



## ***Losing Ground*** ***The 2014-15 Executive Budget and the Public Schools***

Releasing results of a survey of superintendents on financial matters, THE COUNCIL said, “despite recent state aid increases, threats of financial and educational insolvency for school districts have receded only slightly over the past year.”

The finances of New York State government have been gaining strength. This year, over 70 percent of school districts are still receiving less total state aid than in 2008-09, five years ago. But with improvements in the state’s fiscal outlook, school district leaders could hope that prospects for their schools might brighten as well.

But adoption of Governor Cuomo’s proposed 2014-15 budget as written would leave schools losing ground financially, stopping or reversing the progress some were beginning to experience or at least hoping might come.

A year ago, the Governor’s budget recommendations offered some positive surprises for public schools, not for every district, but for education funding overall. Surprises in the proposed budget for the year ahead are mostly unpleasant.

The Governor’s budget a year ago promised districts an increase in regular School Aid well above the cap on aid growth the state adopted in 2011. It included \$561 million in increases for aids appearing on computerized aid runs and other programs, plus a \$203 million “Fiscal Stabilization Fund” to be allocated through final budget negotiations with the Assembly and Senate.

Additional funding, also beyond the cap, was provided for new programmatic initiatives, including Full-day Prekindergarten, Community Schools, and Extended Learning Time.

The final state budget for 2013-14 went further, giving schools a \$992 million, 4.9 percent increase in School Aid, plus \$75 million for the new initiatives. Ending the Gap Elimination Adjustment within two years seemed a realistic possibility.

Under the new budget, proposed increases to help schools fund ongoing operations would be less than what the state’s growth cap would provide. Increases on School Aid runs would total \$603 million (2.9 percent), with an additional \$74 million to be allocated from a “Fiscal Stabilization Fund.”

The proposed budget includes promising initiatives to expand full-day prekindergarten and upgrade instructional technology. But for too many schools, possible gains are apt to be lost before they can ever be realized because they will be unable to sustain current basics.

Most importantly, the proposed increase falls far short of what districts would need to fund ongoing operations, given moderate assumptions about costs and limitations on their ability to raise funds locally created by the property tax cap. At the rate of reduction proposed by the Governor this year, the GEA would continue for at least five more years.

Finally, last year’s budget included a proposal to help schools manage the impact of soaring pension costs. This year’s would compound the already punitive implications of the tax cap with a proposal for a two-year property tax freeze. It would put school district leaders in a no-win position, forcing stark choices between seeking revenues to protect student services, or sparing homeowners from tax increases.

## SCHOOL AID

### Total Aid

The Governor’s Executive Budget would increase funding for School Aid distributed through formulas presented on standard aid runs by \$603 million, or 2.9 percent. This constitutes the aid most districts plan on in developing local budgets for the coming school year.

Total School Aid also includes a \$100 million down-payment toward universal Full-Day Prekindergarten, \$50 million for new “performance grants,” and a net \$54 million increase in other formulas and grants. Combining all the pieces, total School Aid would increase by \$807 million, or 3.8 percent.

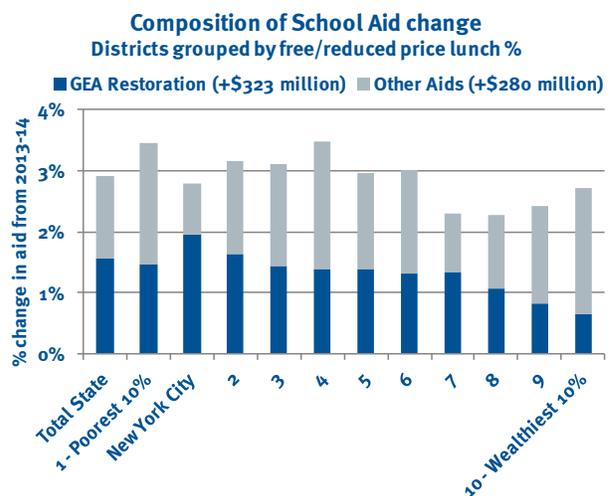
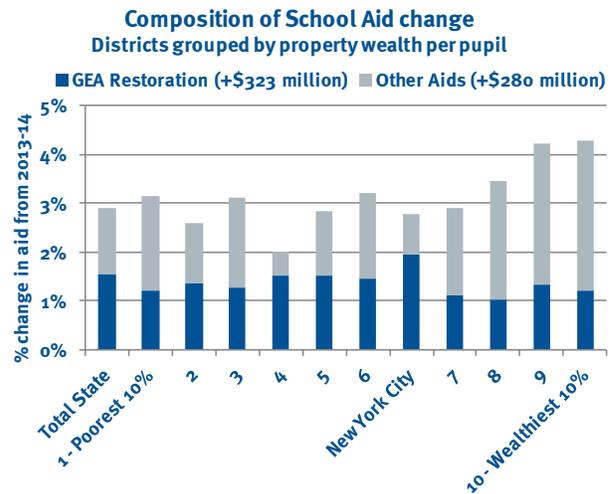
Again, most of the aid most districts rely on in assembling local budgets is distributed through formulas appearing on standard “School Aid runs,” so-called “formula-based aids.” The Governor’s recommendations for this part of School Aid are simple:

- A \$323 million increase in general purpose aid through a proposed restoration against the Gap Elimination Adjustment; and
- A net \$280 million increase in other aids, all to be funded according formulas currently in law, including Foundation Aid, which would be frozen at its 2013-14 level for each district. Unlike a year ago, the Governor proposes no reductions or changes in High Tax Aid.

The distribution of overall aid increases by percentage appears somewhat random. This results from the combined effects of the aid elements described above.

When districts are grouped by property wealth per pupil, it appears affluent districts have generally benefited more by the continuation of current law formulas – some aid categories are reimbursement-based and more affluent districts appear to have been more able to sustain the spending to generate reimbursement.

On the other hand, the GEA Restoration appears tilted toward poorer districts, at least when sorted by student poverty (percentage of students in kindergarten through grade 6 eligible for the federal Free and Reduced Price Lunch Program).



SOURCE: Council analysis of NYSED School Aid data

### Commentary

Whatever the distribution of aid increases under the proposed state budget, the essential problem is that the overall increase is inadequate.

The Educational Conference Board, a coalition representing parents, teachers, administrators and board members, estimates that schools would need a state aid increase of \$1.5 billion to preserve current services, given moderate assumptions about costs:

- Salaries will increase by 2.6 percent, consistent with a nationwide survey;
- Employee benefit costs will rise by 8 percent, consistent with increases in Teachers Retirement System obligations; and
- All other expenses will grow by 1.8 percent, consistent with change in the Consumer Price Index as projected by the Governor’s Budget Division.

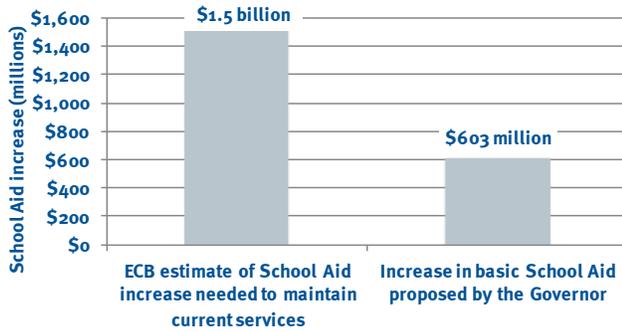
## Summary of Aids Financed Through School Aid Appropriations

<b>I. Formula-Based Aids: (Amounts in Millions)</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Change</b>	<b>%</b>
Foundation Aid	\$15,182.12	\$15,182.12	\$0.00	0.00%
Excess Cost - High Cost	530.32	547.09	16.77	3.16%
Excess cost - Private	330.93	372.34	41.41	12.51%
Reorganization Operating Aid	8.48	8.20	(0.28)	-3.30%
Textbooks (incl. Lottery)	177.22	180.21	2.99	1.69%
Computer Hardware	37.63	38.62	0.99	2.63%
Computer Software	45.69	46.59	0.90	1.97%
Library Materials	18.88	19.44	0.56	2.97%
BOCES	735.42	761.45	26.03	3.54%
Non-BOCES Special Services	199.13	204.38	5.25	2.64%
Transportation (including Summer)	1,635.69	1,724.99	89.30	5.46%
High Tax Aid	223.30	223.30	-	0.00%
Universal Prekindergarten	385.03	385.03	-	0.00%
Academic Achievement Grant	1.20	1.20	-	0.00%
Supplemental Educational Improvement Grant	17.50	17.50	-	0.00%
Charter School Transition Aid	33.13	29.24	(3.89)	-11.74%
Full-Day Kindergarten Conversion Aid	19.32	2.35	(16.97)	-87.84%
Academic Enhancement Aid	8.32	8.32	-	0.00%
Supplemental Public Excess Cost	4.31	4.31	-	0.00%
Gap Elimination Adjustment	(1,638.78)	(1,315.48)	323.30	-19.73%
Building Aid/Reorganization Building Aid	2,722.64	2,839.11	116.47	4.28%
<b>Total Formula-Based Aids</b>	<b>\$20,677.49</b>	<b>\$21,280.31</b>	<b>\$602.82</b>	<b>2.92%</b>
Statewide Universal Full-Day Prekindergarten	\$0.00	\$100.00	\$100.00	NA
<b>II. Grant Programs and Additional Aid Categories:</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Change</b>	<b>%</b>
Teachers of Tomorrow	\$25.00	\$25.00	\$0.00	0.00%
Teacher-Mentor Internship	2.00	2.00	-	0.00%
School Health Services	13.84	13.84	-	0.00%
Roosevelt	12.00	12.00	-	0.00%
Urban-Suburban Transfer	2.73	2.73	-	0.00%
Employment preparation Education	96.00	96.00	-	0.00%
Homeless Pupils	21.23	22.23	1.00	4.71%
Incarcerated Youth	21.00	22.00	1.00	4.76%
Bilingual Education	12.50	12.50	-	0.00%
Education of OMH/OPWDD Pupils	76.00	78.00	2.00	2.63%
Special Act School Districts	2.70	2.70	-	0.00%
Chargebacks	(40.50)	(42.00)	(1.50)	3.70%
Use of Prior Year Competitive Grant Funding	-	(25.00)	(25.00)	NA
Fiscal Stabilization Fund	-	74.00	74.00	NA
BOCES Aid for Special Act Districts	0.70	0.70	-	0.00%
Learning Technology Grants	3.29	3.29	-	0.00%
Native American Building	5.00	5.00	-	0.00%
Native American Education	43.21	45.87	2.66	6.16%
Bus Driver Safety	0.40	0.40	-	0.00%
<b>Total Grant Programs &amp; Additional Aid Categories</b>	<b>\$297.10</b>	<b>\$351.26</b>	<b>\$54.16</b>	<b>18.23%</b>
<b>Total Formula-Based Aids and Grant Programs</b>	<b>\$20,974.59</b>	<b>\$21,731.57</b>	<b>\$756.98</b>	<b>3.61%</b>
Performance Grants	\$100.00	\$150.00	\$50.00	50.00%
<b>SCHOOL YEAR TOTAL</b>	<b>\$21,074.59</b>	<b>\$21,881.57</b>	<b>\$806.98</b>	<b>3.83%</b>

Source: State Education Department computer runs and Executive Budget estimates of January 21, 2014.

The estimate also reflects the impact of the property tax cap’s restriction on the ability of school districts to raise local revenue. This coming year, the basic cap will be below 2 percent for the first time. Districts will require a 60 percent super-majority of voters to approve a tax levy increase greater than 1.46 percent, plus or minus any cap exclusions.

**Comparison of 2014-15 proposed School Aid & level needed to maintain current services**



**SOURCE:** Council, ECB analysis of NYSED School Aid and Property Tax Report Card data.

Again, where last year’s proposed increases supporting ongoing operations exceeded the School Aid growth cap, this year’s falls short. Aid presented on runs accompanying the Governor’s budget will eventually be supplemented by allocations from a “Fiscal Stabilization Fund.” But the sum included for that source is roughly one-third of what the Governor recommended a year ago (\$74 million versus \$203 million).

Even with the proposed increase shown on School Aid runs, over 60 percent of districts would still be receiving less state help than in 2008-09.

**Comparison of 2013-14 and 2014-15 Executive Budget Recommendations for School Aid**

	School Aid Growth Cap	Proposed Increase in School Aid Supporting Ongoing Operations
<b>2013-14</b>	\$610 million 3.0%	\$764 million 3.8% <i>(more than growth cap)</i>
<b>2014-15</b>	\$722 million 3.4%	\$657 million 3.1% <i>(less than growth cap)</i>

**NOTE:** Proposed aid totals include funding for Fiscal Stabilization Fund and exclude funding for performance grants and programmatic initiatives (e.g., Full-Day Prekindergarten).

**SOURCE:** Compiled by Council from NYS Division of the Budget Description of Executive Budget Recommendations for Elementary and Secondary Education, 2013-14 and 2014-15.

**Gap Elimination Adjustment Restoration**

The Gap Elimination Adjustment (GEA) was instituted under another name\* in 2009-10 as state government revenues plunged with the inset of the Great Recession. In that first year, the GEA’s precursor was fully offset by federal stimulus aid. The effect was roughly equivalent to freezing 70 percent of School Aid.

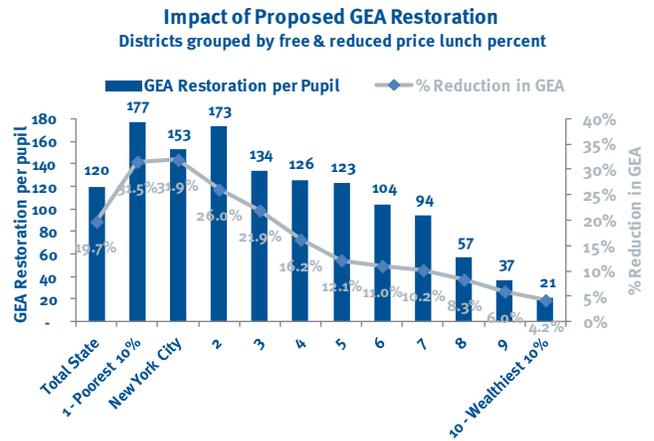
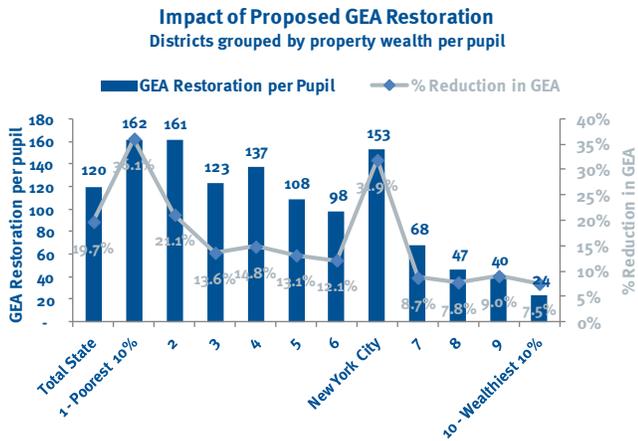
Since 2011-12, the GEA has functioned as the primary mechanism for controlling the state’s overall cost for School Aid. Other aid formulas have been allowed to run according to formulas in law, but each district’s total aid has then been reduced by the GEA. Different factors have been used each year to calculate the GEA. The practice has been to take the prior year’s GEA as a given, then construct a formula each year to allocate a restoration against the GEA. The Legislature’s 2013-14 GEA Restoration reached new heights of complexity, employing a 10-tier formula.

After restorations in the last two state budgets, the GEA stands at \$1.64 billion for 2013-14, down from its 2011-12 peak (or trough) of \$2.56 billion.

The Governor proposes a \$323 million reduction in the GEA for 2014-15. This restoration would be calculated using a formula taking into account local ability to pay, student needs, regional cost differences, and enrollment growth since 2008-09. The minimum restoration is 2.5 percent of a district’s 2013-14 GEA; the maximum restoration is 45 percent of the 2013-14 GEA.

The average restoration is \$120 per pupil, or 19.7 percent of the 2013-14 GEA. Generally, poorer districts fare better by either measure, especially when districts are grouped by student poverty (K-6 pupils eligible for the federal Free or Reduced Lunch Program).

\*The Deficit Reduction Assessment



SOURCE: Council analysis of NYSED School Aid data

**Commentary**

*If future GEA Restorations continue at the \$323 million rate proposed this year, at least five years would be needed to finally be rid of the GEA.*

*The factors used in the formulas make sense, including recognition of enrollment growth. It is positive that they do not include use of the State Education Department’s Need/Resource Capacity (NRC) categories – too many low wealth, high student poverty districts narrowly miss “high need” designation and have lost out on past aid restorations.*

*As with the overall aid increase, whatever one assesses how the proposed GEA Restoration would be distributed, the essential defect is that it is inadequate in total.*

**Statewide Universal Full-Day Prekindergarten**

Funded through proposed School Aid appropriations is a signature initiative for the Governor – a plan to phase-in full-day prekindergarten program on a statewide scale. This program would be funded at \$100 million in the first year, with a total cost of \$1.5 billion over five years (\$100 million added to the previous year’s total in each subsequent year to an eventual annual sum of \$500 million).

The funds provided through this program would be available to all schools, but prioritized to the highest-need districts first. The funds would be intended to supplement, not supplant, existing prekindergarten programs. There are varying estimates as to the overall cost of a universal full day prekindergarten program statewide, with some calculations topping

\$1.6 billion annually. The Governor has said the funding in his budget is meant to drive dollars for prekindergarten to the students who need it most. Given the limited resources available, districts with the means to provide prekindergarten through local funding would not likely obtain state funding for such programs.

New York City’s new Mayor, Bill de Blasio, made providing full-day prekindergarten a cornerstone of his campaign. The Mayor argues that because of uncertainties over the level and sustainability of state funding, his city should be permitted to fund the program through an increase in its personal income tax (PIT), targeted at higher income residents. The tax increase would require approval by the State Legislature and Governor Cuomo. The Governor opposes the effort to increase the New York City PIT and argues that state funding is necessary to ensure equitable availability of the program throughout the state.

**Commentary**

*Superintendents and others widely support expanding and improving preschool learning opportunities as an effective education investment. However, school districts are unlikely to opt into full-day prekindergarten if they are unsure of continued adequate state funding for the initiative, or of their ability to fund kindergarten and subsequent grades. Weak funding of general aid in the Governor’s budget undermines prospects for this initiative.*

*Seeking to counter Mayor de Blasio’s quest for an increase in his city’s income tax, the Governor argues that state funding of full-day prekindergarten is*

necessary to ensure equity. Does that argument apply to kindergarten through grade 12 instruction as well? Past state initiatives have assumed sharing of costs through state aid and local support. But with the property tax cap now restricting local revenue raising ability, to require local support toward a major state initiative would compel cuts to existing services.

### Performance Grants

Governor Cuomo has championed competitive “performance” grants intended to reward and encourage school districts efforts at raising student achievement and improving management efficiency. For the coming year, the Governor proposes \$50 million in new performance grants. In addition, he would reappropriate unspent prior year funds to support specific programmatic initiatives.

The Governor proposes a \$20 million “Teacher Excellence Fund” to provide up to \$20,000 annual bonuses to high-performing teachers. This program would prioritize retaining teachers in the highest-need districts. In order to be eligible for the program, teachers would be required to be classified as “highly effective” through the state’s Annual Professional Performance Review (APPR) program. Such bonuses would also be subject to agreements reached between districts and their teacher union.

The Governor’s budget proposal also provides \$5 million for expansion of the Pathways in Technology and Early College High School (P-TECH) program, which provides a conduit for a high school diploma and associates degree for students pursuing STEM careers. The program is targeted to high-performing, at-risk students.

### Commentary

*The state has experienced difficulty in fully expending past cycles of performance grants; the \$50 million increase proposed for a new round should instead be used to provide more adequate general aid to schools.*

*There are many factors contributing to extraordinary discord over state education policy; some arise from new teacher and principal evaluation requirements. Simultaneous implementation of Common Core instruction and assessments and new educator evaluation requirements increased stress on teachers and students. It is unwise to increase the stakes attached to the evaluations at this time. Also, there is considerable skepticism about the validity of the evaluation ratings themselves. Other investments in improving teacher quality should be sought. The Governor’s budget would eliminate funding*

*for Teacher Centers; some superintendents value the professional development opportunities provided by the Teacher Centers working with their districts.*

*P-TECH is a promising initiative. Boards of Cooperative Educational Services should be authorized to serve as fiscal agents for the consortia which launch and operate programs.*

### Building Aid Recalculation

Unless changed, a requirement from a state law first enacted in 2001 will reduce state aid for many districts below the levels shown on School Aid runs for Governor Cuomo’s 2014-15 proposed state budget. The potential aid loss for all the affected districts is nearly \$40 million.

Under the 2001 law, calculation on Building Aid reimbursement was amended to apply “assumed amortization.” With that the change, district borrowings for construction projects have been assumed to be done for standard terms – 15 years for reconstruction, 20 years for additions, and 30 years for new buildings – no matter what term a district actually arranged. Also, since the 2001 law, reimbursement has been calculated using statewide assumed interest rates for most projects, not interest rates actually obtained and paid by districts.

Assumed amortization allowed the state to reduce its year-to-year costs, because the assumed standard borrowing terms were longer than the actual terms some districts were using, allowing the payment of Building Aid to be spread out over longer periods. It also streamlined aid calculations. A rationale was that if actual interest rates declined, districts could refinance and thereby reduce their costs. Since Building Aid is reimbursement-based, periodically lowering the assumed interest rate would allow the state to reduce its costs for Building Aid.

The 2001 law also requires the State Education Department to re-set the statewide interest rate used for assumed amortization at least once every 10 years, if the current rate is at least one-quarter percent lower than the original rate. Districts can obtain waivers from this recalculation if, for example, they are unable to refinance bonds. The Legislature deferred re-setting interest rates a year ago, through a provision in the 2013-14 state budget.

**Commentary**

*To be clear, the recalculation of Building Aid would not be the result of an aid change proposed as part of the Governor's budget. But whatever the rationale for the adjustment, the result is that the state aid outlook for many districts is worse than it appears on School Aid runs accompanying the proposed budget. Some districts could have aid reduced by several hundred thousand dollars. This would compound the tough choices their leaders and voters already face.*

**Aid Limits**

Once again, the Governor proposes to limit each district's aid for both the base year (2013-14) and estimate year (2014-15) to the lesser of amounts estimated in his budget, or amounts calculated based on updated data..

The Governor also proposes to eliminate prior year aid claims by school districts. Commencing with the 2014-15 school year, any changes to aid data would need to be submitted by November 1 of the year in which the aid is to be paid.

**Commentary**

*Freezing School Aid data as of the date the Governor's budget is released has been rejected by the Legislature multiple times. Some data is not available in time to meet that deadline.*

**“SMART SCHOOLS” BOND ACT**

The Governor has proposed a \$2 billion “Smart Schools Bond Act of 2014,” to be placed on the November statewide ballot for referendum vote. If approved by the Legislature and then by the voters, the bond act would go to pay for new user technology in schools (tablets, laptops, etc.), community broadband service installation that also connects schools to high speed internet, and for construction of additional school space in order to accommodate expanded prekindergarten classes. Bond proceeds would be allocated to school districts in proportion to their share of total state aid in the 2013-14 school year. Each district would be required to submit a plan for use of the funds to the state for approval in order to receive its allocation.

The technology, connectivity and capital building projects would be bonded over 8, 20 and 30 years, respectively, to meet useful life bond standards for the various categories. For the purpose of technology upgrades, leasing of equipment would not be an

allowable use of funds. Equipment must be purchased in order to meet the requirements of the bond.

**Commentary**

*Schools need help funding ongoing basic costs – for staffing, employee benefits, energy costs, and so on. The bond act proposal could ensure all students have access to the opportunities instructional technology can provide. It also could facilitate the transition to online student testing. It would help fund construction of space for full-day kindergarten. But it would not help schools with the basic financial challenges they are confronting and must not distract from efforts to do so.*

*Consideration should also be given to expanding the purposes of the bond act to support projects related to Science, Technology, Engineering and Mathematics (STEM) instruction.*

**STATE EDUCATION DEPARTMENT  
OPERATING BUDGET**

Over roughly two decades, the State Education Department's operating budget has absorbed a series of reductions in General Fund support so that now only 8 percent of its funding is derived from that source. Nearly 90 percent of funding for the Department's Office of Prekindergarten Through Grade 12 Education comes from Washington. For the coming year, the Governor's budget would continue General Fund support for SED's operating budget at 2013-14 levels. This is not exceptional treatment in comparison with other agencies. Federal funding is projected to increase by \$1 million (0.3 percent).

**Commentary**

*Flat funding of SED's operating budget would require some service reductions or functional changes in order to absorb costs.*

*In addition, the proposed the budget does not include funding for initiatives that would improve implementation of state reform initiatives and help dispel some of the discord those efforts have generated. For example, there is widespread support for disclosing all questions on state assessments and for reducing stand-alone field-testing. These actions would require SED to develop more test questions and to field test the questions by embedding them in actual assessments. SED requested \$8.4 million to support initiatives related to these goals. THE COUNCIL supports this request.*

*The Department sought additional funding to develop testing alternatives for English Language Learners and conduct a pilot of online administration of state assessments.*

## PROPERTY TAX FREEZE AND “CIRCUIT-BREAKER”

Governor Cuomo proposes an initiative to “freeze” school district and municipal property taxes for two years through rebates to residential property taxpayers.

In the first year (2014-15), the Governor proposes to provide rebates to school district residential property taxpayers that would offset tax increases – if their district adopts a budget with a tax increase within its levy limit.

To enable residents to receive rebates in the second year (2015-16), a school district would again be required to adopt a tax increase within its levy limit and enter into a shared services or consolidation plan with other districts within its Board of Cooperative Educational Services. (Different procedures would apply to the “Big 5” city school districts).

The plan would be submitted by the largest school district within the BOCES. District officials would be required to certify that the plan will produce savings equivalent to 1 percent of the combined tax levy in 2016-17, 2 percent in 2017-18, and 3 percent in 2018-19. The plans would be required to be submitted to the Secretary of State by May 15, 2015.

The Governor’s Budget Director would be authorized to direct the State Comptroller to “...withhold any state aid payments due to a school district that failed to fully implement by the end of the 2016-17 school year ... the consolidation actions or shared services action specified in an efficiency plan...”

Combined, the school district and municipal rebates are projected to cost the state treasury \$400 million in 2014-15 and \$976 million in 2015-16.

In addition to the “freeze” credits, the Governor is simultaneously proposing a “circuit-breaker” which would provide an adjusted property tax rebate to lower-income homeowners. The program would begin in 2014-15 and run indefinitely. The circuit-breaker would also be available to New York City homeowners. As proposed by the Governor, the circuit-breaker would be available to taxpayers who devote at least 3 percent of their adjusted gross income to paying property taxes and would provide a maximum credit of \$1,000. The size of the credit would be adjusted based on the taxpayers’ income and the share of income paid in property taxes.

## Commentary

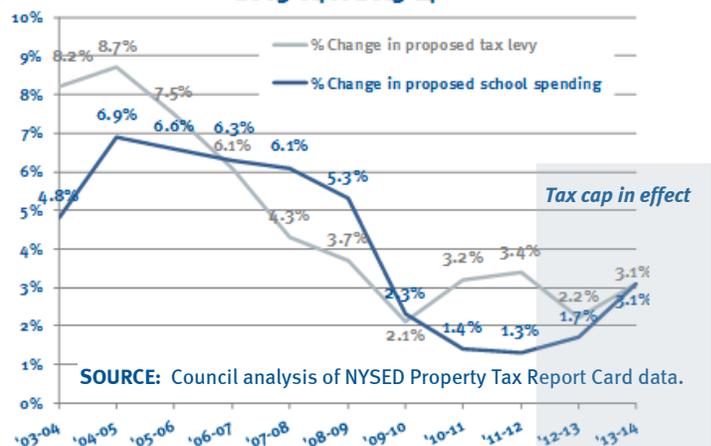
*This proposal would compound the already punitive effects of the current school property tax cap. If adopted, it would provoke conflict between taxpayers and their schools, and place local leaders in some districts in a no win position: either remain under the cap and cut essential education services to students, or attempt to override the cap and risk angering constituents and face possible defeat of your school budget. In 2013, 28 school districts in New York State attempted to override the tax cap; only seven were successful.*

*Currently, the school district property tax cap limits local tax levy increases to the lesser of 2 percent or the change in the Consumer Price Index, whichever is less, plus or minus various exclusions. (For 2014-15, the cap will be 1.46 percent before exclusions). To win approval of a tax increase within its levy limit, a simple majority of voters is needed; to over-ride the cap, approval by 60 percent of voters is required. Districts may make two attempts to gain voter approval. If voters do not approve any proposal, a district may not increase its tax levy at all. In contrast, Massachusetts communities may increase their tax levy by up to 2.5 percent without obtaining or seeking voter approval.*

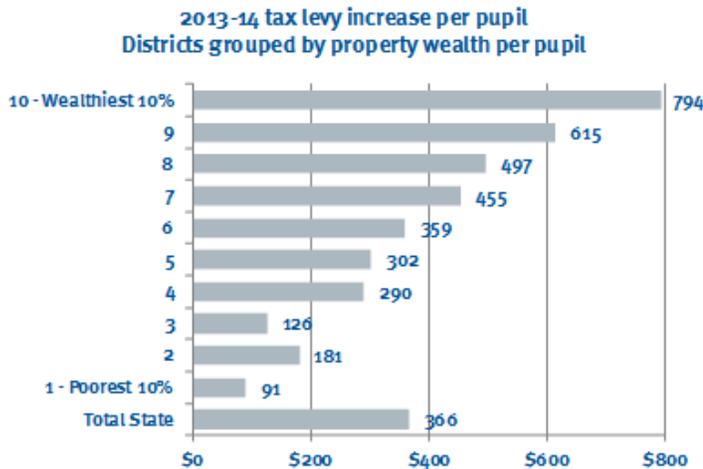
*District leaders and their voters have been making tough choices needed to hold down school tax and spending increases – and have been doing so since before the tax cap became law, without much help from state government.*

*Over the past five years, the budgets districts asked voters to approve proposed spending and tax increases averaging 2.0 percent and 2.8 percent, respectively. They achieved this restraint in tax increases despite cuts and freezes in state support that have left over 70 percent of districts still receiving less aid than in 2008-09. Spending restraint has been achieved despite inaction on mandate relief other than long-term pension reform.*

**Statewide average proposed change in school district spending and tax levy 2003-04 to 2013-14**



Reacting to this proposal, one upstate superintendent said, “If he [the Governor] can fund a rebate, he should be funding the schools properly in the first place.” Resources directed to the rebates should be applied to increasing School Aid. Doing so would almost certainly do more to help poorer communities. Analysis of 2013-14 tax levy increases suggests rebates could average eight times more per pupil in the wealthiest communities than the poorest.



**NOTE:** The chart shows per pupil tax increases in districts which sought tax increases within their levy limit for May 2013 budget votes. The proposed tax freeze rebates would affect only residential property taxpayers, but the chart does illustrate how the rebates would vary proportionately in relation to district wealth.

**SOURCE:** Council Analysis of NYSED Property Tax Report Card data.

Finally, the efficiency plan aspects of the proposal are poorly conceived:

1. Districts have been through five years of tough budgets, many have made aggressive efforts to share services and some have exhausted practical opportunities. But the proposal would deny districts credit for past efforts.
2. BOCES commonly lead regional efforts at arranging and conducting shared services. But the proposal would deny BOCES the leadership role in coordinating the plans and deny savings credit for functions assumed by BOCES.
3. It is simply fallacious that large savings are widely attainable through administrative sharing, or that voters support full scale consolidation. Twenty-nine states have more districts relative to enrollment than New York; number of districts does not explain educational costs. Also, voters have rejected eight out of the last 10 proposed district mergers, including all put to a vote in the current school year.

THE COUNCIL has supported enacting a circuit-breaker as a means to target the most relief to taxpayers who need

the most help. However, the Governor’s proposal would not be well-targeted, setting a low qualifying threshold and low maximum credit – it would provide a little help to a lot of people. Also, under the Governor’s proposal, only taxpayers in jurisdictions that adopt tax increases within their levy limit would be eligible for the circuit-breaker.

## AFTER-SCHOOL PROGRAMS

The Governor is proposing a program that would provide funding to schools in order to provide after-school programs for students. This program would provide \$720 million in funding over five years - commencing in 2015-16 - to programs that keep kids in school longer and extend learning time for students. The funds would come directly from revenues and licensing fees expected from the opening of four casino gaming facilities in upstate New York.

### Commentary

After-school programs can play a valuable role in promoting school attendance and engagement, and in diverting youth from less positive activity. There are valid arguments for using revenue from a new and not fully predictable source to support new initiatives, rather than ongoing operations. But if the revenue proves to be significant and reliable, schools do need more help from the state in funding basic operations.

## BUDGET LEGISLATION

### Preschool Special Education Reform

For the second year in a row, the Governor is proposing reforms in preschool special education programs to save costs and improve accountability. Specifically, the Governor’s proposal seeks to reform rates paid to private providers through the Special Education Itinerant Teacher (SEIT) program. The proposal would limit payment to those services actually delivered, establish regional rates applicable to all providers, and give the City of New York the authority to negotiate rates with its providers.

### Commentary

The proposals would promote more effective fiscal oversight of preschool special education without shifting costs on to school districts, which are funded through smaller tax bases than the state or counties, and operate with a more stringent tax cap.

### Special Education Waivers

The Governor proposes to allow school districts, BOCES, and approved private schools to obtain waivers from most special education mandates

prescribed by state laws or regulations adopted by the Board of Regents.

Districts would be required to submit waiver requests to the Education Commissioner at least 60 days before they are proposed to take effect, and to provide notice of the planned waiver requests to families whose children would be affected at least 60 days prior to submitting the request. Any comments from affected families would be included with the waiver submission.

The Commissioner would be authorized to grant waivers upon finding that a proposal would enable a district to, "...implement an innovative special education program that is consistent with applicable federal requirements, and will enhance student achievement and/or opportunities for placement in regular classes and programs." Waivers would be granted for one year at a time.

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#### Commentary

*THE COUNCIL strongly supports this proposal. New York State has far more extensive special education mandates than most other states. This path drives up costs without producing better outcomes for students with disabilities. The proposal would provide opportunities to demonstrate that there are better ways to serve these students.*

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#### School District Consolidation

One obstacle to school district consolidation is that, if potential partners differ in property wealth, tax rates in the wealthier partner will rise, while those in the poorer district will decline. The Governor proposes to allow districts to defer adjustments in tax rates for one year or phase them in over up to 10 years.

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#### Commentary

*Allowing an option to phase-in tax rate adjustments following a merger is a sensible proposal. Other steps to streamline the consolidation process and promote school district sharing should also be pursued, including eliminating the requirement for a "straw vote" in the merger process and authorizing regional high schools.*

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#### Reporting Patterns of Discrimination

The Governor's proposed budget contains Article VII bill language that would increase reporting requirements for school officials in the event of an ongoing pattern of harassment, bullying, or discrimination within the school based upon race, color, weight, national origin, ethnic group, religion, religious practice, disability, sexual orientation,

gender or sex. School officials would be required to report such a pattern to the State Division of Human Rights, State Education Department, and the State Police in a timely fashion. The law currently requires only an annual report to the State Education Department.

The legislation would also require the Commissioner of Education to commence termination action against a superintendent or administrator who knew or should have known of the pattern of discrimination and failed to properly report it.

This proposal contains an additional element creating liability for public school districts under the human rights law. Presently, under the human rights law only *private* schools in New York State can be liable for permitting harassment or discrimination to occur in their institutions. The Governor's proposal would extend this civil liability to public schools.

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#### Commentary

*Aiding victims of discrimination is an important goal; however this proposal has been constructed in such a way as to thwart such an end. It is reactionary to a very unique case in Orange County (according to the Governor's own words), the facts of which remain unsettled. There are substantive amendments to the human rights law that could be made in order to effectively aid victims of discrimination; those proposed here are not such amendments. Duplicative reporting to non-coordinating agencies, combined with an incentive for school officials to flood unnecessary reports into those agencies, are hardly models of efficiency. The probable result will be a sea of paperwork into which legitimate discrimination complaints are likely to be lost.*

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## LOOKING AHEAD

Before the Governor submitted his proposed budget, THE COUNCIL released results from our third annual survey of superintendents on school budgets – *Not Out of the Woods: School Districts Still Struggling to Find a Way Through Budget Challenges*.

We explained that despite the aid increases of the past two state budgets, too many districts still have real fears of insolvency and too few have been able to restore programs and opportunities for their students.

One-third of superintendents responding said their districts could face financial insolvency within four years. In that same span, over 40 percent foresaw a chance of educational insolvency, which we defined as becoming unable to fund all instructional and student services mandated by Albany or Washington.

Nor have the aid increases in the last two state budgets translated into improved services for many districts. Fewer superintendents are predicting negative impacts on their programs this year, but no more than 25 percent of superintendents believe their

district budget for the current year would have a positive impact on services in any program area. For the third straight year, over 40 percent of superintendents predicted their district budgets would negatively affect extra help for students who need it, operations and maintenance, and administration.

Two successive increases in School Aid and reports of state budget surpluses created glimmers of hope that better days might lie ahead for schools. But while budget gaps for state government may vanish, its surpluses would be achieved, in part, by continuing the Gap Elimination Adjustment on schools, with no end in sight. Instead of applying surpluses to accelerating the demise of the GEA, the proposed budget would promote a tax freeze that would intensify the dire choices already facing leaders and voters in many school districts.

The proposed state budget offers our schools too little help in assembling sound budgets for the year ahead, or resolving the deep structural challenges too many districts must still confront.

State General Fund Budget Projections, Gap Closing Actions (dollars in millions)				
	2014-15	2015-16	2016-17	2017-18
<b>Mid-Year Budget Surplus/(Deficit) Estimate</b>	<b>(1,742)</b>	<b>(2,889)</b>	<b>(2,948)</b>	<b>(3,887)</b>
Total Specified Spending Changes	1,942	2,562	2,981	3,105
Use of surpluses	286	31	-153	-129
Additional Actions to Reach 2% Spending Target	NA	1,685	2,367	3,618
Tax Actions (Cuts) & Timing Considerations	(\$486)	(\$1,234)	(\$2,082)	(\$2,534)
<b>Executive Budget Surplus/(Deficit)</b>	<b>0</b>	<b>155</b>	<b>165</b>	<b>173</b>
<b>Projected School Aid Change (School Year)*</b>	<b>\$807</b>	<b>\$853</b>	<b>\$1,069</b>	<b>\$1,190</b>
<b>Percent Change</b>	<b>3.8%</b>	<b>3.9%</b>	<b>4.9%</b>	<b>5.4%</b>

\* includes \$100 million per year increase in funding for Full-Day Prekindergarten

SOURCE: New York State Division of the Budget. *FY 2015 Executive Budget Financial Plan*, pp. 10 and 90



**NEW YORK STATE  
COUNCIL OF SCHOOL SUPERINTENDENTS**

**7 Elk Street, Third Floor  
Albany, New York 12207  
518.449.1063  
[www.nyscoss.org](http://www.nyscoss.org)**