THE COUNCIL of SCHOOL SUPERINTENDENTS

LEADERS • EDUCATORS • ADVOCATES

KEY POINTS

Provide Sound Funding for Public Schools

- Executive Budget School Aid runs include traditional School Aid *plus* STAR property tax relief reimbursements, *plus* federal stimulus aid. The statewide increase in total funding is $2.1 billion (7.1%) is not representative of what most districts would receive:
  - Half of all districts would receive increases of 2.1% or less, including nearly a quarter which would see total funding decrease, despite the infusion of federal aid.
  - Fewer than one in 10 districts would see increases of 7% or more.
  - Over 70% of districts would have their entire allocation from the December federal stimulus legislation offset by two cuts in state aid—a reduction in STAR reimbursements and consolidating 11 aids into Services Aid."
- ***We urge rejecting the proposal to reduce STAR reimbursements.*** The state financial plan says the cut is to be recurring—what will happen to school district revenues when there is no more federal aid?
- ***We oppose the proposal to consolidate 11 aids into Services Aid.*** It raises multiple alarms:
  - It would hurt high need school districts worst—$620 million of the $693 million statewide reduction would be absorbed by New York City Schools; over half the remaining cut would fall on other high need school districts.
  - The proposal would further reduce predictability and stability in school district revenues. Districts cannot predict Foundation Aid from one year to the next. The tax cap has made planning property tax revenues more complicated as well. Districts have been able to anticipate reimbursement for transportation, BOCES, charter school, and instructional materials cost, but that would end with this proposal.
- ***We recommend using anticipated additional federal aid to avert the cuts described above and to ensure all districts have resources to offset exceptional costs created by the pandemic and to help students recover from learning losses.***

Other Issues

- ***Exceptional Transportation Costs:*** We support the Regents proposal to ensure districts can receive reimbursement for exceptional transportation costs they incurred while school buildings have been closed in delivering instructional materials and student meals and creating mobile hotspots for families with inadequate internet access.
- ***Reserve Fund Flexibility:*** To help schools avert or minimize the painful choices that might arise when federal stimulus aid ends, were recommend increasing the limit on unrestricted reserves from 4% to 8% and to amend the restricted reserve fund flexibility legislation enacted last year to give districts more time to repay amounts borrowed from any fund.
- ***Prior Year Adjustments:*** We urge rejecting the Executive Budget proposal to eliminate $18 million allocated for 2021-22 payments of state aid claims owed to districts and rejecting the proposal to expunge the entire list of $300 million in claims owed by the state to districts.
- ***Residential Special Education Placement Cost Shift:*** We urge rejecting the Executive Budget proposal to permanently shift from the state to school districts $28 million in costs for placements of children with disabilities in residential programs.

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SUPPORT

Provide Sound Funding for Public Schools

The Executive Budget would increase funding for schools by $2.1 billion, or 7.1%, through a combination of traditional School Aid, STAR property tax reimbursements, and federal stimulus assistance.

The net total increase is achieved through a $607 million *reduction* in state support and a $2.72 billion increase in federal aid—the difference between the $1.13 billion allocated to the state's public schools from the federal CARES Act for 2020-21 and the $3.85 billion allocated from the stimulus legislation enacted in Washington in December.

But the statewide increase is not reflective of what most districts would experience:

- The median increase is only 2.1%—half of all districts would receive smaller increases, including 23% of districts which would experience year-over-year reductions in total funding.
- Fewer than 1 in 10 districts would receive increases of 7% or more.
- Over 70% of districts would have their entire allocation from the December federal stimulus offset by two cuts in state support, leaving nothing to help in paying extraordinary pandemic-driven expenses.
- One cut would reduce STAR reimbursements to districts by $1.3 billion. The budget says the cut is to be recurring—what will happen when there is no special federal assistance?
- The other cut would consolidate 11 aid categories into Services Aid and reduce total funding by $693 million from what districts would receive under current law.

Foundation Aid would be frozen for the second straight year, leaving the state over $4 billion behind in phasing in the permanent formula.

The entire use of the state's last federal allocation in a single year would create a steep fiscal "cliff." Without further federal aid, the state would need to increase its support for School Aid by $3.85 billion in 2022-23 to maintain total school funding at the level the budget proposes for the year ahead.

We are optimistic that additional federal aid proposed by President Biden and under negotiation in Congress will provide significant help for our state government and our schools.

The Council urges using future federal aid to reject the Services Aid proposal and STAR reductions, to assure that districts have resources to use in meeting costs and needs created by the pandemic, and to avert a steep fiscal cliff that would require drastic reductions in school funding and painful choices for state and school leaders.

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OPPOSE

"Services Aid"—Consolidating and Cutting 11 Aids

The Executive Budget proposes to consolidate 11 currently separate aid categories into "Services Aid" and reduce total funding by $693 million from what school districts anticipate under current law.

The Proposal

Among the 11 aids to be consolidated would be Transportation Aid, BOCES Aid, and Special Services Aid for the Big Five cities and other districts. For 2021-22, aid would be calculated under each of the current formulas, then added together, and then a reduction factor would be applied to cut the combined sum by 17%.

The reduction factor would be the lesser of a per pupil amount or what remains of a district's allocation from the December federal stimulus legislation after a cut against its reimbursement for STAR property tax reimbursements.

After next year, the existing formulas would no longer operate and a new reduction or growth factor would be applied against the new base.

Our Objections

The cuts in funding would be generally regressive, taking the most from New York City and other high need school districts. New York City alone would absorb $620 million out of the $693 million statewide reduction.

The proposal would obliterate one remaining strand of predictability in school revenues. Districts cannot forecast Foundation Aid from one year to the next. The vagaries of the tax cap have complicated planning for property tax revenues as well. Districts have been able to forecast what they could reasonably expect as reimbursement for student transportation expenses, for purchases of shared services from BOCES, and as help in meeting rising charter school tuition payments, to name three of the funding streams to be consolidated. But after 2021-22, current formulas would no longer be used. Instead, districts would receive as Services Aid what they received the year before, plus or minus whatever adjustment the state elects to apply for that year.

It is also problematic to permanently tie future aid to one year's experience—expenditures in any one year may be exceptional, and these past two years have the most exceptional in memory.

We are especially concerned about the damage the proposal could inflict upon BOCES, which many poor districts rely upon to give their schoolchildren opportunities they could not offer on their own. For typical high need rural districts, a 2 percent property tax increase raises only about $100,000 in revenue, making them excruciatingly vulnerable to changes in state aid.

The Council urges rejection of the Services Aid proposal to consolidate and cut 11 aid formulas that currently give districts some predictability in revenues.

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SUPPORT

Reimburse Special Transportation Expenses

School districts have incurred exceptional transportation costs last year and this year due to the COVID-19 pandemic. The Executive Budget would provide only partial reimbursement toward those costs.

When school buildings were abruptly closed last March, districts swiftly launched remote instruction to maintain teaching and learning. They also implemented new models to distribute meals for students. In many cases, districts used their student transportation systems to deliver instructional materials and meals. Some used them to create mobile hotspots for families without internet access. These actions were necessitated by an Executive Order of the Governor.

Some districts also incurred "standby" costs in paying employees and contractors so that the capacity to bring students to school and get them home again would still be there if resuming in-person instruction became possible. The federal CARES Act also directed aid recipients to maintain payrolls, to the extent practicable. Many school leaders, on advice of counsel, took this provision very seriously and maintained these employees on payroll to avoid federal law violations.

Districts have been incurring similar transportation costs this year during times that it has been necessary to close school buildings.

These expenses have been deemed not aidable under current law. The Executive Budget does promise at least some reimbursement for the exceptional service delivery expenses, but only for costs incurred last year (2019-20) and nothing for the "standby" costs of assuring that transportation personnel would still be on staff whenever in-person teaching and learning could resume.

We recognize the policy implications of reimbursing schools for "standby" costs, but the employment market and unemployment provisions necessitated it. Many drivers would have earned more through the unemployment system than as bus drivers because of the $600/week enhanced unemployment benefit. If districts laid off these drivers or stopped paying contractors, they would likely never have been able to rehire them. In addition, districts that continued to pay bus drivers saved the state money by reducing overall state unemployment costs.

The Council supports legislation proposed by the State Education Department that would assure Transportation Aid reimbursements for both delivery and standby costs, for both 2019-20 and 2020-21.

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OPPOSE

Elimination of State Reimbursement for Residential Placements for Students with Disabilities

The Council of School Superintendents opposes making permanent the elimination of state reimbursement for residential placements made by a school district committee on special education. Last year, the enacted budget eliminated the 18.424% state share of these costs, but this provision was set to sunset at the end of this fiscal year

The Executive Budget would make this state funding cut permanent and cost school districts an estimated $28 million next school year. Schools already struggle with significant special education costs with overburdensome mandates that do not necessarily guarantee better outcomes for students.

This cost shift places an increased financial burden on local school districts. It could also adversely affect some of our most vulnerable students and the special act school districts and other programs that serve them. The increased financial burden on districts threatens to close the door of access for students who suffer complex trauma due to abuse and who are affected by serious mental health conditions. Without access to the therapeutic services and the 24/7 stable environment provided by a residential placement, these youth may remain in cycles of crisis.

The Council opposes permanently eliminating the state share for residential special education placement costs

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SUPPORT

Provide Reserve Fund Flexibility

THE COUNCIL SUPPORTS legislative efforts to provide reserve fund flexibility to better plan for the future

The Council has and will continue to advocate for increased state *and* federal support for schools throughout this budget season and it may not be clear what dividends these efforts will pay until April 1, at the earliest.

However, regardless of additional aid to schools beyond what the Executive Budget would promise, we expect schools to face difficult budgetary times for years ahead. The economy will take years to fully recover from the disruption inflicted by the coronavirus pandemic and schools will need to provide more resources to support students that have fallen behind or suffered mental health issues because of the pandemic. Districts have also expended additional resources to ensure schools are safe for students and staff.

Chapter 157 of the laws of 2021 provided what at the time appeared to be a reserve fund relief law that would help schools manage the upcoming fiscal crisis. That law authorized schools to utilize restricted reserve funds to pay for pandemic-related expenses provided that such reserve funds were fully replenished within five years, with interest. But due to these restrictions, this law has been barely utilized. To effectuate the intended purpose of Chapter 157, we urge the legislature to lengthen the payback period and eliminate the interest attributed to such payback requirement.

To provide further relief around financial management, the Legislature should provide relief from the 4% unrestricted reserve fund limit. Due to concerns regarding potential 20% across the board state aid cuts threatened by the Governor and his Budget Director, as well as actual withholdings of state aid, districts took steps to responsibly reduce their spending. Only since the release of the Executive Budget on January 19 has the Division of the Budget announced all withholdings will be restored.

Due to local cost-control measures and an influx in federal support, many districts could be in a situation where they would have to spend funds in the current year solely to get below the 4% limit. The near-term funding outlook for schools is hard to predict but we can anticipate that, once federal stimulus aid is exhausted, hard choices will face state and school district leaders. To help districts plan for and manage this situation, the Legislature should increase the unrestricted reserve fund limit to 8% for the next five years. Municipalities have no percentage limit on unrestricted reserve fund amounts.

For all the foregoing reasons, the Council of School Superintendents strongly supports legislation to provide additional flexibility regarding the use of reserve funds.

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SUPPORT

Limit Charter School Growth and Restore Charter School Reimbursement

A fundamental position of the Council is that whatever the state hopes to gain through charter schools should not come at the expense of traditional district schools which educate over 80% of the state's students.

For years now, this position has been undermined via rapid expansion of charter schools in some areas of the state and growing direct state support for charter schools. This proposed budget further strains the ability of public schools to support charter schools and their own enrollment.

The Executive Budget would cut in half supplemental basic tuition reimbursement. Typically, supplemental tuition is $1,000 per student and is paid by the sending district which then receives state reimbursement for the total cost of supplemental tuition the following year. In the proposed budget, the state would allocate only one-half the customary reimbursement while maintaining the requirement for districts to pay charter schools the full supplemental tuition. This should be rejected.

The budget would also increase the number of available charter schools in the state. The current statewide cap is 460 and this figure has not been reached. But to further expand charter schools, the Executive would authorize the State University of New York and the State Education Department to reissue charters that have been terminated, surrendered, or revoked. Our position is that no effort should be made to increase the number of available charter schools in the state until the current cap is hit and then a comprehensive study of the impact of charter schools is conducted.

To further protect public schools in areas with a high saturations of charter schools, we support legislation that would prohibit new charter schools located in school districts where 5% or more of the public school enrollment attends charter schools.

Legislation is also necessary to prevent charter school authorizing entities from flouting laws that limit the length of time a charter may be granted. Current law authorizes a charter to be granted for a maximum of five years. However, SUNY has been extending charters for certain schools' several years in advance of their expiration, thereby creating terms in excess of the statutory limit of five years. To align with the spirit of existing law and to avoid litigation, the Legislature should clarify that the combined length of a new charter and a yet to expire existing charter may not exceed five years.

The Council support restoration of reimbursement of supplemental tuition and limitations on charter school growth and expansion.

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SUPPORT

Tax Cap Flexibility

The Council of School Superintendents supports adjustments to the school property tax cap law that would appropriately balance concerns over tax burdens with giving school districts greater predictability and flexibility in managing revenues to sustain and improve academic opportunities.

We recognize that this law has gained widespread political and public support. Nonetheless, modifications are necessary to enable district leaders to ensure stability of school district finances during and after this pandemic has subsided.

For 2021-22 school budgets, the allowable levy growth factor is 1.23%, the lowest since the 0.12% limit for the 2016-17 school year. The law has once again failed to live up to its advertised 2% tax cap label for the sixth time in 10 years.

True 2%: The base for the school property tax cap should be 2%, plus or minus allowable exclusions, rather than the current lesser of 2% or the change in the Consumer Price Index over the prior calendar year. This would give school districts more predictability in financial planning. The cap has always been commonly explained and understood as a "2% cap."

Carryover Flexibility: The "true 2%" allowable levy limit should be coupled with a more workable carryover provision, to give districts an incentive to hold tax increases below 2% when they can and retain the savings for use in more difficult imes. Under current law, schools can carryover up to 1.5% of any unused levy limit to another year. But the carryover only lasts for one year. If districts could carryover 2% of unused levy limit and allow the carryover to accumulate, stability and predictability in school revenues would be further strengthened. The carryover accumulation would last for three years with the earliest year falling out of the carryover calculation on a rolling basis.

Pension Exclusion Flexibility: Currently, schools can exclude from the tax cap cost for employee pension obligations when an employer contribution rate increases by more than two percentage points. This calculation drastically reduces the likelihood of the pension exclusion being utilized. The law should be amended to exclude increases in pension costs greater than an actual 5% increase.

PILOT Adjustments: Property generating payments in lieu of taxes (PILOTs) should be included in the tax base growth factor via regulation or statute, just as property generating taxes are. New brick and mortar construction that is added to the traditional tax roll is included. Not according construction generating PILOTs the same consideration lacks rational policy basis and fairness and could discourage use of this economic development tool.

The Council supports these proposed tax cap adjustments.

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SUPPORT

Polling Place Safety

THE COUNCIL SUPPORTS authorizing school districts to decline designation of school buildings as polling places.

School superintendents in New York State and across America take it as a personal obligation to all families to do everything possible to keep every child safe while they are at school. In aftermath of horrific tragedies in Parkland, Florida and elsewhere, superintendents and their local partners have been re-examining security in their schools and attempting to reassure families that no deficiency is being overlooked and no reasonable improvement will be dismissed. Our schools remain among the safest places for children and young people.

However, current laws surrounding the designation of polling places make the job of keeping students safe on election days more challenging. Once a county board of elections designates a school building as a polling place, that school building must be made available for the election. All other public entities have the ability to attempt to reject designation of their buildings, but school districts do not have that same authority.

Legislation is needed that would enable schools to better protect students by providing schools with two new options. Schools should be able to reject its designation as a polling location and the board of elections should be forced to designate another polling location. Alternatively, school districts should be authorized to designate another district owned building within the appropriate boundaries for the election in which polling would take place.

The concerns of superintendents over mandating school buildings to host general, primary and special elections is solely based in concerns over student safety. We understand and respect that policymakers have concerns that allowing school buildings to reject their polling place designation could harm voter turnout. We respect these concerns and will work with policymakers to ensure no voter is disenfranchised if a school districts declines its designation as a polling place.

In the aftermath of the horrifying attacks in Newtown and Parkland, parents across the state have demanded that schools take significant and sometimes costly actions to ensure all students are kept out of harm's way. Schools have heeded these requests, but their ability to meet the full demands of parents and the community is hindered by the current polling place law.

We urge the Legislature to act this session to allow schools to maintain full control over who can enter school buildings when students are present.

THE COUNCIL strongly supports authorizing schools to decline to be designated as a polling location.

Explaining the 2021-22 Executive Budget School Aid Runs

Summary

- School Aid runs include traditional School Aid ***plus*** STAR property tax relief reimbursements to school districts ***plus*** federal stimulus aid allocations.

- **Foundation Aid** would be ***frozen*** for the second straight year, the state would be $4.06 billion behind in phasing-in the formula.

- A $1.35 billion (71.1%) **cut** would be applied against the **STAR** reimbursement districts are projected to receive for 2021-22—the "Local District Funding Adjustment."
  - — The cut is the lesser of a district's estimated STAR payment or its 2021-22 federal stimulus allocation.

- 11 aid categories would be consolidated into "**Services Aid**" and **cut** by $693 million (17.2%) from what current formulas would provide.
  - — This cut would be the lesser of what remains from the district's 2021-22 federal stimulus allocation or a per pupil amount—in total, the STAR and Services Aid cuts cannot exceed a district's stimulus funding.

- Other formulas on the run (e.g., Building Aid) are estimated according to current law formulas.

- Statewide, total funding would increase by $2.111 billion (7.1%), includes:
  - — $607 million year-to-year ***reduction in state funding*** offset by
  - — $2.718 billion year –to-year ***increase in federal support*** (difference between CARES Act allocations used in 2020-21 and CRSSA Act allocations used in 2021-22).

Observations

- The 7.1% statewide increase is ***not*** representative of what most districts would experience.

- The median increase is 2.1%—half of all districts would receive smaller increases; this includes 23% of districts which would experience year-to-year ***reductions*** in total aid, notwithstanding the $3.8 billion one-time boost in federal help.

- Fewer than 1 in 10 districts would receive increases of 7% or more.

- Over 70% of districts would have their entire allocation of federal aid consumed by two state funding cuts ($1.3 billion against STAR, $693 million through the Services Aid proposal).

- For some districts, Services Aid estimates are skewed by the effects of school building closures on expenditures in either 2019-20 or 2020-21 or both.

- The STAR cut is intended to be recurring—what happens when there is no more federal aid?

- The budget would allocate the entire $3.8 billion in federal CRRSA Act stimulus aid in 2021-22. Without more federal help next year, the state would need to increase its support by $3.8 billion to maintain the same level of total funding.

February 2021