



LEGISLATIVE BRIEFS...

Budget Analysis

February 2011

On Tuesday, February 1st, Governor Andrew Cuomo released his executive budget proposal. The governor's spending plan calls for \$19.4 billion in state aid to schools; a reduction of \$1.5 billion from the 2010-11 school year or 7.3%. Federal stimulus aid also ends bringing the total aid loss to \$2.8 billion before some formulaic increases are added.

The Governor's full financial strategy has three components: 1) Tax cap legislation, passed in the Senate and introduced in the Assembly; 2) the state budget, which includes specific school aid proposals; 3) mandate relief, to be addressed by commissions that will report back to the Governor on March 1st.

State Aid:

Foundation Formula: Foundation aid, the largest single form of state support for schools, would be frozen at the 2010-11 level for all districts, the third straight year without any increase (**BUT**, see Gap Elimination proposal below). The time frame to fully phase in this formula would be extended to the 2016-17 school year (the Court of Appeals ruling originally intended full phase-in by 2011).

Expense Based Aids: BOCES, building, transportation and special education and instructional materials formulas would remain unchanged in the 2011-12 school year, increasing payments to school districts by \$305 million. Beginning with the 2012-13 school year, however, BOCES aid and building aid on projects approved after July 1, 2011 would be paid using the same wealth ratio as the foundation formula, a significant reduction for most districts. Building aid would be awarded on a competitive basis taking into account need, building age and district fiscal capacity.

Transportation expenses would be closely monitored to promote new efficiencies. By the end of 2012-13, school districts will need to demonstrate cost-savings or face reduced reimbursement. In addition to changes in reimbursement formulas, a number of non-instructional services presently offered through BOCES would also no longer be eligible for aid.

Special Education Aid: Costs of summer school special education programs (shifts \$150 million to school districts) and programs at state schools for the deaf and blind would be aided using expense based formulas, a significant reduction from what are now largely state funded programs.

Gap Elimination Adjustment (GEA): Formula aids, with the exception of building aids and Universal Prekindergarten (frozen at 2010-11 levels), would be reduced using a formula that recognizes wealth, poverty, local tax effort and the portion of school costs devoted to Board of Education and Central Administration. The numerical details are tweaked to increase the GEA

from \$2.1 to \$2.8 billion. A most significant change in 2011-12 aid is that cuts would not be offset with \$1.3 billion in federal aid used to offset 2010-11 formula reductions. In future years, the governor would continue GEA reductions to control growth in school aid by linking any growth to changes in personal income.

Competitive Grants: A re-design of education aid would direct \$500 million to two competitive grants of \$250 million each: one to recognize significant improvement in student performance, the other to reward districts that undertake long-term structural changes to reduce costs and improve efficiency. The cost to fund these grants is not included in 2011-12 proposed expenditures.

MTA Tax: The Executive budget would propose \$70 million to continue full reimbursement of the MTA tax.

Tax Cap: The governor's proposed property tax cap has been approved by the State Senate and introduced at the governor's request in the State Assembly. An Assembly vote can take place at any time.

As it applies to school districts, a property tax cap:

- Becomes effective in the 2012-13 school year.
- Applies to all but the Big Five school districts (NYC, Buffalo, Rochester, Syracuse and Yonkers). Municipal caps apply to all local governments except New York City.
- School budget voting dates would remain the same. However, voters will now be approving the "tax levy" (difference between revenues and expenditures), not an expenditure budget.
- Boards of Education would then approve an expenditure budget that reflects either the voter approved tax levy, or a levy established by law (see below).
- **The Process:**
 - The new law would establish a maximum tax levy increase, exclusive of capital (voter approved building) costs at the lesser of 2% or the previous year's cost of living (CPI) increase (but not less than the current levy).
 - Following a hearing, the Board would propose a tax levy for community vote. If the proposed levy is less than the statutory limit (lesser of 2% or CPI), a 50% majority would be required for approval. A 60% super majority would be required to approve a levy above that limit, thus leaving the levy decision to a minority of voters. Municipal governments may exceed the cap with a 2/3 vote of their governing board.
 - If the first community vote is rejected, a second vote could be scheduled on the third Tuesday in June to consider the same or revised levy with the same adoption rules applying. If that vote is rejected, the Board would be required to adopt an expenditure budget using the same tax levy as in the current year (**A ZERO PERCENT INCREASE**).
 - All current "contingent" budget rules would be eliminated since they are expenditure based.
 - All hearings and information distribution requirements including the preparation of a three part expenditure budget would remain as in current law.

Analysis

- **A Tax Cap is Loss of Local Control:** New York's education system is built on the premise that communities own, set direction and determine the level of local resources that should be invested in their schools. Replacing the basic right of local determination with a top down cap on a community's right to determine its own fate is contrary to everything that public

education in New York stands for. It threatens to limit programs, affect quality and even raise the potential for payment default or need for bankruptcy protection (a fiscal option not currently available to schools).

- **Differing Impact:** The Governor suggests that schools can afford proposed cuts without disrupting programs. He cites the number of superintendents paid more than \$200,000 per year, savings that could be achieved with a freeze on all school salaries; existing reserves totaling nearly \$1.2 billion; \$607 million in Federal jobs support and; \$696 million in Federal Race to the Top funds (most of which schools will never see) as evidence of resources to help absorb reductions. While the facts may be accurate, they are based on outdated figures (prior to districts dipping into reserves for this year) so not all districts have funds available to offset aid cuts. This rationale treats New York schools as a single entity rather than a collection of 700 individual and independent organizations with vastly different needs and resources. Some districts will be able to absorb proposed cuts. Many others, particularly those of lowest wealth and highest need, will not.
- **Testing the Status Quo:** Proposed reductions are of sufficient magnitude that most schools will be unable to make changes necessary to maintain programs or address new academic standards without dramatic structural change. Proposed changes to BOCES non-instructional aid support is a disincentive for districts, currently being pushed to manage costs through shared services. Successful change will certainly require unprecedented cooperation between school boards, employee unions, parents and communities OR in the absence of cooperation new state mandates that will dictate how our schools are run and by whom.
- **Temporary or Permanent:** The Governor proposes dramatic changes as permanent solutions to unsustainable growth in costs combined with an erroneous interpretation of unacceptable school performance. What if his solutions don't work? As proven elsewhere, budget cuts and tax caps are a lethal combination with the potential to destroy public services, including public education. This budget proposal does not offer any real solution to the high costs of education or lack of state revenue. If it is a first step, given the facts, we must question the wisdom of it being a permanent one.

What Can PTA Members Do?

- Find out the projected cost to your district of measures proposed by the Governor.
- Find out what strategies your district is considering to mitigate the impact.
- Charge a committee to identify programs and services that are most critical to your community.
- Once you have created your list, share it with administrators, school board and community members who are not attending district meetings.
- Be a presence at Board of Education meetings. **This is absolutely essential!**
- Ask your administrators and school board members how you can partner with them to preserve educational excellence.
- Meet locally with your state legislator – discuss the impact of a tax cap and aid cuts on your schools...your schools are their schools!

Full details of the Executive budget proposal and district-specific aid runs can be found at:
<http://publications.budget.state.ny.us/eBudget1112/fy1112localities/schoolaid/1112schoolaid.pdf>
<http://publications.budget.state.ny.us/eBudget1112/fy1112localities/schoolaid/1112schoolruns.pdf>