



*Historical and Regional Trends in School Finance
for the New York State Commission on Property Tax Relief*



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Objectives:

- Provide another perspective on forces driving school tax increases.
- Explain regional variations in wealth and the impact of state initiatives.

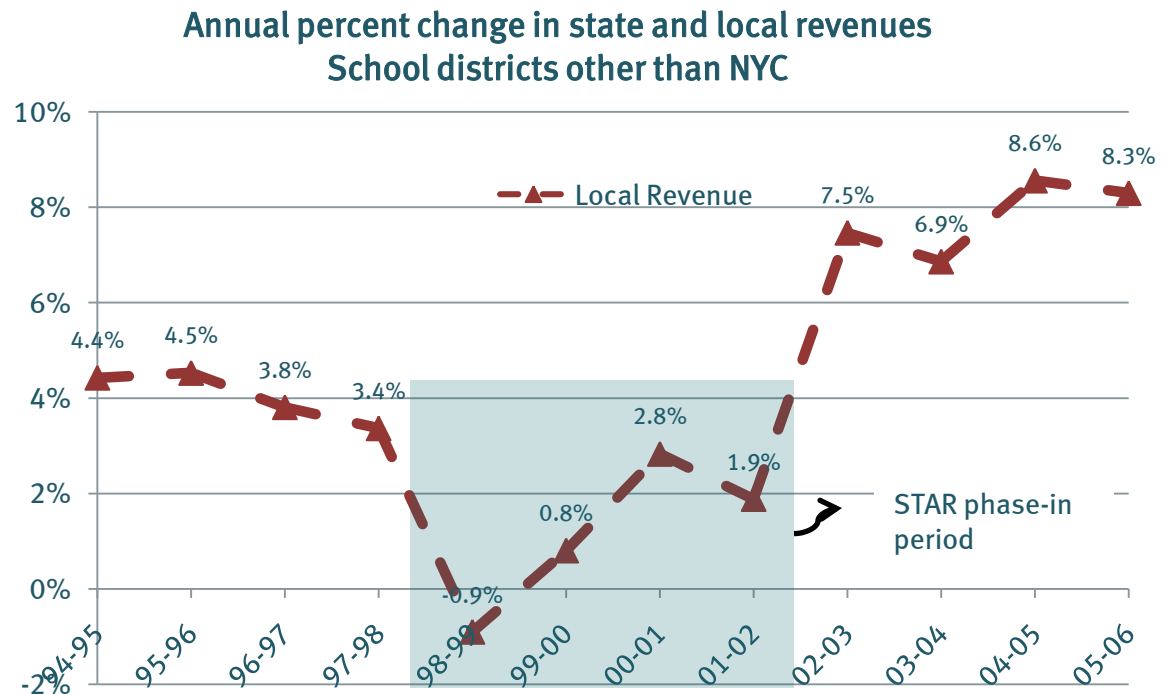
Three periods of recent history:

(1) Pre-STAR

(2) STAR Phase-in

(3) Post-STAR Phase-in

STAR did push local tax increases down while it was being phased-in (1998-99 to 2001-02) – tax increases averaged 1.1% per year



Source: Council analysis of NYSED school district fiscal profiles

Changes in Revenues

Some connection between state funding and local taxes

*State revenues
= School Aid +
STAR

STAR Phase-in
Period

Year	Dollar Change in Local Revenue (millions)	% Change	Dollar Change in State Revenue* (millions)	% Change
1994-95	408	4.4%	519	8.6%
1995-96	436	4.5%	85	1.3%
1996-97	383	3.8%	68	1.0%
1997-98	352	3.4%	345	5.1%
1998-99	-97	-0.9%	1,079	15.3%
1999-2000	86	0.8%	884	10.9%
2000-01	305	2.8%	1,060	11.7%
2001-02	208	1.9%	880	8.7%
2002-03	844	7.5%	335	3.1%
2003-04	834	6.9%	172	1.5%
2004-05	1,111	8.6%	614	5.4%
2005-06	1,169	8.3%	507	4.2%

Source: Council analysis of NYSED School District Fiscal Profiles – *New York City excluded*

Increases in benefit costs put great pressure on local revenues

Year	% Change in Local Revenue	Dollar Change in TRS* Costs (millions)	Dollar Change in Total Employee Benefits (millions)	Dollar Change in Total State Revenue (millions)	Change in Benefits as % of Change in State Revenue
1994-95	4.4%	-33	64	519	12.2%
1995-96	4.5%	-39	36	85	42.6%
1996-97	3.8%	-106	-19	68	-28.0%
1997-98	3.4%	-221	-129	345	-37.5%
1998-99	-0.9%	-91	36	1,079	3.3%
1999-00	0.8%	-7	178	884	20.1%
2000-01	2.8%	-62	167	1,060	15.7%
2001-02	1.9%	-25	293	880	33.3%
2002-03	7.5%	19	390	335	116.5%
2003-04	6.9%	130	558	172	323.7%
2004-05	8.6%	351	783	614	127.4%
2005-06	8.3%	271	548	507	108.0%

*Employer contributions to NYS Teachers Retirement System

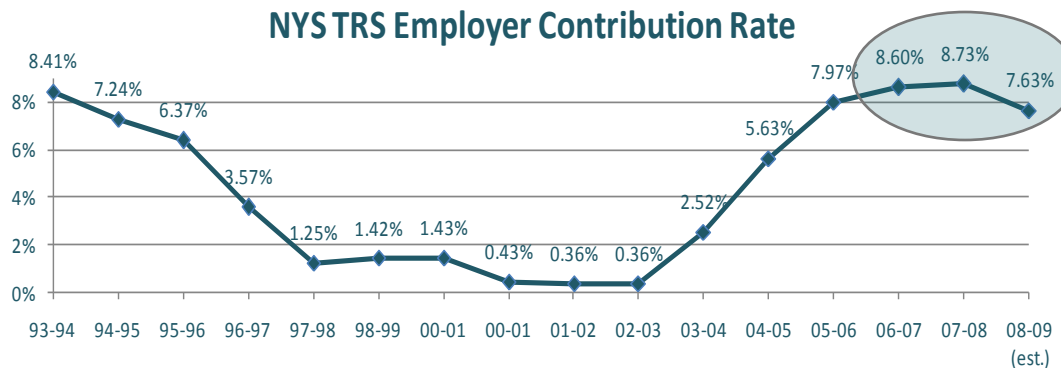
Benefit increases alone absorbed more than the entire state funding increase each year.

Source: Council analysis of NYSED School District Fiscal Profiles; NYC excluded

More recent years

Other data used – Fiscal Profiles not available; NYC excluded

- **School property tax increases have come down:**
2006-07: 6.1% 2007-08: 4.4%
- **Larger school aid increases:**
2006-07: 7.6% 2007-08: 9.6%
- **Health insurance costs remain a national problem.**
- **Pension costs have moderated, at least for now:**



What else has affected school spending and taxes?

1. **Higher Standards:** Districts were implementing higher standards – preparing all would-be high school graduates to pass Regents exams in five subjects. There are also costs attributable to the federal *No Child Left Behind Act*.
2. **Categorical and Reimbursement Aids:** Between 1997-98 and 2003-04, large shares of school aid increases were dedicated to categorical (e.g., Universal PreK) and reimbursement aids (e.g., Building Aid). These programs required local funding matches. As a result, only small proportions of the overall aid increases were available to pay general or standards implementation costs; increases in those costs were funded mostly from local tax sources.
3. **Expansion of the Teaching Staff:** Perhaps related to 1 and 2 above, between 2000-01 and 2006-07, the number of teachers employed by districts outside New York City rose by 4.6 percent, while enrollment *declined*.*
4. **Special Education Staffing:** There was a sharp increase in special education staffing over the same period.*

–Special Education Teachers: +14.1%

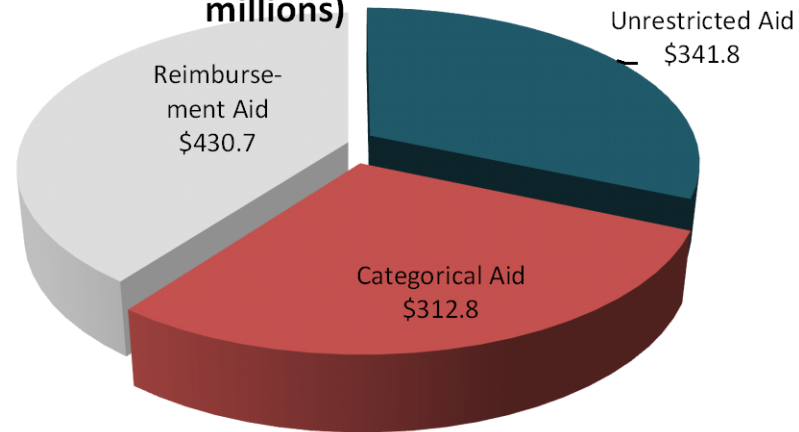
–Special Education Non-teaching Professionals: 24.4%

*Source: <http://www.emsc.nysed.gov/irts/pmf/home.shtml>

How a \$1 billion school aid increase translated into \$67 million in general aid...

<u>Unrestricted Aid</u>	<u>Increase (millions)</u>
Operating Aid	\$293.9
Standards Aid	35.7
Extraordinary Needs	<u>12.2</u>
Subtotal	\$341.8
<u>Categorical Aid</u>	<u>Increase</u>
Univ. PreK	\$140.0
Class Size	67.0
Summer School	35.1
Instructional Materials	33.5
LEP/Bilingual	14.1
Other	<u>23.1</u>
Subtotal	\$312.8
<u>Reimbursement Aid</u>	<u>Increase</u>
Building	\$228.0
BOCES	30.0
Transportation	74.0
Private Excess Cost	12.7
<u>Public Excess Cost</u>	<u>86.0</u>
Subtotal	\$430.7
Total Aid Increase	\$1,085.3

Proportions of 2000-01 School Aid Increase (in millions)



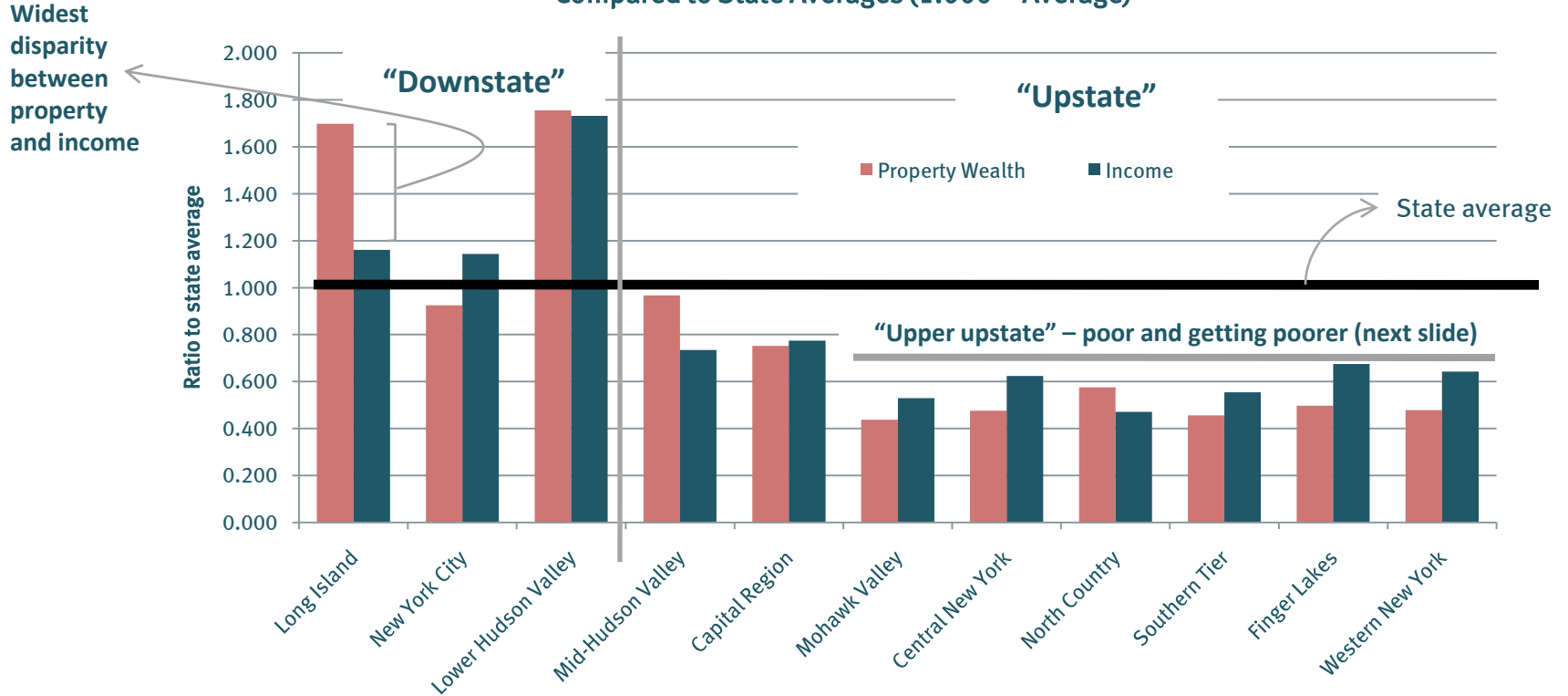
The implicit local share to use the categorical and reimbursement aid increases was estimated to be \$275 million.

Deducting this sum from the \$342 million unrestricted aid increase left only \$67 million to cover general inflation and standards implementation costs.

Source: Council analysis of NYSED school aid data

Property taxes are an issue throughout the state, but they are a different issue

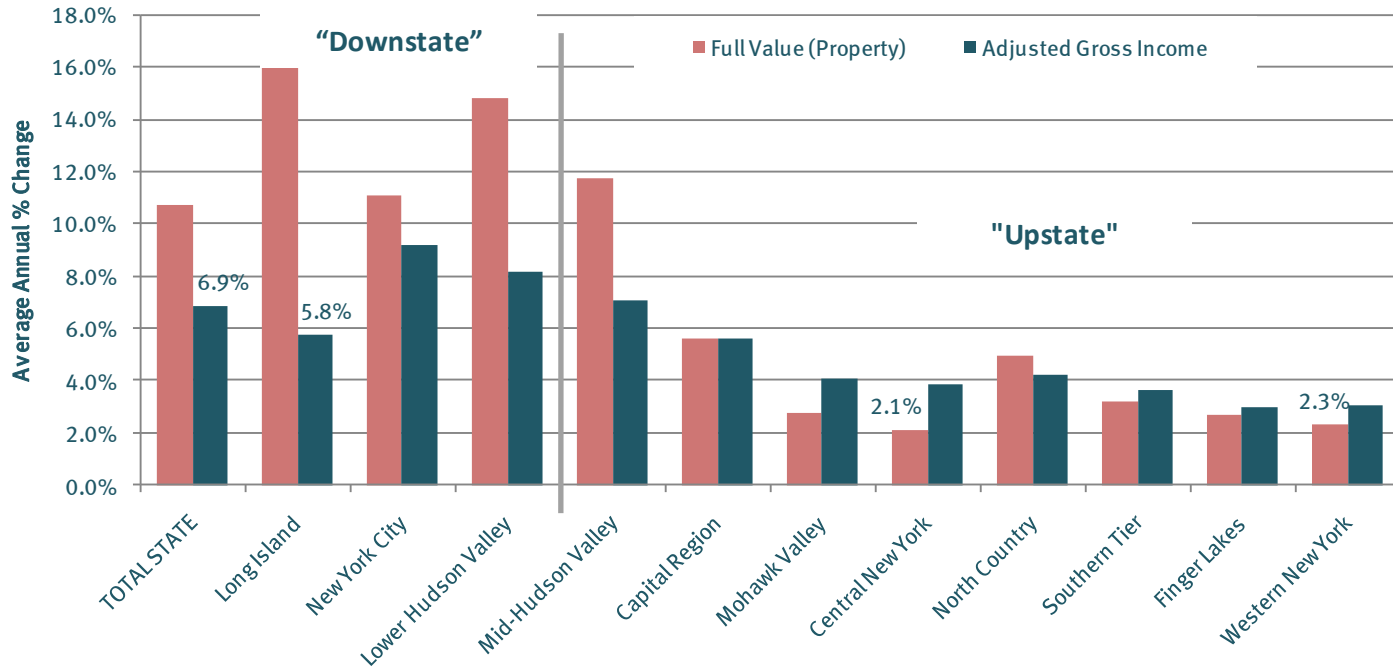
2005 Property Wealth and Income per Pupil Compared to State Averages (1.000 = Average)



Source: Council analysis of NYSED school aid data

Longer-term trends...

Annual Percent Change in School District Full Value Property Wealth and Adjusted Gross Income, 1996 to 2005



Source: Council analysis of NYSED school aid data

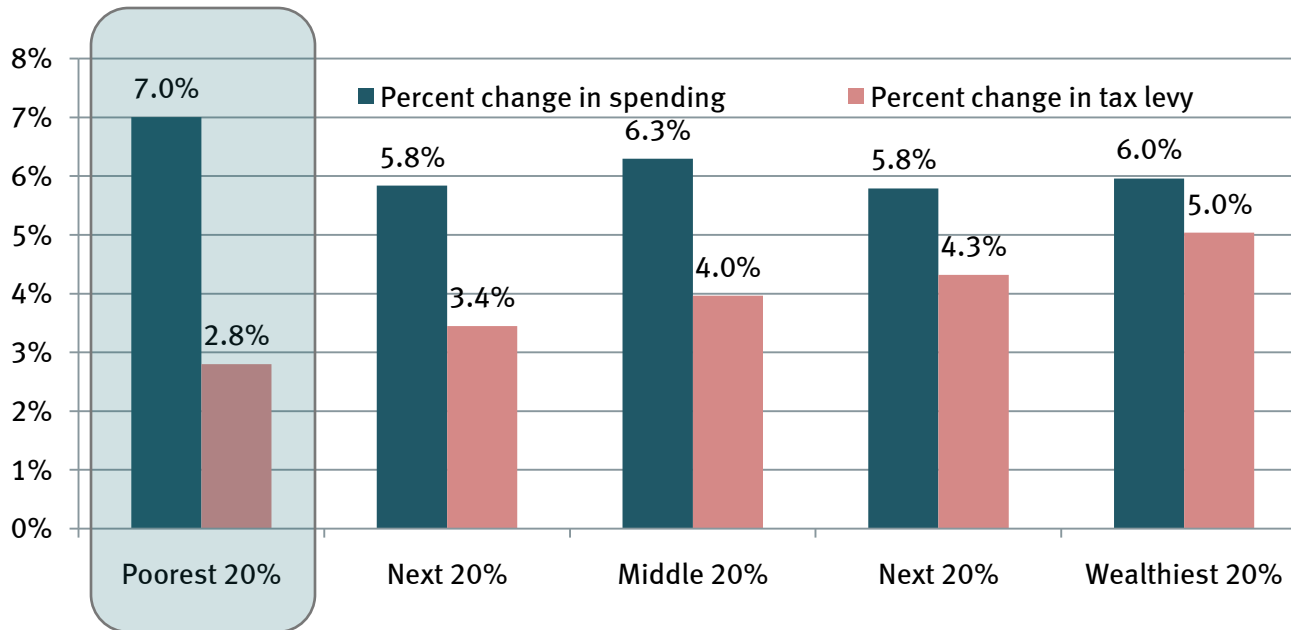
- **Slow growth in property wealth update**
 - additional local revenue must come from tax increases, rather than tax base growth.
- **Long Island income growth below state average**
 - income per pupil now modestly above state average

Some observations about caps and equity...

- Caps tend to lock-in existing inequities – wealthier districts can raise more revenue with the same percentage tax increase.
- In 150 districts (about 20% of the total), a 1% tax increase would raise \$50,000 or less.
- Massachusetts is cited as a model for property tax caps, but poorer communities there have been less likely to attempt cap over-rides and less likely to succeed.¹
- New York has more poor communities – 2/3rds of New York's counties had a lower median home value than Massachusetts' poorest county in 2006.²
- State initiatives have had an impact...

Last year's School Aid...

Poorest districts were able to propose biggest spending increases & lowest tax increases



Source: Council analysis of NYSED 2007 school property tax report card data; districts grouped by property wealth per pupil.

Other state initiatives have also had an impact...

- In about half the upstate counties, the median home sale price in 2006 was under \$100,000 – *STAR exemptions covered a large share of the local school tax burden.*
- The state rebates of the last 2 years offset property tax increases in many districts³:

	Change in School Property Tax Levy		Change in School Property Tax Levy Net of State Rebates		
	05-06 to 06-07	06-07 to 07-08	05-06 to 06-07	06-07 to 07-08	
Long Island	5.9%	4.8%	2.6%	2.7%	
Lower Hudson Valley	8.2%	5.5%	4.1%	3.2%	
Mid-Hudson Valley	6.6%	4.7%	3.0%	2.2%	
Capital Region	5.6%	5.2%	0.7%	2.5%	
"Upper Upstate"	Mohawk Valley	5.4%	3.7%	-4.4%	-1.4%
	Central New York	6.2%	4.5%	-1.2%	0.6%
	North Country	5.4%	4.5%	-1.8%	0.5%
	Southern Tier	6.2%	3.1%	-2.4%	-1.8%
	Finger Lakes	4.1%	3.1%	-2.5%	0.0%
	Western New York	4.3%	1.9%	-4.0%	-2.0%
	Total State (w/o NYC)	6.2%	4.6%	1.4%	1.9%

References

- ¹ Center on Budget and Policy Studies, *The Problems with Property Tax Caps*, June 2007, p.12 (<http://www.cbpp.org/6-21-07sfp.pdf>)
- ² Council analysis of data compiled by the Tax Foundation – *Property Taxes on Owner Occupied Housing by County, 2006; only counties with populations over 65,000 included.*
(http://www.taxfoundation.org/files/propertytaxcounty_owneroccupied_2006-20070912.xls)
- ³ Council analysis of NYSED property tax levy data (obtained by special request, 1/31/08) and NYS Division of the Budget property tax rebate data (obtained by special request, 2/5/08). All data omitted for any district missing any element. More up-to-date data may yield different results.

Back-up Data

CHANGE IN SELECTED REVENUE AND EXPENDITURE ITEMS 1994-95 THROUGH 2005-06; NYS SCHOOL DISTRICTS OTHER THAN NEW YORK CITY

Blue-- positive trend for school taxes

Red -- negative trend for school taxes

	PRE-STAR				STAR PHASE-IN PERIOD				POST-STAR PHASE-IN			
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1 Change in Local Revenue	408,119,129	436,001,339	383,292,168	351,960,218	(97,474,028)	85,887,979	305,439,848	208,968,452	843,667,586	833,885,378	1,111,101,058	1,169,467,140
2 % Change in Local Revenue	4.4%	4.5%	3.8%	3.4%	-0.9%	0.8%	2.8%	1.9%	7.5%	6.9%	8.6%	8.3%
3 Change in State Aid Revenue	518,969,429	83,540,976	68,099,069	345,493,014	615,237,656	417,359,070	614,599,882	382,122,323	205,276,639	34,464,839	481,517,262	424,089,952
4 Change in STAR Revenue	-	-	-	-	464,031,621	467,581,136	444,932,841	498,076,907	129,719,262	137,855,838	132,569,712	82,921,414
5 Change in Total State Revenue	518,969,429	83,540,976	68,099,069	345,493,014	1,079,269,277	884,940,206	1,059,532,723	880,199,230	334,995,901	172,320,677	614,086,974	507,011,366
6 % Change in Total State Revenue	8.6%	1.3%	1.0%	5.1%	15.3%	10.9%	11.7%	8.7%	3.1%	1.5%	5.4%	4.2%
7 Change in Teacher Retirement Costs	(32,834,155)	(39,035,940)	(105,832,405)	(220,911,435)	(91,173,068)	(6,968,181)	(62,428,718)	(25,339,796)	19,153,581	130,098,654	351,433,441	271,481,642
8 Change in Health Insurance Costs	42,837,972	29,582,412	51,724,268	73,904,838	88,106,226	128,300,801	153,255,245	229,390,691	256,848,485	260,023,749	246,156,074	226,781,540
9 Change in Other Employee Benefits	53,563,907	45,077,738	35,027,665	17,475,361	38,615,244	56,739,126	75,705,405	89,129,895	114,104,486	167,672,848	184,982,984	49,335,219
10 Change in Total Employee Benefits	63,567,724	35,624,210	(19,080,472)	(129,531,236)	35,548,402	178,071,746	166,531,932	293,180,790	390,106,552	557,795,251	782,572,499	547,598,401
12 Change in Benefit Costs as % of Change in State Revenue (Line 10 divided by Line 5)	12.2%	42.6%	-28.0%	-37.5%	3.3%	20.1%	15.7%	33.3%	116.5%	323.7%	127.4%	108.0%

Source: Council analysis of NYSED School District Fiscal Profiles

Regions defined...

Long Island: Nassau, Suffolk

Lower Hudson Valley: Putnam, Rockland, Westchester

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

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

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

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

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

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

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

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

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