



# LEGISLATIVE BRIEFS...

## Budget Analysis

February 2010

The 2010-11 Executive Budget looks very much like what was presented on January 2009. The major difference is that the 2009 proposal did not include federal stimulus dollars. The 2010 proposal includes stimulus money making this year's budget more ominous than a year ago. Major components include:

**Aid Formula Reductions:** The Governor's proposed 2010-11 Executive Budget reflects a 2% reduction of all school spending statewide. Individual school districts would see a reduction of state aid averaging 5%. Current state aid formulas were left unchanged but foundation aid High Tax Aid and Universal Pre Kindergarten aids would be frozen for two years. Full phase-in of the foundation formula would be extended to 2016-17.

Reductions are calculated against total formula allotments less building and Universal Pre-kindergarten aids. The total reduction, called a Gap Elimination Adjustment (GEA) is wealth adjusted with higher wealth districts receiving the largest percentage reductions. These reductions would then be offset by first by applying adjustments for districts whose tax efforts are high or whose administrative expenditures are low. The GEA is then further reduced by applying the remaining \$726 million in federal stimulus aid to reduce each districts total cut by 33.95%. Simply put: Operating aids would be frozen. Reimbursable aids (BOCES, transportation, building and special education) would be allowed to increase under current formula. The GEA would be applied to the total (except for building and Universal Prekindergarten) for an overall cut of \$1.1B.

Public school payments to charter schools would be frozen at current levels, even though public school operating aid would be reduced, but transition aid to school districts that enroll a high percentage of charter school pupils would be increased by \$3.7 million to a total of \$21.84 million. It is important to note that the Governor continues to push for legislation to lift the statewide cap on the number of charter schools from 200 to 400 without changes in the law.

**Contingency Budgets:** The Consumer Price Index (CPI), the rate of inflation, is actually negative this year. Therefore, if a school district's 2010-11 budget fails to get voter approval, under current rules, a contingency budget would be less than the 2009-10 spending plan. The Governor's plan sets the contingent limit at the 2009-10 budget level. (It should be noted that there is presently a bill in the Senate that would set the CPI used in the contingent budget calculation at the average of the past five years. If adopted, the Contingency budget limit for 2010-11 would permit in increase of about 3%).

**STAR:** While in his public address, the Governor stated his budget proposal essentially has the affect of a state spending cap, he makes no provisions to place caps on local property taxes. However, he proposes several changes that, in addition to cuts in aid, would increase property taxes for certain home owners.

- He would increase the maximum benefit reduction from 11% to 18%. Note that the maximum benefit reduction was also increased this past year from 5% to 11%.
- The STAR benefit would be eliminated altogether for homes with a value in excess of \$1.5 million.
- The NYC equivalent to the STAR benefit is an income offset that under the Governor's proposal would only be applied to the first \$250,000 of income.

**Special Education:** Special Education funding would be reduced not only by the Gap Elimination Adjustment but also by changing State support for summer special education programs from a fixed percentage reimbursement to a wealth based reimbursement and requiring school districts to absorb any increase in county funded pre-school special education program costs exceeding 2%.

The Governor also proposes to save an estimated \$13 million by modifying the Health Department's Early Intervention program which supports children under the age of three by requiring evidence based criteria to determine service eligibility, permitting paraprofessionals to provide certain services and increasing reimbursement from commercial insurers. More importantly, the Governor is introducing a sliding scale based on income that would, for the first time, charge parents between \$42 and \$540 for each child enrolled in the program

**Mandate Relief:** The Governor proposes a four-year moratorium on mandate relief. He provides relief to school districts through permanent exclusion from the Wick's Law construction contract requirements and streamlined reporting requirements.

**Other provisions include:**

- elimination of Teacher Centers
- elimination of Schools Under Registration Review grants
- expansion of certain money saving purchasing options and new taxes on items such as cigarettes and high sugar content drinks, etc.
- reduction of college-bound student TAP grants

In the current fiscal environment, we recognize that the Governor has difficult choices to make. Education is not alone in being targeted for reductions in State support. The Governor proposes similar reductions in support for SUNY, health care, support of local governments and reductions in the State workforce.

Still, we are concerned that,

- In his executive proposal, the Governor includes language proposing a four year moratorium in new mandates without being fully specific regarding which mandates are being targeted or how much such a moratorium might be expected to save.
- An additional two years freeze of school district operating aid, added to last year's freeze, extends the state's commitment to implement the foundation aid formula from the original 4-year phase-in to ten years. As each year's aid is frozen, the starting point for the next year is lower than initially planned and our schools fall farther and farther behind.
- While the governor states that there is \$1.5 B available in statewide undesignated school district reserves to offset cuts, not all districts have healthy reserves. Even for those that do, this would be, at best, a one year reprieve. As was the case a year ago, this method of limiting State support would be particularly difficult for those most dependent on state aid and with limited reserves -- lower wealth, higher need districts. The cost will be to program and staff at a time when the state is looking towards higher standards and education reform.