# New York State Council of School Superintendents

## *School Districts Budgets: Positive Developments, But Concerns Remain*

**May 29, 2013**

This spring, many school districts benefited from two positive developments:

- The enacted state budget increases School Aid by 4.7 percent, with additional support available from new categorical programs t to be allocated in the future; and
- Last week, 95.2 percent of proposed budgets won voter approval, one of the highest approval rates ever.

But many school leaders still look to the future with alarm. We see five reasons for this widespread concern:

1. ***School districts endured a series of tough budgets; easier budget cuts have already been taken*.**
   - Even with the School Aid increases in the two most recent state budgets, 70 percent of districts will still be getting less help from the state than in 2008-09. State aid was cut in 2010-11 and 2011-12, and most aid was frozen in 2009-10.
   - Despite austerity in state said and surging benefit costs, districts have been holding down spending and taxes –over the past four years, spending increases have averaged 2.0 percent and tax increases have averaged 2.8 percent.
2. ***School districts have been drawing down reserves to spare students and taxpayers from budget actions that would have had more drastic impact. But those resources are disappearing fast.***
   - Nearly, half the districts in the state used more from fund balance in their budgets this year than they have remaining for use next year.
   - Without the use of appropriated reserves ("assigned fund balance") in their budgets this year, the poorest districts would have need to raise taxes by districts would have need to raise taxes by 17 percent more than they did.
3. ***Some hard to control costs – especially pension contributions and health care premiums have been surging.***
   - Employer contribution rates to the Teachers Retirement System are due to increase from 11.9 percent of payroll, to 16.5 percent. For nearly all districts, TRS cost increases alone will exceed what they will receive in additional state aid next year or what they could generate with a 2 percent local tax increase. For some districts, this one cost would exceed the sum of both revenue increases.
   - The Council commends the Governor and legislature for enacting an option that will allow districts to "spread out" part of this pension cost. But there are no free lunches – districts can pay less now, but will pay more in total. So far few districts are choosing the option, but more may before the June 30, 2014 deadline.

4. ***There has been limited action on mandate relief, and new mandates have been adopted.***
    - The new "Tier VI" in state retirement systems will significantly lower school district pension costs – but only over the long term. Other significant mandate relief has yet to be enacted.
    - New mandates have been imposed – for example, teacher and principal evaluation requirements.
    - Some of New York's high education costs are driven by unique laws: No other state has a Triborough Law requiring salary step increases even after a contract has expired, or a Wicks Law mandating use of multiple prime contractors on construction projects. New York also has complex special education mandates.

5. ***The two major revenue sources for schools – local taxes and School Aid – are now subject to state-imposed growth limits.***
    - By law, future School Aid growth is to be limited to the annual percent change in statewide personal income. The Property Tax Cap requires districts to obtain 60 percent voter approval for tax increases greater than their "levy limit" – the lesser of 2 percent or inflation, plus or minus certain costs. If voters do not approve a district budget, the district may not increase its tax levy at all.
    - Again, rising pension costs alone could absorb the additional revenue most districts under both these limits.