

KIDS FIRST



IN EVERY DECISION

Fiscal Prospects for Schools

Northeast Council of School Superintendents

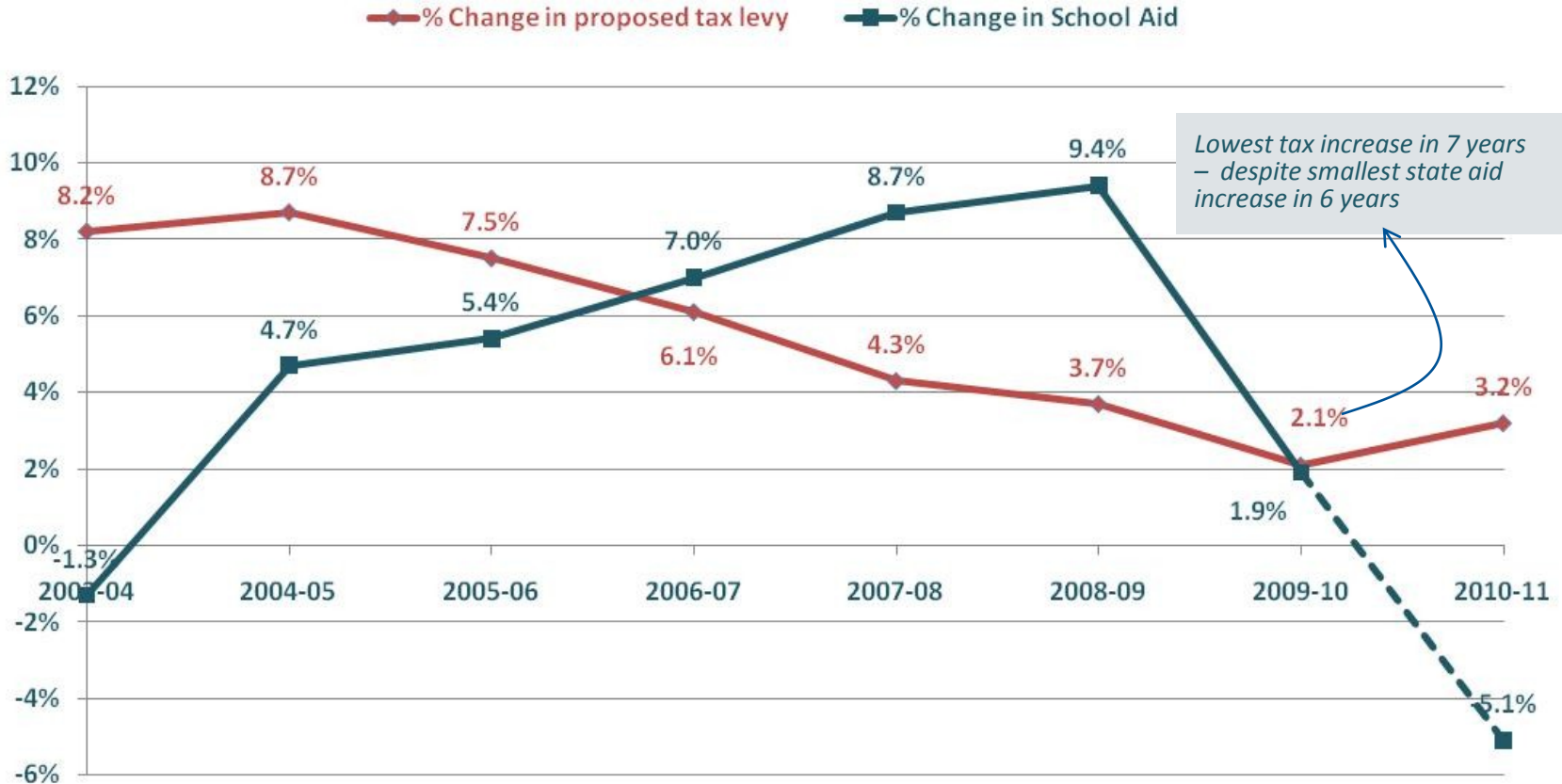
Lake Placid
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Annual school taxes increases have declined

Changes in State Aid and Local Tax Levy, 2003-04 to 2010-11



SOURCE: Council analysis of NYSED Property Tax Report Card and School Aid data (Big 5 Cities excluded); 2010-11 change in School Aid is as proposed by the Governor.

2010-11 Proposed School Budgets

Lower spending increases, larger tax increases – why???

*30% of districts proposed cutting spending below 2009-10;
76% of those districts still proposed raising taxes.*

Between 2009-10 and 2010-11, the statewide average increase in proposed spending declined, but the average proposed increase in tax levy rose.

WHY?...

	Proposed Change in School 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%

SOURCE: Council analysis of NYSED Property Tax Report Card and School Aid data (Big 5 Cities excluded); *2010-11 change in School Aid is as proposed by the Governor.

Proposed change in state aid: -\$579 million

Proposed increase in local taxes: +\$583 million

(Both figures exclude the Big 5 Cities)

Poorer districts generally had more difficulty absorbing state aid cuts

School spending, taxes, and state aid in 2010 at a glance
Districts grouped by property wealth per pupil

GROUP	Change in Total Aid (Governor's Proposed Budget)	District Proposed Change in Spending	District Proposed Change in Tax Levy	% of Aid Cut Replaced by Tax Increase
Total State	-5.1%	1.4%	3.2%	101%
Poorest 20%	-2.2%	1.2%	2.5%	46%
2 nd Poorest 20%	-5.4%	0.4%	3.2%	45%
Middle 20%	-5.0%	0.8%	3.6%	77%
2 nd Wealthiest 20%	-6.5%	1.9%	3.6%	123%
Wealthiest 20%	-8.5%	1.8%	2.8%	236%

Poorer districts had more difficulty replacing state aid cuts, even with smaller average cuts

SOURCE: Council analysis of NYSED Property Tax Report Card and School Aid data (Big 5 Cities excluded); 2010-11 change in School Aid is as proposed by the Governor.

Election Results

- Democrats won all six statewide offices
- Republicans won control of U.S. House of Representatives – no new stimulus aid for states
- Republicans have won a 32-30 majority in the State Senate.
- Republicans have gained seats in the Assembly; but Democrats still hold huge majority.

	2009	2011
Assembly	D: 107 R: 43	D: 100 R: 50
Senate	D: 32 R: 30	D: 30 R: 32

Looking ahead: Andrew Cuomo on Education and Budgets

- Property tax cap on schools & local governments – lesser of 2% or inflation; override with 60% vote; exemptions only for judgments and some emergencies.
- Has said, *“There is going to be a reduction in reimbursement aid to your school district. I’m sorry, there’s going to be. I don’t have any money.”* (NY Times, 10/24/10).
- Ensure aid is “targeted and fair;” “scrutinize” growth in expense-based aids
- Suggests a state “Race to the Top” to encourage savings initiatives & offset cuts
- State spending cap tied to inflation; part of savings to property tax circuit-breaker
- Complete review of mandates, automatic sunset, no new unfunded mandates; encourage consolidation and sharing
- Freeze state employee salaries
- More charter schools (to win Race to the Top)
- Tier VI in pension system

Looking ahead: Projected state budget deficits and School Aid levels (\$ in billions)

State Fiscal Year	2010-11	2011-12	2012-13	2013-14
Projected State General Fund Deficit (Deficit as % of Projected Expenditures)	(.315) (13.6%)	(9.0) (13.6%)	(14.6) (20.4%)	(17.2) (22.3%)
Assumed Change in School Aid (School Year)	----	+3.1	+2.2	+2.7

SOURCE: NYS Division of the Budget, 2010-11 Mid-Year Update, 11/2/2010

Gap Elimination Adjustment and Foundation Aid freeze due to expire (Excludes Education Jobs Fund)

Temporary Personal Income Tax increase fully expires – provides \$5.7 billion this year.

Key Points

- 1) Legislative fiscal committees and the Comptroller have also done estimates – **some are more pessimistic.**
- 2) The State Constitution requires the Governor to propose a balanced budget – **actions will be required to close projected gaps.**
- 3) The state could close about \$2.2 billion* of its projected deficit by freezing state aid for the 2011-12 school year.

**There is about a 70% overlap between state fiscal years (April-March) and School Aid payments (September-June) for the corresponding school year; so the state would realize 30% of a 2011-12 School Aid freeze in the 1st quarter of its 2012-13 fiscal year (i.e., April-June 2012).*

School Aid Projections

Projected change, in millions

Category	2011-12	2012-13	2013-14
Foundation Aid	\$1,169	\$1,586	\$2,030
Universal Prekindergarten	84	102	66
Expense Based Aids (Bldg, Trans, BOCES, Spec Ed)	426	460	500
Gap Elimination Adjustment	1,412*	0	0
Other	38	62	64
TOTAL	\$3,129	\$2,210	\$2,660

**The Gap Elimination Adjustment was enacted as a one-year provision for 2010-11; in expiring and dropping to zero for 2011-12, the effect would be to increase General Fund School Aid by \$1.4 billion.*

SOURCE: NYS Division of the Budget, Mid-Year Update; 11/02/2010

Some other state budget assumptions

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

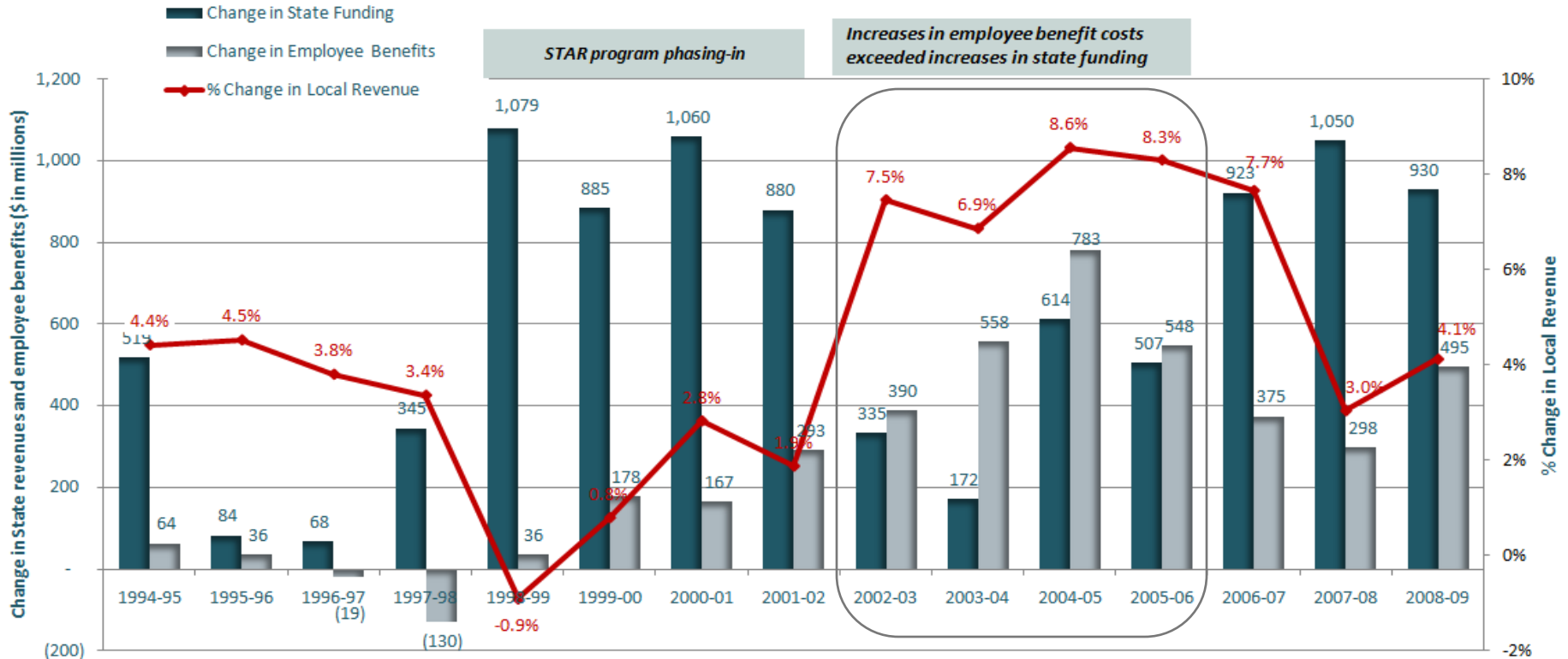
State Employee Benefits	2009-10	2010-11	2011-12	2012-13	2013-14
Employees Retirement System (ERS) Employer contribution rate*	7.5%	12.1%	16.1%	20.3%	23.5%
ERS ECR after amortization	7.5%	9.5%	10.5%	11.5%	12.5%
Employee/retiree health insurance growth rates	4.8%	4.6%	9.3%	9.2%	9.2%

SOURCE: NYS Division of the Budget, 2010-11 Enacted Budget Report, 8/20/2010

* Approximately 80% of school employees are in the Teachers Retirement System. TRS does not provide out-year contribution rate projections. For 2010-11 school budgets, the TRS ECR is rising from 6.19% to 8.62%. The rate is expected to be between 11 and 11.5% percent for next year.

Looking back: Benefit costs rising faster than state aid were a key factor behind past local tax increases

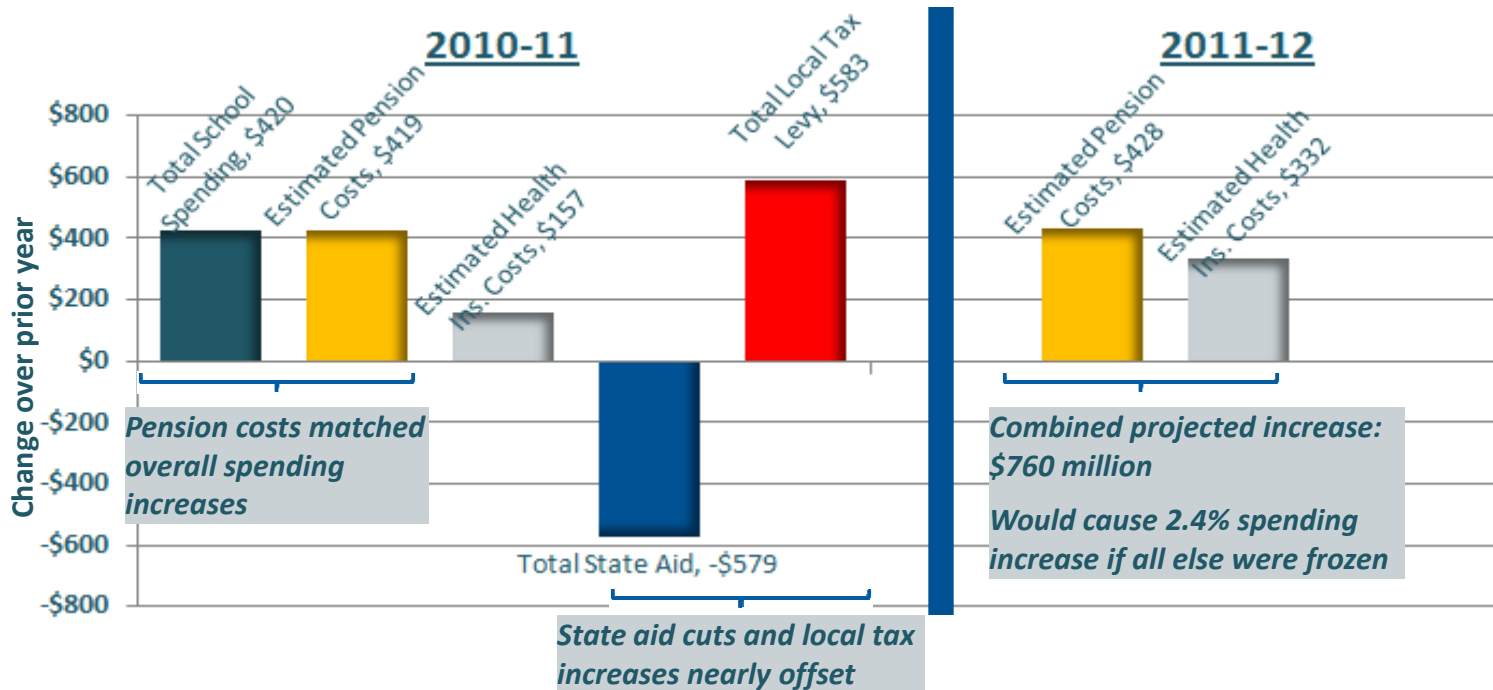
Changes in State Revenue, Local Revenue and Employee Benefit Costs
New York State School Districts (NYC excluded), 1993-94 to 2008-09



SOURCE: Council analysis of NYSED School District Fiscal Profiles

Estimated/projected change in school district revenues and expenditures

(Amounts in millions; 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 (previous slide).

Property Tax Cap Proposals

Sponsor	Description
Andrew Cuomo	<ul style="list-style-type: none">•Cap would be lesser of inflation or 2%•60% vote required to over-ride•Would apply to local governments as well as schools•Exemptions only for capital and emergencies
Governor Paterson	<ul style="list-style-type: none">• Cap would be lesser of 4% or 120% of inflation;• percentage required to over-ride would vary depending on state aid (generally 55%);• “Under-ride” – voters allowed to petition for a lower cap; vote on 1st Tuesday in May• Would apply to local governments as well as schools• Exemptions only for capital and emergencies

Property Tax Cap – Potential Impact

A look at districts proposing tax levy increases greater than 2% for 2010-11

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

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

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

Note: Had either the Paterson or Cuomo proposals been in place this year, the cap would have been zero.

Key themes

Choices are inescapable.

Choices have consequences.



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