of energy conservation	31%	52%	60%
Delaying a capital project	9%	17%	18%
Outsourcing custodial/maintenance work	2%	2%	1%
Reducing or deferring purchases of supplies, other than those related to instruction	23%	41%	56%
Other reduction in operation, maintenance or construction costs	23%	39%	57%

Note: Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

Other actions

Our survey also allowed superintendents to check-off an assortment of miscellaneous budget cutting strategies.

Majorities of districts reported cutting funding for staff travel and professional development for all categories of staff. High proportions also reported cutting those areas in 2010-11. But the aggressive reform agenda of the state Board of Regents will demand more staff training, not less. Districts will be called upon to implement new teacher and principal evaluations, revised standards and assessments, and work with new student data systems.

The survey also shows changes in districts’ use of shared services.

For example, 51 percent of districts reported reducing their use of shared services provided through BOCES (Boards of Cooperative Educational Services), while 30 percent reported increasing their use. A handful of districts said they did both.

From our past anecdotal information gathering efforts, we have seen districts scale back participation in BOCES special education programs, serving students with disabilities in-house instead. At the same time, districts have also reported making more aggressive use of BOCES administrative services, including cooperative purchasing, shared business offices, and energy management, for example.

The survey also shows steady growth in shared service arrangements outside of BOCES, reaching 44 percent in 2011-12.

Just 6 percent of districts reported closing a school building in 2011-12. This is an area where circumstances limit choices. Some districts have only one building at each level, or even just one building to contain all classrooms. Among districts with 1,000 students or fewer, only 1 percent reported closing a school building. Among districts with enrollments between 1,001 and 2,500 students, 11 percent said they closed a building. School closures were less frequently reported among larger districts this year, but we know that some took that step a year ago.

Finally, consistent with our earlier reported findings about widespread alarm over dependence on reserves, high proportions of districts reported reducing both designated and undesignated reserves in each of the last two years.

OTHER ACTIONS	2009-10 School Year	2010-11 School Year	2011-12 School Year
Closing a school building	2%	3%	6%
Change in school schedule for the purpose of reducing costs (e.g., discontinuing block scheduling)	1%	6%	13%
Reducing funding for staff travel	26%	48%	63%
Reducing participation in professional development by administrators	22%	44%	57%
Reducing participation in professional development by teachers	21%	42%	59%
Reducing participation in professional development by other staff (other than teachers and administrators)	16%	29%	45%
Reducing participation in BOCES services	16%	35%	51%
Increasing participation in BOCES services	9%	20%	30%
Increasing participation in other shared services arrangements (not through BOCES)	14%	29%	44%
Reducing or eliminating undesignated reserves	22%	45%	65%
Reducing or eliminating designated reserves	14%	38%	59%
Changing purchasing practices	17%	34%	44%
Other	8%	11%	19%

Note: Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

IMPACT OF 2011-12 BUDGET DECISIONS

Our survey also asked superintendents to assess the impact of their district’s 2011-12 budget upon various functions. More than half of superintendents anticipated that the adopted budget would have a negative impact on these functions:

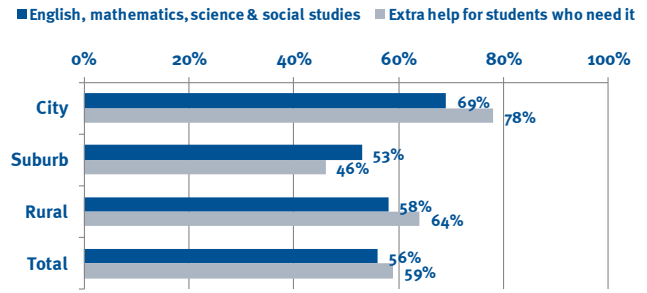
- instruction in core academic subjects,
- extra help for students who need it,
- extracurricular activities (including athletics),
- operations and maintenance,
- other student services,
- other district operations, and
- administration.

Administration drew the highest percentage of responses anticipating a *severe* negative impact. Carrying out the Regents Reform Agenda, especially new teacher evaluation requirements, will greatly strain administrative capacity.

What was the impact of 2011-12 budget decisions on each of the following areas of school operations?	Positive impact			
	Positive impact	No change from prior year	Some negative impact	Severe negative impact
Instruction in English, mathematics, science, and social studies	3%	41%	51%	5%
Instruction in art	2%	59%	34%	5%
Instruction in music	2%	57%	35%	6%
Extra help for students who need it	2%	39%	49%	10%
Advanced or enrichment classes	3%	56%	36%	5%
Special education	7%	63%	28%	2%
Athletics	0%	42%	54%	3%
Other extracurricular activities	0%	36%	57%	6%
Student transportation	0%	57%	40%	3%
Other student services	1%	43%	54%	2%
Operations and maintenance	2%	30%	63%	5%
Administration	0%	41%	43%	15%
Other district operations and services	0%	32%	67%	1%

Urban superintendents expressed the most concern about harmful consequences of their district’s budget for instruction: 69 percent anticipate a negative impact on instruction in English, mathematics, science and social studies; and 78 percent foresee harm to extra help for students who need it.

Percentages of districts anticipating some or severe negative impact on instruction -- by type



Finger Lakes region districts were the most negative in assessing the impact of 2011-12 school budgets on English, math, science and social studies instruction. The Southern Tier produced the highest percentages of districts anticipating *severe* negative effects: 19 percent for impact on “core subject” instruction, and 23 percent for impact on extra help.

Percentages of districts anticipating some or severe negative impacts on instruction -- BY REGION

Region	English, math, science, social studies	Extra help for students who need it
Long Island	45%	31%
Lower Hudson Valley	65%	50%
Mid-Hudson Valley	33%	58%
Capital Region	54%	64%
Mohawk Valley	61%	71%
Central New York	54%	70%
North Country	53%	68%
Southern Tier	69%	61%
Finger Lakes	74%	70%
Western New York	47%	58%
Total	56%	59%

IN THEIR OWN WORDS: BUDGETING CHOICES...

Working with the community we determined that all programs were important, so rather than cutting one, we modified many. However, this practice of just cutting a little from each program cannot sustain itself, because any more cuts to any of the programs, would radically alter them to the point that they might as well be eliminated.

~Downstate suburban superintendent

The 2011-12 budget development process was the most complex, contentious that I have experienced in my 28-year career in education. Because of the ... the great pace of change, and the "scanty" answers coming from SED about those changes, and the competitive nature of RTTT and the proposed APPR, dividing lines are drawn throughout and within our school community. It is never easy to lay off teachers (or anyone else), and financial pressures are leading me ... to make decisions that clearly appear to be in conflict with my stated principles and beliefs. Morale is what you make of it, but it is low, and we are struggling to make it more positive. Our students are not getting an education equal to that of wealthier districts and communities- which is just WRONG.

~Upstate rural superintendent

The implementation of new state standards will be hindered because the cut back in staff development and training that will be necessary for proper incorporation of these standards into the curriculum.

~Downstate suburban superintendent

We have been making severe cuts for the past three years. We are now down to one librarian for a district of almost 2,000 students. AIS and special education programs have taken a very hard hit, as have athletics and extracurricular activities for our students. We have closed buildings, eliminated administrators, and reconfigured our transportation plan to save money, and have leased out space to BOCES and Head Start to bring in additional revenue. If funding continues to drop for the 2012-2013 school year, I will be reducing art, music, business and technology in addition to increasing class sizes. I will not be able to add AP classes in STEM fields as planned to give our students the same opportunities that suburban students have (we currently offer four AP courses). There will be absolutely no reason for a family to move to our rural area because our school district will be not be able to offer anything but a basic program to their children. We need help in order to survive.

~Upstate rural superintendent

The reason there was little impact on the number of teachers is because we have nowhere left to cut. My teachers also took a pay freeze this year.

~Upstate rural superintendent

Fifty eight positions eliminated. One school building closed. Late bus runs eliminated. Mid-day pre-K bus runs eliminated. Estimated tax levy increase of 7.9%. Summer school eliminated. Budget was narrowly defeated. Board adopted contingency budget.

~Upstate rural superintendent

CONTEMPLATING THE TAX CAP

Background on the cap

Beginning with their next fiscal year (2012-13), school districts will be required to budget in compliance with the recently enacted property tax cap.

The new law requires that if a school district seeks a local tax increase greater than the “cap” (the lesser of 2 percent or the change in the Consumer Price Index over the preceding calendar year), it must gain the approval of 60 percent of its voters. If the district proposes a change in the tax levy below the cap, a simple majority (50 percent plus one voter) is sufficient for approval.

Districts will be permitted two chances to gain voter approval.

A crucial point is that the law states:

*...if the qualified voters fail to approve the proposed school district budget ... the sole trustee, trustees or board of education **shall levy a tax no greater than the tax that was levied for the prior school year** [emphasis added].”*

Accordingly, we have argued that the true cap for schools can be viewed as *zero percent*.

Massachusetts was often cited by tax cap advocates as being a model for the positive effects a cap could bring to New York State. But that state’s law permits communities to raise their basic tax levy by up to 2.5 percent without seeking or obtaining voter approval.

The New York law does provide some exemptions from the new limit – for the local share of capital costs, for some pension expenses, and for revenue attributable to actual additions to the local tax base, for example.

But a key point is that if a district fails to gain voter approval by the required percentage, it is capped at last year’s levy and is not allowed to raise taxes to cover “exempt” costs.

The exemptions apply *only for determining whether a proposed levy increase exceeds the threshold requiring a 60 percent vote for approval*. Exemptions could allow a district seeking an actual

levy increase above the 2 percent or inflation threshold to gain voter approval with only a simple majority. But again, if the voters turn down the proposals, the district cannot raise its tax levy above the prior year amount at all.

It is questionable whether the exemptions will be helpful to schools even for their limited purpose.

Although exemptions might authorize a district to win approval for a 4, 6, or 8 percent tax increase with only a simple majority, it seems plausible that voters will view skeptically *any* levy increase greater than the state’s basic cap, whatever its justification.

The essential dynamic of the law is to encourage school district leaders to seek tax increases below the 2 percent or inflation threshold, to avoid the need to win 60 percent approval, the accompanying greater risk of failure, and with it, the prohibition against any increase in tax levy whatsoever.

Forecasting the impact

Asking superintendents to contemplate the potential impact of the tax cap on school services in 2012-13 would require making several complicated assumptions.

For example, they would need to estimate what costs basically cannot be cut and largely must be absorbed (pension contributions, for example), to make assumptions about whether there could be any negotiated savings in other workforce costs, and whether they can squeeze any further savings in non-personnel expenditures.

They would also need to be given assumptions about what will happen with state aid in the coming year. Leaving aside reliance on reserves, with a cut in state aid, a district would need to increase its tax levy to fund a flat budget. Poorer districts tend to be more heavily dependent on state aid, so austerity in state funding forces them to face even harsher choices.

Rather than ask superintendents to make all these assumptions and gauge what choices might be made and their consequences, we asked them to think about how their spending plans for the current school year would have changed, had they been unable to gain voter approval and therefore been required to adopt a budget with no increase in tax levy.

Findings – budget choices

As described above, in 2011-12, districts proposed budgets with spending increases averaging 1.3 percent and tax increases averaging 3.4 percent. These budgets carried the choices and consequences outlined in the preceding section.

Our estimate is that, had the cap law been in place for the current year, the threshold for increases requiring a 60 percent vote for approval would have been 1.64 percent. So, leaving aside possible exemptions, an average district would have had to cut its proposed tax increase by half to avoid the supermajority requirement. Failing to gain voter approval would have required cutting budgeted spending by an average of 2.1 percent in order to eliminate all tax increases, compounding the hard choices already made.

Nearly all districts (over 90 percent) reported it was likely or very likely they would have had to further cut teaching and other student support positions, reduce extracurricular activities, and reduce or defer equipment purchases. Over three-quarters saw reductions as probable in both extra help for students who need it, and in offerings of advanced classes.

One of the options superintendents were permitted to check for each possible budget action is, “not possible to implement in our district without violating state or federal mandates.” Closing a school building was most commonly cited as

foreclosed by mandates (27 percent), followed by eliminating administrative positions (8 percent).

On the theme of choices precluded by circumstances, it was less common for districts to say they were very likely to eliminate administrative positions than to cut teaching or other student services positions. But among larger districts – those likely to have more administrative capacity – differences in the probability of eliminating various types of positions disappeared. Small districts were less likely to anticipate cutting other positions as well.

Percentage of districts by size "very likely" to eliminate various positions			
Enrollment	Administration	Teaching	Other Student Support
500 or less	14%	50%	47%
501 - 1,000	37%	65%	58%
1,001 - 2,500	46%	76%	78%
2,501 - 5,000	75%	75%	73%
Over 5,000	73%	75%	69%

Appraising the consequences

Over 80 percent of superintendents foresaw negative impacts on most areas of school operations had their districts been required to adopt a budget with no tax increase. Exceptions were special education (59 percent) and pupil transportation (67 percent). These are two areas where the ability for districts to reduce costs is heavily circumscribed by state laws and regulations.

CONTEMPLATING THE TAX CAP:
How likely is that your district would have had to adopt each of the following actions -- had your district been unable to gain approval for a tax levy increase?

	Not possible to implement in our district without violating state or federal mandates	Not likely to have been adopted	Somewhat likely to have been adopted	Very likely to have been adopted
Eliminate teaching positions	4%	5%	22%	70%
Eliminate other instructional or student support positions	4%	3%	26%	67%
Eliminate administrative positions	8%	21%	23%	48%
Reduce extra academic help for students	4%	17%	36%	42%
Reduce advanced or enrichment classes	1%	20%	35%	44%
Reduce athletics	0%	15%	29%	57%
Reduce extracurricular activities	0%	9%	33%	58%
Reduce student transportation	5%	30%	31%	34%
Reduce other student services	2%	13%	39%	46%
Reduce/defer maintenance	0%	13%	34%	52%
Reduce/defer equipment purchases	0%	4%	32%	64%
Close a school building	27%	54%	10%	9%

Areas most frequently cited as likely to have suffered a severe negative impact were athletics (48 percent), other extracurricular activities (46 percent), instruction in music (45 percent), and instruction in art (43 percent).

It is predictable that these findings might be dismissed as school districts “crying wolf,” threatening to cut the programs likely to evoke the most sympathy and support. An alternative interpretation is that district leaders have been sparing those areas for those reasons, but now feel they have cut other operations as much as prudent, or perhaps beyond.

Please rate the potential impact of budget reductions your districts would have probably needed to implement, had it been required to adopt a contingency budget for 2011-12 with no increase in tax levy.

	Positive/ little or no impact/ not applicable	Some or severe negative impact	Severe negative impact
Instruction in math, English, science or social studies	15%	85%	36%
Instruction in art	14%	86%	43%
Instruction in music	14%	86%	45%
Extra help for students who need it	17%	83%	36%
Advanced or enrichment classes	13%	87%	39%
Special education	41%	59%	16%
Athletics	11%	89%	48%
Other extracurricular activities	7%	93%	46%
Student transportation	33%	67%	22%
Other student services	15%	85%	30%
Operations and maintenance	12%	88%	35%
Administration	21%	80%	32%
Other district operations and services	16%	84%	28%

Differences across regions and communities

Urban superintendents were most likely to say there would have been a severe negative impact on instruction, had their district been required to adopt a budget with no increase in tax levy. All city district superintendents foresaw a negative impact on both instruction in English, math, science and social studies, and extra help for students who need it. Nearly two-thirds (64 percent) said the impact on extra help would be severe.

Central New York and Southern Tier superintendents were most likely to say that the cuts required to operate with no tax increase would have a severe impact on instruction in English, mathematics, science and social studies. Southern Tier superintendents were also most likely to anticipate a severe impact on advanced classes and extra help.

Percentage of districts anticipating negative effects on instruction, had they been barred from increasing the local tax levy

Region	Instruction in English, math science & social studies		Extra help for students who need it		Advanced or enrichment classes	
	Some or severe negative impact	Severe negative impact	Some or severe negative impact	Severe negative impact	Some or severe negative impact	Severe negative impact
Long Island	94%	24%	78%	33%	91%	39%
Lower Hudson Valley	82%	38%	79%	36%	79%	29%
Mid-Hudson Valley	63%	45%	70%	40%	81%	36%
Capital Region	78%	22%	83%	39%	88%	44%
Mohawk Valley	94%	38%	82%	44%	75%	44%
Central New York	88%	53%	100%	29%	94%	29%
North Country	84%	38%	93%	41%	92%	48%
Southern Tier	89%	68%	84%	58%	89%	63%
Finger Lakes	90%	27%	87%	17%	87%	20%
Western New York	73%	23%	67%	38%	82%	41%
Total	86%	36%	83%	36%	87%	39%

IN THEIR OWN WORDS: CONTEMPLATING THE TAX CAP...

I am very concerned about the impact of the property tax cap as it is being implemented at a time of historic reductions in state aid. In the Massachusetts model at least the tax cap was slightly higher, took a simple majority vote to override, and was coupled with increases in state aid to education. Without significant reductions in mandates that are cost drivers such as health insurance, pensions, and special education, the tax cap will strangle public schools in New York State.

~Upstate city superintendent

I am fearful of the impact the tax cap will have on future budgets at the same time we implement the Regents Reform Agenda. I can only hope State Aid will increase and we will receive some real mandate relief that will allow us to reallocate resources to support vital programs needed by our students and expected by the community.

~Upstate suburban superintendent

As negative as the cap is, if there are no exclusions, another reduction in state aid, no attention to mandate relief (both major ones (seniority, Triborough, Pension/Health Care contributions, Special Ed) and the less political ones), then there is no way we can continue to offer the high quality education our community wants and America needs. The economics and negativity are giving way to extremism and divisiveness (talk of county-wide consolidation, union busting and hostility to both administration and teachers as opposed to serious initiatives to consolidate services (transportation, back office management and operations, contracts, etc.)

~Downstate suburban superintendent

The tax cap as it has been enacted and without significant mandate relief will be nothing short of devastating for my district. The district has eliminated over 40 positions in the last three years either through attrition or layoff. We will hit a breaking point this year if state aid does not increase. The district will have great difficulty maintaining even state mandated programs. Programs that are not mandated will have to be eliminated.

~Upstate city superintendent

Due to the new tax levy cap I anticipate that in the near future we will need to reduce physical education experiences at the primary level. We were one of the few districts in the state that actually met the requirement for P. E. time/program.... Additionally, we will not be able to offer the early intervention experiences that were showing (with clear data) outstanding gains in early literacy for our children..... we will be forced to cut or eliminate Full day kindergarten as well as reduce or cut the locally funded sections of Universal Pre-Kindergarten.

~Upstate suburban superintendent

Small, rural schools will not be viable in 3 to 5 years under this tax cap. I have a very conservative community who is also very politically astute. They will likely vote down any future budgets because they know that means their taxes will not go up. This cap is really a 0% cap not a 2% cap. We have had to raise taxes the last two years to absorb huge decreases in state aid. We have reduced spending and used reserves. We simply cannot keep this trend up much longer. The state aid and/or Gap Elimination Adjustment formulas have to be changed.

~Upstate rural superintendent

We have cut everything we could possibly cut without having a negative impact on students and program. Next year will be extremely difficult and with the tax cap we will be looking at possibly cutting library positions, counselors, returning to half day kindergarten, dismantling our preschool, cutting athletics and cutting AP and college credit courses.

~Upstate city superintendent

Being a poor district, the tax cap will destroy us if we do not receive state aid increases. A 1% raise for our employees equals about \$80,000. A 2% levy increase equals \$79,000.

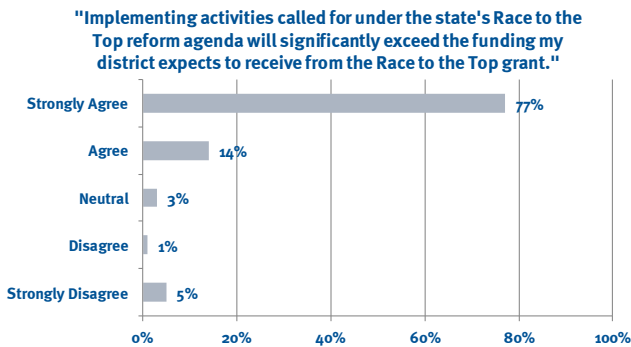
~Upstate rural superintendent

RACE TO THE TOP

New York won the largest grant of any state in the federal government’s “Race to the Top” education reform competition – \$696 million, to be used over four years. We observed that the grant would provide an otherwise unobtainable boost for efforts to update the “infrastructure” of the state’s education system: standards, curricula and assessments; student data systems; teacher and leader preparation and evaluation systems; and strategies to turn-around chronically struggling schools.

But while local districts will receive over half the funding given to the state, we cautioned school districts against anticipating a windfall: \$348 million (half the total grant) paid over four years is equivalent to less than a 0.5 percent annual increase in state aid. For districts outside the Big 5 cities, the average basic RTTT grant amounts to around \$100,000 – again, to be spent over four years. Finally, state policy requires most districts to expend their grants to purchase technical support from “network teams” operated by BOCES.

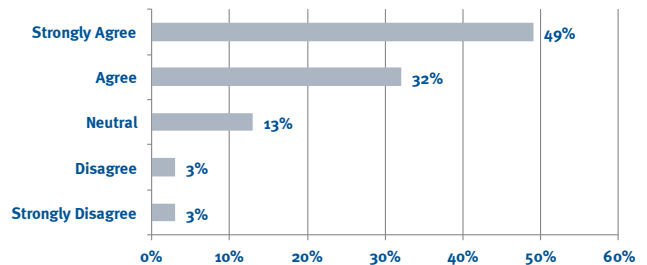
Accordingly, it is no surprise that 91 percent of superintendents agree with the statement, “implementing activities called for under the state’s Race to the Top reform agenda will significantly exceed the funding my district expects to receive from the Race to the Top grant.” Seventy-seven percent *strongly* agreed.



The first major task for school districts to carry out under the RTTT agenda is to develop and negotiate new procedures for teacher and principal evaluation in accordance with a law enacted in 2010, and implementing regulations adopted this past May. It is a good place to start: the first and second most influential school factors in improving student outcomes are effective teaching and leadership. But implementing the new regimen is a dauntingly complicated undertaking, even without the uncertainties imposed by legal challenges to the regulations.

Superintendents are worried about the ability of their districts to soundly implement new evaluation requirements: 81 percent said they are concerned cost considerations will prevent them from implementing the new requirements “in a manner that would best serve the interests of students.”

"I am concerned that cost considerations will prevent our district from implementing the state's new teacher and principal evaluation requirements in the manner that would best serve the interests of students."



Invited to offer comments on RTTT activities, several superintendents expressed strong support for the principles of the state’s reform agenda. But many stress inconsistencies in state government actions: imposing new demands on schools while cutting state aid, limiting local tax increases, and doing little to relieve costly state mandates.

IN THEIR OWN WORDS: RACE TO THE TOP...

Already laid off personnel this summer to pay for RTTT items.

~Upstate rural superintendent

The new Race to the Top mandates are very expensive and not optional. We do not have any resources for training or for purchasing a new local assessment. ... The other problem is administration is very lean and we run about one supervisor per 25 teachers. The new mandates and evaluation system is impossible when administration is being cut.

~Downstate suburban superintendent

We just eliminated two administrators. There are six of us left. We will all be taking on additional jobs that were previously assigned to central office ... I am extremely concerned that our building leaders will not have the capacity to evaluate the members of their staff as outlined by the new APPR regulations and still be able to lead their buildings effectively...

~Upstate rural superintendent

The dysfunctional process of implementing RTTT in a fragmented, rushed, and incomplete schedule will increase waste of federal, state and district resources.

~Upstate rural superintendent

Conceptually, RTTT is tough to argue with and a lot of it is good practice. But it is ironic that mandate relief is universally believed to be the major cost drivers for school districts and RTTT is the largest mandate ever conceived of and the money offered is literally a fraction of what it will take to implement.

~Upstate rural superintendent

How is it that the State can, and will continue to, add external mandates and pressures with unrealistic time constraints with the expectation of schools producing quality results? With the increase of the unfunded mandates, the Districts will have no mechanism to support the costs other than program and staff reductions. How does this help to promote student achievement or help our economy?

~Upstate rural superintendent

The time administrators will need to meet with teachers as part of the RTTT initiative is prohibitive, and will be unlikely to be met. Our elementary principal will need to hold 273 meetings with teachers in a single year, counting the inquiry and evaluation meetings. That number does not assume that anyone is having difficulties and need additional meeting time.

~Upstate rural superintendent

I am a proponent of the new APPR [Annual Professional Performance Review] regulations and the shift in teacher evaluation. However the lack of funding for our poor district caused us to reduce one Principal position. I am concerned that our Building Principals will not have time to do the quality work required on top of their already overloaded job demands.

~Upstate rural superintendent

With the new teacher evaluation system, I will need to hire administrators before teachers. This is due to the time involved for both the observations and evaluations... This option will still impact the budget. The 20% locally-selected testing measure is also of great financial concern. If my district must purchase a NYS approved assessment measure, this will force difficult choices between teachers/programs and testing measures. Frankly, I don't have money allocated in my 2011-2012 budget for these testing measures.

~Upstate rural superintendent

It is interesting that, in the face of considerable talk in Albany about the reduction in unfunded and underfunded mandates, another underfunded mandate arises during the same year that a tax cap is imposed.

~Downstate suburban superintendent

LOOKING AHEAD

Our survey concluded by asking superintendents to think ahead – to estimate how much spending would need to increase to cover baseline costs, to gauge which might have greater significance for their districts – the tax cap or future state aid levels, and what they would prioritize for their district if new revenue became available.

Anticipated cost pressures

In recent years it has been common to hear school district leaders estimate that their district’s spending would increase by 4 or 5 percent or more under a “roll-over budget” – a budget continuing existing service levels while adjusting projected expenses to reflect foreseeable changes in costs, such as negotiated salary increases.

For the current school year, for example, our estimate is that just pension and health insurance would have driven up total school spending by 2.6 percent, even if all other costs could have been frozen. “Step” increases in salary recognizing additional years of service would likely push total spending up by more than 4 percent for a typical district, without considering any cost of living adjustments or any non-personnel costs.

Yet as we have noted, in each of the last two years districts actually proposed budgets with spending increases averaging below 1.5 percent. Our survey findings reveal some of the actions they had to take to reach those levels.

Pension and health insurance cost increases show no signs of slowing. (Steep pension cost increases are chiefly the result of rising mandated employer contributions to offset investment losses suffered by state retirement systems).

Notwithstanding surging benefit costs, our survey suggests anticipated baseline spending increases would be somewhat lower than in past years.

Nearly two-thirds of superintendents (65 percent) said their district’s spending would increase by 4 percent or less were they to adopt a budget “maintaining current services, given collective bargaining agreements, enrollment changes, and other cost considerations.”

However, to hold tax increases below the 2 percent threshold requiring 60 percent voter approval, as well as to accommodate likely continued austerity in state aid, districts will again be required to make cuts from their baseline spending levels, as they have in recent years.

Looking ahead to next year (2012-13), please estimate the approximate percentage change in your district’s spending if it adopted a budget maintaining current services, given collective bargaining agreements, enrollment changes, and other cost considerations.

	% of districts
Spending would be reduced below 2011-12 level	11%
There would be no change or almost no change in spending	4%
up to 1%	3%
by more than 1%, up to 2%	9%
by more than 2%, up to 3%	13%
by more than 3%, up to 4%	25%
by more than 4%, up to 5%	17%
by more than 5%, up to 7%	11%
by more than 7%, up to 10%	5%
by more than 10%	2%

Tax Cap or State Aid – which is of greater concern?

We asked superintendents,

“Thinking about the future financial prospects of your school district, which is of greater concern to you – the recently enacted property tax cap, or possible future state aid levels?”

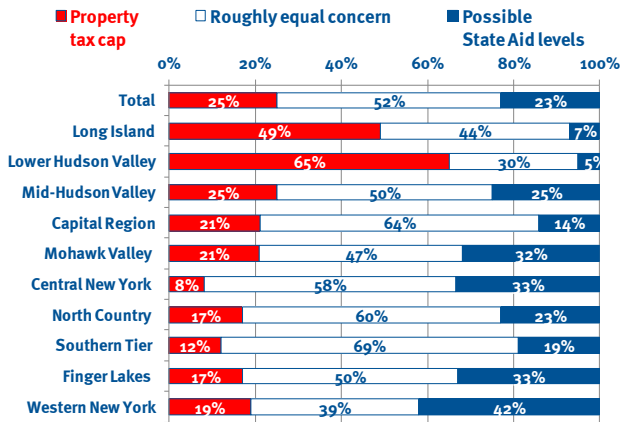
Statewide, the responses were almost evenly distributed: 25 percent said the tax cap was the bigger concern, 23 percent picked state aid levels, and 52 percent said they were of equal concern.

But the statewide figures mask wide variations across regions.

Superintendents in the New York City suburbs were much more likely to cite the tax cap as the greater concern, while upstate superintendents more often picked state aid levels or said the two are of equal concern.

For example, by a 65 to 5 percent margin, superintendents serving in the Lower Hudson Valley picked the tax cap as a greater concern than state aid levels. On the other hand, Western New York superintendents named state aid as the greater concern by a 42 to 19 percent margin.

Thinking about the future financial prospects of your school district, which is of greater concern to you -- the recently enacted property tax cap, or possible future state aid levels?



These regional disparities reflect variations in local wealth and state aid dependence. Measured by property wealth and income per pupil, the Lower Hudson Valley is the state’s most affluent region. Western New York is one of its poorest.

Whatever their flaws, state aid formulas retain some progressivity, with poorer districts generally receiving more aid per pupil. Poorer districts also tend to spend less overall per pupil, further magnifying the share of their spending supported by state aid.

According to data filed in their “property tax report cards” last spring, 20 percent of the state’s school districts would raise less than \$50,000 through a 1 percent tax increase. These are some of the districts whose superintendents said they were “already capped.”

Faced with multi-hundred thousand dollar structural deficits due to falling state aid and soaring benefit costs, these school districts could not ask their impoverished taxpayers for the double-digit percentage tax increases which would have been needed to avoid programmatic reductions.

Obviously, some of these districts are very small. But even a small district will need to spend \$50,000 or more to pay salary benefits to retain a single professional position.

At the same time, even if the property tax cap is the greater concern for a district, greater state aid is a way to address that concern. By reducing access to

local revenues, the tax cap has the potential to raise the stakes in competition for state aid.

Priorities for new funding

We closed our survey on a more upbeat note, asking superintendents what they would prioritize, “...if your district were to receive an increase in funding beyond what would be needed to fund state mandates and your current level of services?”

They were invited to name three top priorities. Increasing extra help for struggling students was the top choice, picked first or second by a majority of superintendents responding. Reducing the local tax levy came in second.

Rounding out the top five but further back were reducing class sizes, increasing reserves, and expanding professional development.

These priorities align with other findings from the survey, reflecting concerns about cuts to extra help and professional development, and reliance on reserves, as well as responding to perennial voter concerns about tax levels and class sizes.

If your district were to receive an increase in funding beyond what would be needed to fund state mandates and your current level of services, what would be your top three priorities for the use of that funding?

	Rank 1	Rank 2	Rank 3	Weighted Rank (Score)
Increase extra help for struggling students	107	45	19	1 (430)
Reduce property tax levy	66	43	43	2 (327)
Reduce class sizes	38	30	13	3 (187)
Increase funding of reserves	16	37	24	4 (146)
Expand professional development	10	27	37	5 (121)
Increase enrichment/advanced classes	14	26	22	6 (116)
Increase other student support services	9	24	32	7 (107)
Purchase technology	3	10	18	8 (47)
Purchase other instruction-related materials	2	9	15	9 (39)
Improve maintenance	2	4	21	10 (35)
Strengthen administration (district or building level)	0	9	14	11 (32)
Expand extracurricular activities or athletics	0	3	5	12 (11)
Other	1	1	4	13 (9)
Purchase other equipment	0	0	1	14 (1)
Did not answer	15	--	--	--

IN THEIR OWN WORDS: LOOKING AHEAD...

Within two years, we will not be able to offer any sports, clubs, or extra-curricular activities. All non-mandated programs will be eliminated.

~Upstate rural superintendent

State aid reductions to poor districts, in particular, defy the State's constitutional obligation to fund education to ALL New York students in an equitable fashion.

~Upstate city superintendent

Our top priorities remain the improvement of student achievement and preparing students with 21st century learning skills. As a academically struggling rural school district, we must leverage every possible situation to impress upon teachers and the community that the way things have always been done is not what will help our students be successful in the future (on top of the fact that our success rate is not all that strong now). I will continue to take the best practices inherent in RTTT and seek to integrate them into the school district by whatever means possible.

~Upstate rural superintendent

If we suffer the same reduction in aid this year, coupled with the inability to successfully gain a 60% vote, we are likely to be incapable of meeting our constitutional obligations.

~Upstate rural superintendent

Please do not forget rural schools. We are the center of our communities and often provide the only opportunity that our children and youth have for positive activities outside of the school day. Our teachers, administrators, and staff members know our students and their families well. We are an extension of the students' families, and take that responsibility seriously. We are the "village" that helps raise the child. We can't offer much; however, what we do offer is a safe, nurturing environment where every student is treated with dignity and where failure is not an option. We can prepare our students for any possible goal they have in their future. We just cannot do it alone.

~Upstate rural superintendent

Rural districts are at an incredible disadvantage because of the funding formula. Because the local share of revenue is so small, a 2% increase in the levy yields a significantly smaller percentage on the budget relative to more wealthy suburban districts. As state aid is decreased there is nowhere to turn for revenue, and the 2% cap will bankrupt rural districts in very few years. Does anybody in Albany understand this? Or is their intent to destroy rural communities in New York? It's either one or the other, they are either ignorant of the impact on rural schools or it is a deliberate plan.

~Upstate rural superintendent

Without relief from TRS/ERS and a more equitable funding stream, high-needs school districts like ours are going to suffer greatly!! I truly wish the Governor would step up to the plate and lead!! Districts can no longer simply "Tighten their belts" in order to provide a proper (and quality) education!!

~Upstate rural superintendent

If we were funded to meet all state mandates there wouldn't be much need for this survey. Unfunded and underfunded mandates - and now pension increases - are what gets us to this dilemma...

~Downstate suburban superintendent

APPENDIX – SURVEY METHODOLOGY

Between August 16 and September 5, 2011 conducted an online survey of its members on school fiscal matters using the services of K-12 Insight⁴, a partner of the Council.

A total of 691 superintendents were invited to take the survey; 283 participated, a 41 percent response rate.

Superintendents were promised that their individual responses would remain confidential.

In addition to the substantive questions covered in the body of this report, superintendents were asked for some descriptive characterizations of their districts.

For example, they were asked about the size of their district, using a series of enrollment ranges. They were also asked which term most accurately describes the community served by district – city, suburb or rural.

They were asked which region their district is located in, using the following definition of regions:

- 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

The distribution of responses by region closely resembled the actual distribution of *all* districts:

Comparison: Distribution of survey respondents across regions vs. actual distribution		
Region	Survey	Actual
Long Island	16%	18%
New York City	0%	0%
Lower Hudson Valley	8%	8%
Mid-Hudson Valley	5%	7%
Capital Region	11%	11%
Mohawk Valley	7%	7%
Central New York	9%	8%
North Country	11%	9%
Southern Tier	10%	10%
Finger Lakes	13%	10%
Western New York	11%	12%
Total	100%	100%

None of the “Big 5 City” superintendents responded to the survey.

The survey also asked superintendents to report the spending and tax levy changes in their district’s adopted budget. Comparing these figures with those submitted to SED by all districts in Property Tax Report Cards” provides another way of gauging whether the survey response pool mirrored entire the state. Here are the results:

	SPENDING		TAX LEVY	
	Survey	Report Card	Survey	Report Card
Adopted a reduction in spending	40%	36%	2%	3%
Adopted no change in spending	4%	4%	9%	6%
Over 0 up to 1%	12%	13%	4%	3%
Over 1% up to 2%	17%	14%	22%	25%
Over 2% up to 3%	15%	17%	23%	21%
Over 3% up to 4%	7%	7%	17%	20%
Over 4% up to 5%	1%	3%	11%	9%
Over 5% up to 7%	1%	3%	6%	8%
Over 7% less than 10%	2%	1%	5%	4%
10% or more	1%	1%	1%	2%
Total	100%	100%	100%	100%

⁴ See www.K12insight.com



**NEW YORK STATE
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