



in every decision



2009-10 State Budget Priorities

Governor Paterson's proposed state budget would cut School Aid by \$698 million compared to last year, or by \$2.5 billion from the levels promised under formulas now in law. In addition, the budget would shift \$173 million preschool special education costs to school districts, eliminate Middle Class STAR rebates, cut STAR benefits, and cut several categorical programs.

Recent School Aid increases are one investment that is paying off

Recent strong increases in School Aid have paid off with reduced property tax pressures, improved equity, and gains in student performance:

- **Reduced property tax pressures:** Local school tax increases in proposed school budgets last May averaged 3.3 percent – down by almost half from two years ago and below the rate of inflation at that time.
- **Improving equity:** Over the past two years, the poorest districts in the state have been able to propose budgets with the largest spending increases and smallest tax increases – closing gaps in resources without over-burdening local taxpayers. In previous years, it was common for the poorest districts to propose the smallest spending increases, biggest tax increases, or both.
- **Rising student achievement:** There have been broad gains in student results on state tests and some improvement in graduation rates. For example, the percentage of students meeting math standards on grades 3 through 8 state tests rose from 66 percent to 81 percent over the past two years.

Impact of state aid cuts – past and future

In 2003 – the last time School Aid was cut – districts proposed budgets with local tax increases averaging 10 percent, and the poorest school districts proposed the largest tax increases and smallest spending increases.

Although voters approved school budgets at a record rate in 2003 (93.4 percent), we do not expect districts to repeat their decisions from that year. Most districts are attempting to hold down tax increases, many to 4 percent or less. Some low wealth districts, with little to be cut that is not mandated, or others facing unique circumstances, may propose large tax increases, but most will not. Most will cut spending instead. Since most school spending is in personnel, *we foresee thousands of school jobs being eliminated if state aid is cut as proposed.*

Recommendations:

- **Eliminate the Deficit Reduction Assessment:** Reject the proposed \$1.1 billion lump sum bottom-line reduction in aid for all districts.
- **Reject the freeze on Foundation Aid – provide an increase of at least the magnitude proposed by the Board of Regents (\$586 million):** The Foundation Aid formula enacted in 2007 is an under-appreciated achievement in public policy. It generally provides the neediest districts with the greatest aid per pupil, guarantees all districts at least a 3 percent per year increase, and created a simpler and more predictable aid system for all districts.

Freezing Foundation Aid for two years as the budget proposes risks losing the formula as a viable, functioning reform. Increasing Foundation Aid by the amount the Regents proposed would still save the state \$1.2 billion, compared to what current formulas promise.
- **Reject the proposed preschool special education cost shift:** The budget would shift 15 percent of preschool special education costs from the state and counties to school districts. This is anticipated to increase school districts costs by \$173 million. By itself, this would add ½ percent to the tax levy in an average district, but the actual impact would be much greater in some districts with high numbers of children served, poor local tax bases, or both.
- **Enact a timely budget:** Legally, school districts must finalize budgets they will submit to voters by no later than April 24 – property tax report cards are due to the state the next day. But typically they must act earlier to meet printing deadlines and other logistical demands. Also, many districts must send out notices of July 1 lay-offs 90 days in advance – by the end of March. Some districts are already taking that painful step. This year, more than ever, timeliness matters.
- **Reject cutting STAR property tax relief exemptions:** The proposed budget would increase to 18 percent the maximum amount that a homeowner's STAR exemption may decline in one year due to changes in property values. This would cost taxpayers \$109 million.
- **Do not freeze state aid data:** The Governor's budget would lock-in some state aid calculations, allowing districts the *lesser* of aid calculated based upon data on file as of November or later. In some cases, precise data is not available to districts until well after November. This proposal would deny districts over \$60 million in expected reimbursement aids alone.
- **Reject proposals to freeze or cut state tax payments on state lands:** The budget would freeze tax payments to municipalities and school districts by the state on land it owns and cut state payments in lieu of taxes by 6 percent. This action would have a severe impact on the communities it affects.
- **Reject the proposed MTA "mobility tax":** To help fund operating and capital costs of the Metropolitan Transit Authority, a state commission has proposed a .33 percent tax on the payrolls of employers –including school districts – located in the downstate counties served by the MTA. The only way for schools to fund this cost is through tax increases, so this proposal forces schools to raise taxes to support another public entity.

What's in the Federal stimulus package for New York State schools?

State stabilization fund: New York will receive \$1.25 billion in each of the next two years to reduce or avoid cuts in aid to schools and colleges. The federal law provides that the Governor is to allocate these funds and to use the elementary/secondary share to maintain School Aid at the greater of 2007-08 or 2008-09 levels and to fund previously enacted formula increases.

Title I: New York schools will receive an additional \$470 million in each of the next two years to support extra help for disadvantaged students. This money will be allocated pursuant to federal formulas; the state has no discretion. Over 70 percent of this additional funding will go to New York City. It is not clear whether federal maintenance of effort requirements will limit the usefulness of this aid in averting state and local cuts.

IDEA: New York schools will receive an additional \$380 million over each of the next two years to support special education services for students with disabilities. This money will be allocated pursuant to federal formulas; the state has no discretion. Although required to be spent for special education, it is expected that this aid will enable schools to redirect state and local resources to preserve general education services.

Other education funding: The stimulus package also provides over \$30 million for education technology and \$3.5 million for services to homeless students for each of the next two years. In addition, \$5 billion is available nationwide for the U.S. Secretary of Education to make incentive grants to states meeting key performance measures.

General Budget Relief: The stimulus plan provides additional funding intended to provide general fiscal relief to states, including an increase in the federal share of Medicaid costs (estimated to generate roughly \$7.7 billion for the state over the next 27 months) and \$556 million flexible relief over the next two years.