



RHETORIC VS. REALITY

*Summary and Analysis of the 2011-12
Executive Budget for Education*

**NEW YORK STATE
COUNCIL *of*
SCHOOL SUPERINTENDENTS**

7 ELK STREET, THIRD FLOOR
ALBANY, NY 12207
518.449.1063
WWW.NYSCOSS.ORG

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EXECUTIVE SUMMARY

School Aid

- **Total Aid:** Governor Cuomo's budget would cut School Aid by \$1.535 billion (7.3 percent) from 2010-11 level. Measured in dollar terms, this is the largest cut ever proposed by a Governor. There have been larger percentage reductions.
- **Foundation Aid** would be frozen for the third straight year and extend the freeze into 2012-13. Foundation Aid accounts for one half of total revenues for the state's poorest districts. High Tax Aid and Universal Prekindergarten Aid would also be frozen.
- Most other aids would be funded according to current law formulas.
- **Gap Elimination Adjustment (GEA):** The primary mechanism for reducing aid would be a new GEA which would reduce each district's total aid using factors taking into account local wealth, student needs, tax effort, and "administrative efficiency." Average and high need rural districts would face the largest per pupil GEA cuts.

Unlike the current GEA, the new proposal would be permanent and designed to prevent total aid from increasing by more than average growth in statewide personal income. Accordingly, while the budget's Five-Year Financial Plan anticipates Foundation Aid increases resuming in 2013-14 and 2014-15, those increases would be more than offset by the GEA.

- **Expense-Based Aids:** The budget would also make changes in major expense-based aids which would, among other aspects, would eliminate aid for many BOCES shared management services, while Building and Transportation Aid changes would be challenging for the Education Department to administer given its staffing reductions.

Other Education Programs

- **Special Education Cost Shifts:** The budget would also shift \$176 million in special education related costs from the state budget to school districts. To absorb this shift, districts outside New York City would require tax increases averaging nearly 1 percent, or cuts of a corresponding magnitude.
- **Incentive Grants:** Two new incentive grant programs are proposed, each with appropriations for \$250 million, one to reward performance gains, the other to encourage long-term management efficiencies. No expenditures are expected for these programs in 2011-12.
- **State Education Department Operating Budget:** General Fund support for SED's operating budget would be cut by 10 percent. If enacted, the share of SED's budget supported by the general Fund would fall below 7 percent.

Property Tax Relief

- **Property Tax Cap:** Apart from the budget, the Governor proposes a cap which would prevent school districts from raising their local tax levy without voter approval (a zero percent cap). For an increase above the lesser of 2 percent or inflation, more than 60 percent approval would be required; for an increase below that threshold more than 50 percent approval would be required. Districts would be given two chances to gain voter approval.
- **School Tax Relief (STAR) Program:** Among other changes, the budget would limit individual increases in STAR exemptions to no more than 2 percent in a single year. This change could deny help to taxpayers whose districts raise tax rates to offset a loss to their tax base.

| Governor's 2011-12 School Aid Recommendations | | | | |
|--|------------------|------------------|------------------|-----------------|
| | Estimated | Proposed | | |
| I. Formula-Based Aids: | 2010-11 | 2011-12 | Change | % Change |
| Foundation Aid | 14,893.62 | 14,893.62 | 0 | 0 |
| High Cost Public Special Education | 454.14 | 482.62 | 28.48 | 6.27 |
| Private Special Education | 330.45 | 342.73 | 12.28 | 3.72 |
| Reorganization Incentive Operating Aid | 2.86 | 2.86 | 0 | 0 |
| Textbook Aid | 181.03 | 182.09 | 1.06 | 0.59 |
| Computer Hardware Aid | 37.88 | 37.93 | 0.05 | 0.13 |
| Computer Software Aid | 45.2 | 46.37 | 1.17 | 2.59 |
| Library Materials Aid | 19.17 | 19.4 | 0.23 | 1.2 |
| BOCES Aid | 701.69 | 720.08 | 18.39 | 2.62 |
| Special Services Aid | 211.09 | 213.89 | 2.8 | 1.33 |
| Transportation Aid (including summer) | 1,583.32 | 1,654.69 | 71.37 | 4.51 |
| High Tax Aid | 204.77 | 204.77 | 0 | 0 |
| Universal Prekindergarten Aid | 393 | 393 | 0 | 0 |
| Academic Achievement Grant | 1.2 | 1.2 | 0 | 0 |
| Supplemental Educational Improvement Grant | 17.5 | 17.5 | 0 | 0 |
| Charter School Transition Aid | 23.22 | 25.11 | 1.89 | 8.14 |
| Full-Day Kindergarten Conversion Aid | 1.36 | 4.67 | 3.31 | 243.38 |
| Academic Enhancement Aid | 8.32 | 8.32 | 0 | 0 |
| Supplemental Public Special Education Aid | 4.31 | 4.31 | 0 | 0 |
| Subtotal -- Formula Based Aids | 19,114.13 | 19,255.17 | 141.04 | 0.74 |
| Gap Elimination Adjustment | -2,138.07 | -2,785.79 | -647.72 | NA |
| Federal Stimulus and Education Jobs Fund Restorations | 1,333.51 | 0 | 1,333.51 | NA |
| Net Gap Elimination Adjustment | -804.56 | -2,785.79 | -1,981.23 | NA |
| FMAP (Medicaid Shortfall) Reduction | -131.51 | 0 | 131.51 | NA |
| Formula-Based Aids w/ GEA and Federal Offsets | 18,178.06 | 16,469.38 | -1,708.68 | -9.4 |
| Building Aid & Reorg. Incentive Building Aid | 2,488.58 | 2,659.91 | 171.33 | 6.88 |
| Subtotal -- All Formula Aids with Federal Offsets | 20,666.64 | 19,129.29 | -1,537.35 | -7.44 |
| II. Grant Programs and Other Aids | 2010-11 | 2011-12 | Change | % Change |
| Teachers of Tomorrow | 25 | 25 | 0 | 0 |
| Teacher-Mentor Internships (a) | 2 | 2 | 2 | 2 |
| School Health Services | 13.84 | 13.84 | 0 | 0 |
| Roosevelt | 6 | 6 | 0 | 0 |
| Urban-Suburban Transfer | 2.73 | 2.73 | 0 | 0 |
| Employment Preparation Education Aid | 96 | 96 | 0 | 0 |
| Homeless Pupils | 16.23 | 17.23 | 1 | 6.16 |
| Incarcerated Youth | 18.75 | 19.5 | 0.75 | 4 |
| Bilingual Education | 12.5 | 12.5 | 0 | 0 |
| Education of OMH/OPWDD | 72 | 76 | 4 | 5.56 |
| Special Act School Districts | 2.7 | 2.7 | 0 | 0 |
| Chargebacks | -52 | -54.5 | -2.5 | 0 |
| BOCES Aid for Special Act Districts | 0.7 | 0.7 | 0 | 0 |
| Learning Technology Grants | 3.29 | 3.29 | 0 | 0 |
| Native American Schools Building Aid | 3.5 | 5 | 1.5 | 42.86 |
| Native American Education | 35 | 32 | -3 | -8.57 |
| Bus Driver Safety | 0.4 | 0.4 | 0 | 0 |
| Total Grant Programs and Other Aids | 258.64 | 260.39 | 1.75 | 0.68 |
| GRAND TOTAL -- ALL AIDS | 20,925.28 | 19,389.68 | -1,535.60 | -7.34 |

(a) Supported in full by American Recovery and Reinvestment (ARRA) Aid.

Rhetoric vs. Reality

Governor Cuomo's proposed 2011-12 state budget would cut School Aid by a record sum – over \$1.5 billion. It would also shift over \$170 million in special education-related costs from the state budget to schools.

The Rhetoric

The Governor asserts that schools should be able to accommodate his cuts without resorting to layoffs, by trimming administration and drawing down reserves.

At the same time he argues that New Yorkers are not getting what they deserve for what they spend on their public schools. He contends the state is first in per pupil spending, but 34th in performance, based on the proportion of adult New Yorkers holding a high school diploma. As we explain below, this distorts and oversimplifies the facts.

The Governor is attempting to put the state's finances on a sustainable trajectory, restraining both spending and taxes. It is a worthy goal. But no good can come from distorting the difficulty of the task, for the state or for the services it funds, including schools.

Notwithstanding the Governor's claims, school district leaders are publicly contemplating laying off staff closing, school buildings, scaling back to half-day kindergarten, and cutting sports, arts, extracurricular activities and advanced electives – essentially anything which is not mandated.

These local deliberations have alarmed employees, upset parents and drawn anger back on district leaders. If the choices were as easy as Mr. Cuomo contends, would district leaders indulge in these pain provoking exercises, for their communities and for themselves?

The Reality

The essential defect in the Governor's argument is that this is not the first hard year for the state or the schools. Nor will it be the last.

In 2009-10, districts received a 1.9 percent state aid increase, made possible only through federal stimulus aid. It was the smallest aid increase in six years, yet that year districts proposed the smallest average local tax increase in seven years, to avoiding compounding the burdens of taxpayers worried over their own financial prospects.

For this current year, with no state budget in place in time for school budget adoption, districts budgeted for a 5 percent cut in aid.

So districts have been taking steps to conserve energy costs, negotiate higher employee contributions toward health care, and cut down administrative expenses by sharing overhead functions, for example. But most districts have also found it necessary to eliminate positions over the past two years. As the need for cuts accumulates year after year, it becomes harder and harder for districts to spare personnel and instruction, the areas where most school spending is concentrated

Districts have also drawn upon reserves, to avoid more disruptive cuts or tax increases, and were already planning to do so again, in 2011-12. Without the sums budgeted as “appropriated fund balance” this year, schools would have had to raise taxes by 6 percent more than they did – or make corresponding cuts. For the poorest 20 percent of districts, additional tax increases averaging 14 percent would have been needed.

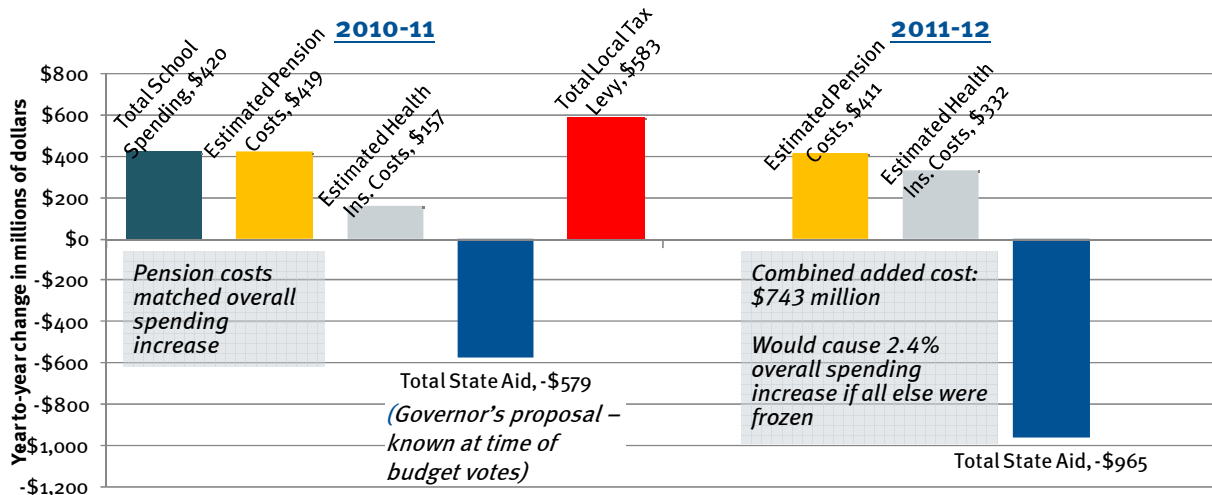
Administration is always an easy target, but the fact is that even if schools could eliminate *every cent* of central administration spending, the savings would not match the Governor’s proposed School Aid cut.

At the same time schools are coping with diminished help from the state, they must also manage surging costs for pensions and health insurance. Rising mandated pension contributions roughly matched the total average increase school spending this year. The implication is that schools froze all other expenses, on balance.

The Future

Benefit costs will continue to challenge school districts. For 2011-12, the Council projects that pension and health insurance costs would drive total school spending up by 2.4 percent, even if all other spending could be held flat. Combined with the proposed aid cuts, these costs alone would create budget gaps totaling roughly \$1.7 billion for districts outside the Big 5 Cities. The poorest 20 percent of districts would need to raise local taxes by 20 percent to fill their gaps, or make cuts of equivalent magnitude.

ESTIMATED/PROJECTED CHANGES IN SCHOOL DISTRICT REVENUES AND EXPENDITURES
Big 5 Cities not included



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

State law requires Governors to outline a *Five-Year Financial Plan* illustrating what will happen if their proposed budgets are enacted. Governor Cuomo assumes that Foundation Aid would be frozen the year after next and that although increases would resume in 2013-14, they would be more than offset by a new and permanent “Gap Elimination Adjustment.”

Altogether, the Governor's *Five-Year Financial Plan* projects that the proposed budget would have a \$631 million negative impact on school districts outside New York City the year after next – when the Governor also seeks to impose a property tax cap on schools and local governments. So short-term fixes, like exhausting reserves, make no sense for schools, any more than they would for the state.

Conclusion

The Governor's assertions about school performance are also off target. The ranking he cites is based on the percentage of New Yorkers over age 25 (in 2007) with at least a high school diploma. So it considers educational outcomes for people who would have been in high school more than 10 years ago, and some of whom attended school in other states.

Of course any one statistic oversimplifies reality. New York is enormously diverse, in ways good and bad. A recent report ranked New York as having the worst gap in per pupil spending between high and low poverty schools.¹ New York has struggling schools and it has some of the nation's absolute best public schools. For example nearly a third of the 300 nationwide semifinalists in the Intel Science Talent Search attend new York public high schools.

Here are some other broad measures of how New York ranks among states in school performance:

| 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" (<http://www.edweek.org/media/ew/qc/2011/16sos.h3o.k12.pdf>)

New York also won the largest grant of any state in the federal Race to the Top reform competition. Pursuing the Race to the Top agenda seems detached from the financial realities threatening schools now.

But no matter how grim the challenges of today appear, school leaders cannot stop thinking about tomorrow. The future is our business – preparing young people to meet the demands of adult life. No matter what happens to state and school budgets this spring, over two and a half million children will show up for school next fall and every fall after that through the end of the decade.

The first step toward the best possible tomorrow is to honestly confront today's challenges. Governor Cuomo faced hard choices in developing a budget for the state. Superintendents have been leading their communities in making difficult choices for their schools over the past several years. The need for strong leadership in school districts has never been greater than now.

¹ "Is School Funding Fair? A National Report Card." Education Law Center, Rutgers University, 12 Oct. 2010. Web. 23 Feb. 2011. <<http://www.schoolfundingfairness.org/>> .

SUMMARY AND ANALYSIS

I. OVERVIEW

Measured in dollar terms, Governor Andrew Cuomo’s first proposed state budget recommends the largest year-to-year reduction in School Aid ever recommended by a Governor – a cut of \$1.535 billion below the 2010-11 school year level.

Beginning the budget process, the new Governor faced a constitutional duty to close a projected General Fund deficit of \$10 billion. More than one-half the deficit is due to the expiration of federal stimulus aid, necessitating the state to either resume funding expenditures supported by federal stimulus dollars from its revenues, or to reduce the expenditures.

The deficit projection also assumes increased state costs for School Aid of \$2.6 billion, chiefly due to assumptions based on formula provisions in current law.

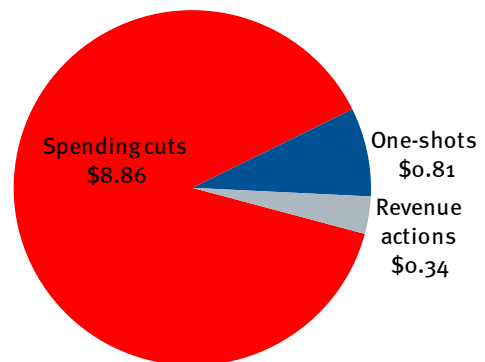
For example, under current state law a freeze on Foundation Aid would expire after this year, generating a \$1.2 billion school year increase in 2011-12. Similarly, the Gap Elimination Adjustment reduction in aid is also due to expire; it would result in a \$1.4 billion increase in school district revenue in 2011-12. No school official known to the Council has been counting on such increases.²

Because the deficit projection is based partly on assumed increases in spending, reductions from those assumed spending levels help cut the deficit, whether or not they result in actual year-to-year cuts in spending.

On the revenue side, budget projections assume that the personal income tax surcharge on upper income New Yorkers enacted in 2009 will expire at the end of the 2011 calendar year, as provided for under current law. If extended, the surcharge would generate an additional \$1.4 billion in 2011-12 covering the final quarter of the 2011-12 state fiscal year. Over an entire state fiscal year, expiration of the surcharge would reduce state revenues by approximately \$5.6 billion.

In total, the Governor seeks to close the projected deficit chiefly through spending reductions. Total General Fund expenditures would be cut by \$8.9 billion from projected levels. Only \$340 million in new revenues are proposed. The remainder of the gap (\$805 million) would be closed by non-recurring actions – so called one-shots.

**How Governor Cuomo would close \$10 billion gap
(amounts in billions)**



SOURCE: 2011-12 Executive Budget Briefing Book

² Governor Cuomo condemned large, built-in state spending increases as “sham” budgeting and attributed their existence to “special interests.” The planned increases in Foundation Aid were proposed by Governor Eliot Spitzer in his 2007-08 state budget; the design of the GEA as a one-time reduction was proposed By Governor David Paterson in his 2010-11 budget.

In total, School Aid would be cut by \$2.8 billion from projected levels for the state fiscal year.³ School Aid accounts for 30.8 percent of the state’s total General Fund spending; it would contribute 31.7 percent of the proposed cuts in spending.

The Governor also proposes two new programs, each funded at \$250 million, to reward academic performance gains and to encourage efficiencies. He also recommends shifting \$176 million in special education-related costs from the state budget to school districts.

By law, the Governor is required to submit a Five-Year Financial Plan projecting future expenditure and revenue levels if the Executive Budget is enacted. The Division of the Budget projects that there will be a need to close state budget deficits, even the Governor’s proposals were approved as written, but those deficits would be much reduced, as the table below indicates.

| 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) |

SOURCE: New York State Division on the Budget. *2011-12 Executive Budget Briefing Book*, February 1, 2011.

II. SCHOOL AID

The Governor proposes to cut School Aid by \$1.54 billion from 2010-11 levels, a reduction of 7.3 percent. The primary reduction is achieved through a new \$2.79 billion “Gap Elimination Adjustment.” Part of the overall cut reflects the discontinuation of federal stimulus aids.

Reductions are partly offset by increases in Transportation, Excess Cost, BOCES, Building and other aids, and by the discontinuation of the .67066 percent reduction in current year aid enacted in August to help the state accommodate a shortfall in federal support for Medicaid.

³ A note on reconciling school and state fiscal years: When state officials and education groups speak of the dollar change in School Aid, usually they refer to the change over the school year, which starts on July 1. This figure will be different than the change over the state fiscal year, which begins on April 1.

Major state aid payments begin in September and continue through June, a total of 10 months. Accordingly, aid for any school year will be paid out of two state budgets.

For the 2010-11 school year, for example, the September through March payments will be paid from the 2010-11 state budget; while the April through June payments will be paid in the first quarter of the next state fiscal year, out of the 2011-12 state budget.

Since seven of the 10 major aid payments for a school year fall in the state fiscal year with the same numeration (e.g., 2011-12), it is generally assumed that roughly 70 percent of the savings from any aid cut for that school year would be realized in that state fiscal year, with the other 30 percent realized in the following year’s state budget.

This is why the proposed cut for School Aid for the 2011-12 school year is \$1.54 billion, while the cut for the 2011-12 state fiscal year is \$1.29 billion.

Foundation Aid, High Tax Aid, and Universal Prekindergarten Aid would be frozen at their current year levels. Several other aid categories would continue to be funded according to their formulas under current law.

The Governor proposes changes in the laws covering BOCES, Building, and Transportation Aids that would affect funding beginning in 2012-13. These are explained below.

Here is a table which seeks to concisely explain how the major pieces fit together to result in the net \$1.54 billion School Aid cut:

| Major Elements in Proposed 2011-12 School Aid Changes | | | |
|--|------------------|------------------|-------------------|
| Program | 2010-11 | 2011-12 | Change |
| Foundation Aid | 14,893.62 | 14,893.62 | - |
| Building Aid | 2,488.58 | 2,659.91 | 171.33 |
| Other Aids | 4,479.15 | 4,621.94 | 142.79 |
| Gap Elimination Adjustment | (2,138.07) | (2,785.79) | (647.72) |
| Federal Offset to 201-11 GEA | 725.92 | - | (725.92) |
| Federal Education Jobs Fund | 607.59 | - | (607.59) |
| Reduction to Cover State Medicaid Shortfall | (131.51) | - | 131.51 |
| Total Aids | 20,925.28 | 19,389.68 | (1,535.60) |

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

In August, Congress and President Obama approved legislation creating the \$10 billion Education Jobs Fund, with New York receiving \$607.59 million. The federal law required states to allocate the funds to districts for the 2010-11 school year, but allows districts to obligate the funds through September 30, 2012.⁴ Accordingly, some districts (including the Big 5 Cities) used most or all of their Jobs Fund allocation this year, while many other districts do have funds from this source to help in assembling their 2011-12 budgets.

As required by the State Finance Law, the Governor’s budget is accompanied by a Five-year Financial Plan which includes projected changes in School Aid through 2014-15. For example, the budget projects an increase in total School Aid of \$795 million for 2012-13, chiefly due to a reduction in the size of the Gap Elimination Adjustment, and to an increase in expense-based aids.

Below is a table presenting the budget’s School Aid projections through 2014-15. Again, however, the State Constitution requires the Governor to annually propose a balanced budget, and since deficits are foreseen in all of the out-years included, the projected School Aid levels cannot be presumed, even if the budget were enacted exactly as proposed.

⁴ For the purposes of this program, funds are obligated when services are provided. Accordingly, districts could use the funds during the 2011-12 school year, or to fund summer school in 2012, but not to pay staff for the entire 2012-13 school year.

| GOVERNOR'S BUDGET -- FIVE-YEAR SCHOOL AID PROJECTION (MILLIONS OF DOLLARS) | | | | | | | | | |
|---|-----------------|-----------------|------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| Aid Category | 2010-11 | 2011-12 | Change | 2012-13 | Change | 2013-14 | Change | 2014-15 | Change |
| Foundation Aid/Academic Achievement Grants | \$14,894 | \$14,894 | \$0 | \$14,894 | \$0 | \$16,381 | \$939 | \$17,804 | \$1,160 |
| Universal Prekindergarten Aid | \$393 | \$393 | \$0 | \$393 | \$0 | \$452 | \$59 | \$511 | \$59 |
| Expense Based Aids* | \$5,769 | \$6,074 | \$305 | \$6,280 | \$206 | \$6,680 | \$400 | \$7,150 | \$470 |
| Other Aid Categories | \$806 | \$815 | \$9 | \$868 | \$53 | \$923 | \$55 | \$971 | \$48 |
| Gap Elimination Adjustment | (\$805) | (\$2,786) | (\$1,981) | (\$2,250) | \$536 | (\$3,306) | (\$1,056) | (\$4,566) | (\$1,260) |
| FMAP Contingency reduction | (\$132) | \$0 | \$132 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total School Aid | \$20,925 | \$19,390 | (\$1,535) | \$20,185 | \$795 | \$21,130 | \$945 | \$21,870 | \$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

Foundation Aid

Foundation Aid accounts for over 70 percent of total School Aid. It provides general purpose operating aid to districts and has been frozen for the past two years. The Governor's Budget proposes to continue the freeze through 2011-12 and 2012-13. Full phase-in of the formula would be delayed until 2016-17.

The Foundation formula was enacted in 2007 as part of a comprehensive resolution to the Campaign for Fiscal Equity's 13-year successful challenge to the constitutionality of the state's education finance system. It was an under-appreciated achievement in public policy.

The formula generally targeted the greatest aid increases to the neediest districts, while also promising all districts predictable increases in state funding. It also increased the state's accountability for school funding decisions, by prescribing in law a detailed phase-in schedule and by using factors which could be understood and debated.

During the Foundation Aid formula's two years of operation, the poorest districts were able to propose budgets to the voters with the lowest average tax increases and the largest spending increases – closing gaps in resources for their students without over-burdening their taxpayers.

The budget's Five-Year Financial Plan projects a resumption of Foundation Aid increases in 2013-14 and thereafter. *However, those increases would be more than offset by increases in the Gap Elimination Adjustment, as the table above indicates.*

Reaction: By falling at least four full years behind in implementing the Foundation formula, the state has essentially given-up on its promises of 2007.

Further, while total aid would actually be cut under the Executive Budget, freezing this aid category is damaging on its own, especially for poor districts. Foundation Aid accounts for 50 percent of combined state and local revenues for the state's poorest 20 percent of districts (measured by property wealth per pupil). Accordingly, these districts will have endured a four-year freeze on this major component of their revenues if this proposal is enacted.

High Tax Aid

Consistent with its treatment of Foundation Aid, the proposed budget would freeze High Tax Aid for 2011-12 and the following year.

Reaction: It is a positive step that the Governor does not propose eliminating this aid. The factor used to measure tax effort is flawed – tax levy on residential property divided by adjusted gross income. It tends to overstate the tax effort of vacation-home communities and understate the effort of cities. It includes the property taxes paid by second home-owners while excluding their incomes. On the other hand, it excludes the property taxes effectively paid by many renters while including their incomes.

Still, over 70 percent of the aid is currently directed to average and high need districts.

Universal Prekindergarten Aid

Again, consistent with its treatment of Foundation Aid, the Governor's budget would freeze aid for Universal Prekindergarten at the prior year, continuing the freeze begun after 2008-09. Aid increases are projected to resume in 2013-14.

Reaction: The Council strongly supports continued expansion of prekindergarten opportunities. In the current fiscal environment, however, it is unlikely many or perhaps any districts would consider expanding this program. It is disappointing that the Governor has not recommended changes to the program structure to give districts more flexibility in the use of funding – for example, to offer full-day programs.

Aids Continued with Current Law Formulas

The Governor proposes to continue funding all the following aid categories according to their current law formulas for 2011-12 aid:

- High Cost Public Excess Cost Aid (aid to support placement of students with disabilities in high cost special education placements in public school settings).
- Private Excess Cost Aid (aid to support placement of students with disabilities in private special education placements).
- Full-Day Kindergarten Conversion Aid
- Transportation Aid (*changes affecting aid in future years are proposed*)
- BOCES Aid (*changes affecting aid in future years are proposed*)
- Reorganization Incentive Operating and Building Aids (**Note:** the budget would *not* resurrect an expired provision of law which allowed districts access to Reorganization Incentive Building Aid past 10 years after consolidation).
- Special Services Aids for Non-BOCES member districts
- Instructional Computer Hardware and Technology Equipment Aid
- Textbook Aid
- Computer Software Aid
- Library Materials Aid
- Charter School Transition Aid

Gap Elimination Adjustment

As explained above, the proposed budget relies on an increased Gap Elimination Adjustment (GEA) to reduce total School Aid. The GEA is calculated as a lump sum reduction in total aid, excluding Universal Prekindergarten and construction-related aids.

The basic formula resembles that for the current year (2010-11) GEA. It reduces each district's aid by the product of -6.40 percent and its total aid, excluding Building Aids and UPK *plus* the product of -\$4,400 and its 2010-11 public school enrollment *and* factors which take into account district wealth (measured by the Combined Wealth Ratio⁵) and pupil needs (percentage of elementary grade students eligible for free or reduced price lunches).

Before applying adjustments, cuts range from a minimum of 11 percent of the total affected aids up to a maximum of 23 percent. However, districts may have their GEA reduced by one or more of these adjustments:

- **Limit as Percent of Total General Fund Expenditures:** There would be three caps limiting the GEA as a percentage of district Total General Fund Expenditures (TGFE):
 - (1) For districts meeting the State Education Department's definition of "High Need"⁶ the GEA would not exceed 6.90 percent of its 2010-11 TGFE.
 - (2) The GEA would be limited to 4.70 percent of TGFE if the district is deemed "high need" and its expenditures for administrative purposes were below 1.55 percent of total expenditures in 2008-09 *and* its three-year average percentage of K-6 pupils eligible for free or reduced price lunches was above 75 percent. Administrative expenses are defined below.
 - (3) For all other districts, GEA could not exceed 11 percent of 2010-11 TGFE.
- **Tax Effort Adjustment:** Districts with a Tax Effort Ratio⁷ greater than 4.5 percent and a CWR of below 1.500 are eligible for a reduction in the GEA – the greater their ratio, the greater the reduction.
- **Administrative Efficiency Adjustment:** Districts (other than the Big 5 Cities) receive a wealth-adjusted reduction their GEA if they (a) devoted less than 1.80 percent of total 2008-09 expenditures to Central Administration and Board of Education operations are eligible for a

⁵ The Combined Wealth Ratio is the measure of local revenue-raising capacity most widely used in aid formulas. It is based on district property wealth and income per pupil compared to state averages, each weighted at 50%. A district with a CWR of .500 could be said to have one-half the state average wealth per pupil. A ratio of 1.000 indicates average wealth.

⁶ The State Education Department employs "Need/Resource Capacity Categories" to analyze school district finances and other characteristics. The NRC categories seek to differentiate between districts based on their ability to meet the needs of their students given their local fiscal capacity. Students needs are measured chiefly by the percentage of students eligible for free or reduced price lunches; fiscal capacity is measured by the Combined Wealth Ratio. For a fuller explanation, see p. 18 here: <http://www.p12.nysed.gov/stateaidworkgroup/2010-11RSAP/RSAP1011final.pdf>

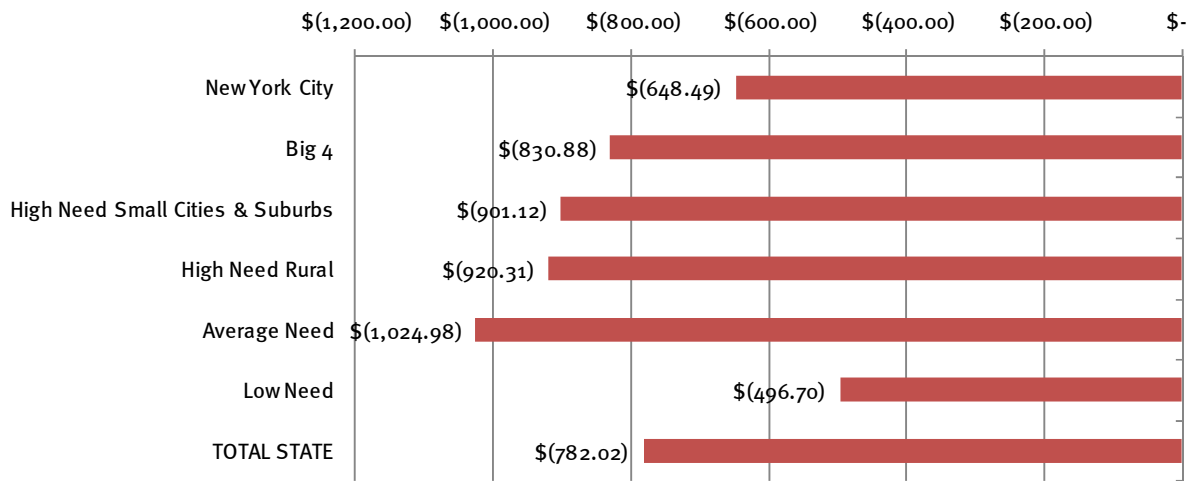
⁷ The Tax Effort Ratio is calculated by dividing a district's total tax levy on residential property by the adjusted gross income of residents as reported on state tax returns. It could be said of a district with a ratio of 4.0 that its residents are paying 4% of their incomes to school property taxes. As explained in the discussion of High Tax Aid, the ratio is a flawed measure of tax effort.

wealth adjusted reduction in the GEA and (b) had per pupil administrative expenditures below \$348. The formula generates a total of \$20.4 million for 70 districts.

The first two adjustments are mutually exclusive – districts may receive one or the other. But districts may receive the Administrative Efficiency Adjustment plus one of the other two.

The GEA formula has progressive elements, but still hits many high and average need districts hard. Below is a chart illustrating the cut per pupil generated by the proposed Gap Elimination Adjustment grouping districts according to their Need/Resource Capacity Category as determined by SED.

Proposed Gap Elimination Adjustment per Pupil



SOURCE: Council analysis of NYSED School Aid data

Unlike the current year Gap Elimination Adjustment, Governor Cuomo’s proposal would continue the GEA beyond a single year and actually increase in impact in order to offset scheduled increases in Foundation Aid. The GEA would be structured to limit increases in total School Aid based on multi-year average growth in statewide personal income.

Reactions: As noted, the Gap Elimination Adjustment does include elements designed to soften cuts based on student needs, local ability to pay, and local tax effort. Yet, still, as the chart above indicates, all high need categories as well as the average need group of districts would absorb greater per pupil aid reductions than low need districts.

The use of strict cut-offs for the three adjustments means that small, even meaningless differences in district characteristics can make a huge difference in aid. For example, districts with a Tax Effort Ratio of 4.49 or an Administrative Efficiency Ratio of 1.81 would lose out on potentially significant aid adjustments.

The use of the SED Need/Resource Categories in one of the reduction adjustments is inappropriate. The Department designed the categories for analytical purposes, not for use in aid calculations. As with the other adjustments, it contributes to sharp differences in aid due to slight differences in characteristics as the table below illustrates.

The administrative efficiency component is a clumsy political gesture, rather than a serious public policy initiative. First, state mandates often compel administrative expenses – for example increased auditing and financial controls enacted in 2005, and the new teacher and principal evaluation statute enacted this past year.

Also, the formula uses data from 2008-09. Accordingly, any district seeking to qualify this year would need to wait until 2014-15 to see a reward – assuming the formula is continued. Finally, the use of a sharp cut-off diminishes the incentive impact of the aid – districts below the cut-off or well above it have no opportunity to generate additional aid.

**Use of strict cut-offs in eligibility for aid adjustments:
Small differences in characteristics can result in steep aid differences**

| District | 3-year Average % of K-6 Pupils Eligible for Free/Reduced Price Lunch | Combined Wealth Ratio (lower is poorer) | GEA per Pupil |
|---------------------------------|--|---|------------------|
| Dansville (Average Need) | 51.5% | 0.411 | (1,248) |
| Waverly (High Need Rural) | 45.9% | 0.377 | (582) |
| Wayland-Cohocton (Average Need) | 45.6% | 0.402 | (1,320) |
| Granville (High Need Rural) | 46.9% | 0.411 | (857) |

SOURCE: Council analysis of NYSED School Aid data

BOCES Aid

BOCES Aid reimburses districts for a share of the cost of approved shared services purchased from Boards of Cooperative Educational Services. The Governor would continue the BOCES Aid formula according to current law for 2011-12. However, commencing with aid for the 2012-13 school year, the Governor would discontinue aid for the following services:

- collective negotiations and labor relations,
- central business office services, personnel services-recruiting,
- planning services and management,
- public information services,
- school food services and management,
- extracurricular activities and interscholastic sports coordination,
- instructional graphics, equipment repair, printing, photocopying, non-print duplication, energy management, and engineering services
- GASB 45 planning and valuation (i.e., calculating obligations for retiree benefits).

Also, commencing with aid for expenses incurred after July 1, 2011, the share of costs reimbursed by the state would be determined using the “State Sharing Ratio” for Foundation Aid, rather than the current methodology. The changes would significantly reduce reimbursement for many

districts. In combination, the budget assumes the changes would reduce 2012-13 BOCES Aid by approximately \$130 million from what current law would generate.

Reaction: Proposing to discontinue aid for most management services is contrary to other professed priorities of the Governor – encouraging administrative efficiency and sharing of overhead functions. Eliminating aid for negotiations services would undermine the collective bargaining capacity of districts at a time when taxpayers need more effective bargaining. Also, while the proposed change in state reimbursement ratios would generally have less immediate impact on poorer districts, it could still hurt those districts most – with the loss of state aid, more affluent districts may withdraw from shared service arrangements, diminishing the ability of BOCES to maintain those services for poor districts.

It is a positive change from past executive proposals that the Governor does not seek immediate changes to BOCES and other expense-based aids which would have the effect of denying reimbursement to districts for costs they have already incurred. Also, state and school officials do need to weigh trade-offs between continuing existing expense-based formulas as written, and providing state aid for general operating costs.

Building Aid

The Governor proposes to change Building Aid from an expense reimbursement formula to a competitive grant program for projects approved by voters after February 1, 2011. Total funding would be limited to \$2 billion in aidable costs per year. Projects which have received local approval would be prioritized based on building condition surveys, the age of the building, and the overall needs of the district. Projects would be classified into one of six prioritized tiers:

- **1st tier:** Projects to correct health and safety hazards
- **2nd tier:** Projects to ameliorate overcrowding
- **3rd tier:** Projects to replace or renovate buildings that have been in use for more than 40 years and that do not involve increasing capacity by more than 10 percent and where the district has a needs-resource index⁸ above the state median.
- **4th tier:** Projects to modernize or renovate buildings that have been in use for at least 20 years and where project would not increase capacity by more than 10 percent and district has a needs-resource index above the state median.
- **5th tier:** Projects to add capacity or extend useful building life by at least 15 years and district has a needs-resource index above the state median.
- **6th tier:** Other projects

Within each tier, projects would be ranked by the district's needs-resource index and building age. Projects would be selected for funding in rank order, first from first tier projects, then from second tier, and so on. Projects to modernize or renovate buildings that have been in use for less than 20

⁸ The needs-resource index was developed by the State Education Department for analytical purposes. SED describes it as, “.. a measure of a district's ability to meet the needs of its students with local resources, is the ratio of the estimated poverty percentage (expressed in standard score form) to the Combined Wealth Ratio (expressed in standard score form). A district with both estimated poverty and Combined Wealth Ratio equal to the State average would have a need/resource-capacity index of 1.000.” For further information, see: <http://www.p12.nysed.gov/stateaidworkgroup/2011-12RSAP/RSAP1112final.pdf>

years, to renovate or reconstruct space for non-school purposes or to correct design flaws or improper construction would not be aidable from the competitive construction fund.

The proposal would also provide for \$30 million annually for emergency projects – projects necessary to remediate emergency situations that threaten health and safety as a result of the unanticipated discovery of hazardous substances or damage from a catastrophic event.

In addition, again for projects receiving local approval after February 1, 2011, the budget would eliminate the provision allowing districts to have aid calculated using the most favorable wealth ratio going back to 1981-82. It would also limit the allowance for incidental costs (e.g., costs for site acquisition, site preparation, original furnishings and equipment) to 20 percent of actual construction-related costs for elementary-level facilities and 25 percent of such costs for middle and high school facilities.

The budget estimates that the proposed changes would reduce state costs for Building Aid by roughly \$100 million in the 2012-13 school year.

Reactions: The proposal to convert Building Aid into a competitive grant program has many defects. It would put school districts in the position of requesting voter approval for proposed projects without being able to provide assurance of any level of state funding. It would increase workload demands upon the State Education Department at a time when the agency already copes with backlogs in processing school construction projects and faces a proposed 10 percent cut in its operating budget.

The use of strict building-age cut-offs in determining funding eligibility is too blunt a distinction. Some old buildings are in excellent condition, while renovations to newer buildings might be necessary to enable use of cost-effective advances in technology, for example.

Similarly, using a strict cut-off based on district needs-resource index (above or below the state median) would produce huge differences in funding based on minute differences in district characteristics.

Eliminating the choice of aid ratios would increase local costs for school construction. However, assigning project-specific aid ratios going forward is a justifiable change. The choice of aid ratios was established to enable districts and voters to presume a consistent state share of funding for annual debt service payments on a project. But it also means that districts which have gained in local wealth can receive state aid on a new project based on their earlier, lesser ability to pay. Assigning project-specific aid ratios would calculate state aid based on more current wealth conditions, while also promising a consistent state share over the life of project costs.

State and school officials do need to weigh trade-offs between continuing existing expense-based formulas and providing state aid for general operating costs. Ideally, changes to Building Aid would encourage more efficient construction practices, reducing overall costs without shifting new costs on to the local tax base.

Transportation Aid

Commencing with costs for the 2012-13 school year, the Governor proposes to reduce aid for districts which do not either “enter into a cost effective shared transportation arrangement with another local entity” or implement “... a majority of the cost-effective transportation management best practices prescribed in regulations of the Commissioner...” Examples of best practices would include a reasonable utilization ratio for buses, early advertising for upcoming contracts, no purchases at above the state contract price, multiple year contracts for private service contracts, and use of bus routing software.

Districts which do not comply would have aid reduced by the following percentages:

| Year | % Reduction |
|---------|-------------|
| 2013-14 | 2.5% |
| 2014-15 | 5.0% |
| 2015-16 | 7.5% |
| 2016-17 | 10.0% |

The budget would also bar Transportation Aid on purchases to replace buses that are less than 10 years old, or have less than 120,000 miles of use, unless the Commissioner grants a waiver after finding that that continued use would be hazardous or that repair costs would be excessive.

Reactions: These proposals are probably administratively unworkable simply because the State Education Department lacks the capacity to administer all the requirements. The Department has only one staff person assigned to pupil transportation and faces a 10 percent reduction in its operating budget.

Barring aid on “early” replacement of school buses is likely to increase taxpayer costs as maintenance costs rise with age and use. Also, trade-in value is vastly reduced after 10 years of use.

Instructional Materials Aids Flexibility

In one of his “21-day amendments” to his proposed state budget, Governor Cuomo recommends giving districts flexibility in the use of aid for textbooks, computer software, computer hardware, and library materials.

Reaction: The Council strongly supports additional flexibility in the use of aid, but this proposal does not address how the current law requirements regarding purchasing and loaning materials for nonpublic school students would be applied.

“Data Freeze”

The Governor proposes to cap aid payments for the 2010-11 and 2011-12 school years for each district at the amounts listed on the February 1 Executive Budget School Aid run. Beginning with claims for the 2011-12 school year, there would be no prior year adjustments. Any aid changes would need to be identified and submitted in time for SED to recalculate end of year payments.

Reaction: This proposal would hurt school districts by locking-in faulty aid calculations. In some cases, districts do not have access to up-to-date data until January or later – for tuition to private special education programs, for example.

III. OTHER EDUCATION PROGRAMS

Special Education Cost Shifts

The Governor proposes to shift an estimated \$176 million in special education costs from the state budget on to school districts.

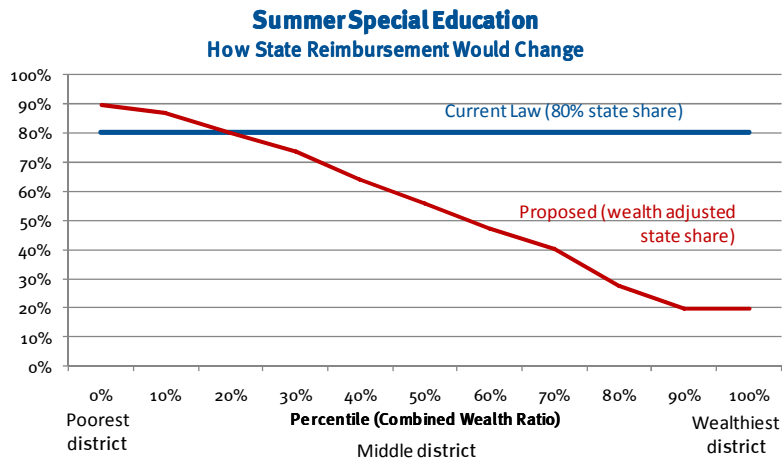
**Budget would shift \$176 million in Special Education-Related Costs to Schools
(impact in millions)**

| District | New York City | Other Districts | TOTAL |
|---|----------------|-----------------|----------------|
| Summer Special Education | \$50.0 | \$36.0 | \$86.0 |
| Private (“4201”) Schools for the Blind and Deaf | 11.7 | 6.9 | 18.6 |
| Room and Board Costs for Residential Special Education Placements | 64.7 | 34.5 | 71.8 |
| Totals | \$126.4 | \$77.4 | \$176.4 |

SOURCE: NYS Division of the Budget, 2011-12 Executive Budget Five-year Financial Plan, p. T-111

Summer Special Education:

Currently, the state reimburses 80 percent of the costs for summer special education services for school-age students, with school districts assuming 20 percent. The budget would replace the current 80 percent state share with the wealth adjusted “state sharing ratio” used in Foundation Aid. The state share would then range between 20 and 90 percent, with an average wealth district getting only 41 percent of its expenses reimbursed by the state.



SOURCE: Council analysis of NYSED School Aid data

Private (4201) School Placements: Under current law, placements at one of the state’s 11 private schools for students with visual, hearing, orthopedic, and multiple disabilities (section 4201 schools) are funded initially by state appropriations, with sending districts making a “basic contribution” calculated as the average local tax levy per pupil. The budget which would shift these schools to the tuition rate-setting model and state reimbursement used to fund other private special education placements. The current local contribution is calculated based on the local tax levy per pupil, counting all students. Under the proposal, the local contribution would be calculated as a wealth-adjusted share of the tuition cost – typically a larger sum.

Room and Board Costs for Students with Disabilities in Residential Placements: The budget would also transfer from the state to school districts financial responsibility for room and board costs. Currently, these costs are split between the State (36.8 percent), the local social services districts (43.2 percent) and the school districts (20 percent).

Reactions: In total, school districts outside New York City would need to raise taxes by nearly 1 percent to accommodate the costs of these proposed shifts, or make cuts of a corresponding magnitude.

School District Performance Incentive Awards

The Governor proposes a new \$250 million program to provide grants to reward districts for raising student achievement and closing achievement gaps. Eligibility would be limited to districts which have an approved final scope of work for the federal Race to the Top initiative.

Districts would be required to demonstrate progress in implementing RTTT activities and demonstrate the most improvement in academic performance, measured by gains in graduation rates, closing achievement gaps, expanding participation in college level high school courses, and increasing college attendance. Grants would be award to districts making the greatest performance gains, be adjusted based on district need and gains in performance, and be limited in use to funding RTTT activities.

The budget does not anticipate any expenditures for the program in 2011-12.

Reaction: It is questionable whether this initiative would lead to gains which would not occur in any event, without the financial reward. For districts which struggle with weak academic performance due to dysfunctional leadership or inadequate resources, new financial incentives are unlikely to spark gains. The Council does recommend expanding performance based accountability, by providing greater regulatory flexibility to districts meeting performance targets.

School District Management Efficiency Awards

The Governor proposes a second \$250 million program to award competitive grants to school districts pursuant to a plan jointly developed by the Commissioner of Education and Secretary of State and approved by the Director of the Budget. Grants would be awarded to districts demonstrating that they have implemented one or more long term efficiency in management, operations or procurement. Initiatives would be required to produce significant and recurring savings in total operating costs, or administrative, transportation or non-personnel costs.

The budget does not anticipate any expenditures for the program in 2011-12.

Reaction: This initiative may be worthwhile but it is hard to reconcile with the proposed elimination of aid for shared management services offered through BOCES, a proven management efficiency.

Competitive Education Improvement Performance Grants

The Governor proposes \$1.73 million for competitive grants in support of programs which have proven effective in improving student achievement. Funding for the initiative is achieved by

eliminating several existing programs, including the Teacher Opportunity Corps, Student Mentoring and Tutoring Initiative, and National Board for Professional Teaching Standards grants.

MTA Commuter Tax Reimbursement

The budget would appropriate \$70 million to reimburse school district payments for the Metropolitan Transportation Authority commuter payroll tax. This would be a \$10 million increase over 2010-11.

IV. STAR (School Tax Relief) Program

The Governor proposes three changes to the STAR program. Anticipating significant increases in taxpayer benefits due to declines in property values in some communities, the budget would limit one-year growth in exemptions to 2 percent. The change is expected to save the state \$125 million. Expanded auditing of STAR recipients is projected to generate another \$50 million for the state. Finally, a mechanism would be created to enable STAR recipients to repay exemption benefits to which they were not entitled with interest and a \$500 processing fee.

Reaction: Allowing yearly growth in individual exemptions to exceed 2 percent could help some taxpayers. With a significant decline in property values, districts would need to increase tax rates just to maintain their existing overall current tax levies. Allowing STAR exemption values to increase by more than 2 percent would have the state offset more of the tax bill for taxpayers whose homes have declined in value.

V. State Education Department Operating Budget

Consistent with treatment of all agencies, the Governor would reduce General Fund support for the State Education Department's operating budget by 10 percent. Most of SED's operating budget is funded through federal grants, licensing and certification fees, and other special revenues. If enacted, the share of the Department's operating budget supported by General Fund revenues would drop to under 7 percent.

The budget does not address funding shortfalls for tenured teacher ("3020-a") hearings or Regents Examinations.

- **Reaction:** The support and maintenance of a system of public education is a constitutional responsibility of the state. Whatever the state's immediate financial challenges, support for the agency charged with overseeing that constitutional duty should never have been allowed to decline to its current level.

VI. Legislative Proposals

Contracts for Excellence: As part of the 2007 School Aid reforms certain districts with high Foundation Aid increases and low-performing schools were required to prepare a "Contract for

Excellence (C4E)” which required spending a share of their aid increases on certain activities deemed proven effective at raising student achievement.

The Budget would require districts in C4E in 2009-10 to submit contracts for the 2011-12 school year unless all schools in the district are identified as in good standing. Each district would be permitted to reduce its required expenditures in proportion to its Gap Elimination Adjustment.

- **Reaction:** The Council supports this proposal. But given that Foundation Aid has been frozen for two years and would be frozen for two further years under the Executive Budget, and that total aid would be cut by \$1.5 billion from 2010-11 levels, the Council questions the sense of continuing C4E mandates at all.

Charter School Tuition Freeze: The Governor proposes to freeze the tuition payments districts must make to charter schools at 2010-11 level for 2011-12 and 2012-13 school years.

- **Reaction:** As a basic principle, charter schools should not be exempt from austerity measures which school district must adopt to due reductions in state aid, or a contingency budget, or a future property tax cap. A statutory tuition freeze is a “blunt instrument” approach to addressing this principle. However, although supported at various times by all three branches in 2010, the state failed to enact a freeze for the 2010-11 school year producing a windfall for charter schools at the expense of district schools which serve the overwhelming majority of students. This proposal would lock in that elevated tuition level.

Access to Employee Benefits Accrued Liability Reserve Funds: Some school districts have funds set aside in Employee Benefits Accrued Liability Reserves (EBALR accounts) beyond what they will need to pay employees for unused leave time – the only authorized use of EBALR funds. The Governor proposes to allow districts to use EBALR funds toward educational programming for the 2011-12 school year. The amount to be withdrawn could not exceed the lesser of the district’s Gap Elimination Adjustment or the sum determined by the State Comptroller to be in excess of what is needed for unused leave time payments.

- **Reaction:** The Council strongly supports allowing districts to use available EBALR funds to offset state aid cuts. The Council also supports Comptroller DiNapoli’s proposal to give districts and local governments a lawful means to save for retiree health insurance costs. Roughly three-quarters of the districts studied in-depth in the Comptroller’s EBALR audit were attempting to use the account for that purpose.

Mandate Relief: Other than permitting access to EBALR funds, the budget includes little mandate relief. However, the Governor has appointed a Mandate Relief Redesign Team charged with assembling recommendations by March 1. The Council is represented on this group and expects to endorse its recommendations.

- **Reaction:** Progress on mandate relief requires advocacy from the outside *and* a champion on the inside – at the table, actually negotiating legislation. Past governors have sometimes proposed mandate relief initiatives, but made little discernible effort to win adoption.

Other Provisions: The budget would extend several provisions of law which have perennially been extended one year at a time, including provisions allowing flexibility in special education class sizes in the Big 5 Cities, permitting conditional appointments of school employees pending background checks, conforming with federal No Child Left Behind Act requirements, and counting some future aid payments as current year revenues.

VII. Property Tax Cap

In separate legislation, the Governor proposes a cap on local property tax increases by school districts and local governments. The Governor’s proposal has been passed by the Senate.

The proposal is described as setting a cap of 2 percent, or a figure tied to inflation, whichever is less. However, for school districts, the bill provides

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

In other words, if voter approval is not forthcoming, school districts would not be allowed to raise their tax levy at all – *the cap would be zero percent.*

Without voter approval, local governments would be permitted to raise their tax levy by the lesser of 2 percent or the inflation figure.

For schools, the bill would use the 2 percent or inflation figure as a trigger for determining what vote would be required to approve a school tax levy increase. If the district proposes an increase below the trigger, more than 50 percent of voters would be required to approve. If the proposed increase is above the trigger, more than 60 percent would be required to approve.

An exemption would be provided only for the local share of capital expenditures. Local governments would be an exemption for certain legal judgment costs.

Reactions: *A tax cap will hurt schools. There are better options.*

A cap does nothing to address the forces driving school tax increases today – surging employee benefit costs and declining state aid. School district leaders and local voters have acted to restrain spending and taxes in recent years.

This year, for example, districts proposed lower average spending increases than in 2009-10, but higher average tax increases. Why? Because they were budgeting for a 5.1 percent School Aid cut this year, rather than the stimulus-supported 1.9 percent increase in 2009-10.

| CHANGES IN SCHOOL SPENDING, TAX LEVY, AND STATE AID 2009-10 VS. 2010-11 | | | |
|--|-----------------------------------|-----------------------------------|-------------------------|
| | Proposed change in spending | Proposed change in tax levy | Change in state aid* |
| 2009-10 | 2.3% | 2.1% | 1.9% |
| 2010-11 | 1.4% | 3.2% | -5.1% |

*2010-11 aid is as proposed by the Governor since the state budget was not adopted in time for school budget votes

SOURCE: Council analysis of NYSED property Tax report Card and School Aid data; Big 5 not included.

This year, pension cost increases alone roughly matched the overall spending increase, suggesting that districts held all other spending flat on balance this year. For, the coming year, mandated contribution rates for the State Teachers Retirement System will again rise sharply – by more than 30 percent. The Council estimates that districts would need tax increases averaging 4.1 percent just to cover increases in pension and health insurance costs, even if state aid is only frozen, not cut.

Tax caps hurt equity in school funding. Tax caps tend to lock-in existing funding inequities, especially when state aid is cut or frozen. Poorer districts start with fewer resources and generate less revenue with the same percentage tax increase as their wealthier counterparts.

Tax caps could inflict “collateral damage” on New York City and other high need districts. A tax cap will increase the pressure to steer available state aid to politically competitive, typically better-off districts which have traditionally been able fund their schools through local tax increases.

Voters are unclear in what they want. As is typical, a Quinnipiac Poll last week showed voters strongly in favor of capping property taxes – by an 82 to 13 percent margin. But the same poll showed voters opposed School Aid cuts by a similar margin – 79 to 18 percent. A property tax cap and a state aid cut both reduce revenues for schools.

When the Rochester Democrat and Chronicle asked Monroe County voters last October if they would support a property tax cap if it “resulted in cuts to police and fire services, libraries and public schools,” 42 percent opposed a cap, 41 percent supported it, and 17 percent were undecided.

Tax caps ask voters the wrong question. Developing a budget should be about balancing needs and resources. The current school budget voting process asks voters to approve a spending level – whether their school budget proposal strikes the right balance between what students need and what taxpayers can afford. A tax cap shifts the question for voters to, “What will this cost me?”

A tax cap will do nothing to reduce tax bills for homeowners who are already burdened – only a circuit-breaker tax credit can do that. A tax cap does nothing to reduce costs that have been driving local tax increases, for example pensions or health insurance, nor does it reduce state mandates which often prevent school leaders from making spending decisions in the best interests of children.

State officials should help schools find ways to restrain personnel costs without layoffs, repeal and revise mandates, promote more consolidation and shared services, and as soon as financially able, enact a circuit-breaker and become a dependable partner in funding schools through state aid.

