



LEGISLATIVE BRIEFS...

March 2008

A Summary of 2008-09 Executive Budget Provisions for Public Education

Overall: Faced with a State revenue gap estimated at \$4.8 billion and a less than positive long range economic outlook, it seems Governor Spitzer is making an effort to continue the spirit, if not the original process of implementation, of his commitment to funding reform through increased fiscal support of public education over a four year time frame. The proposed 2008-09 Executive Budget introduces innovative ideas yet poses some troubling concerns. Some districts, particularly those defined as high need, would benefit from added fiscal support, while others would see past support reduced and fiscal transparency and predictability clouded.

Total Support Last year's reform response to the Campaign for Fiscal Equity (CFE) Court Case added \$1.8 billion to State support of public education with a promise of \$7 billion in new annual funding over a four year period. The proposed 2008-09 Executive Budget contains an overall increase, including reimbursable aids, of \$1.46 billion or 7.45% for total aid to education in the amount of \$21.01 billion. Despite state revenue shortfalls, the Governor provides a healthy school aid increase and has avoided the temptation to stretch the four year plan to five. There is concern that by increasing the percentage needed in the last two years to reach the goal of \$7 billion dollars, the State's ability to do so will be diminished.

Foundation Aid Elements of the foundation formula remain the same except the Governor has scaled back the planned \$125 billion increase to \$899 million. In addition, the minimum increase is reduced from 3% to 2% and the maximum increase, capping the increase for the neediest districts, is reduced from 25% to 15%.

Under the original foundation formula, changes in increased income and decreasing enrollment would have meant cuts for NYC. The Governor attempts to offset this consequence by proposing grant awards (outside the formula) of \$179 million to NYC and \$17.5 million to Yonkers. Grants are not guaranteed year-to-year. Addressing such changes in the formula itself rather than through grant programs would better support the Governor's goal of predictability.

Contract for Excellence Under the Governor's proposal, Contracts would extend for three years instead of the current annual contract. Districts that by fiscal standards would currently be required to prepare contracts (receive state aid increases of 10% or \$15 million), now would be exempt from such requirements if all school buildings meet Annual Yearly Progress (AYP). Districts not eligible by funding criteria would be required to adopt Contract for Excellence type plans if schools fail to show improvement. School districts that subsequently meet AYP would be released from contracts. Programs for English Language Learners are added to the list of allowable programs for funding.

High Tax Aid The proposed budget retains the same amount of High Tax Aid of \$100 million as 2007-08. However, the method of distribution would be changed. The current formula establishes eligibility based on county tax effort as a proportion of income, benefiting all school districts in eligible counties. The formula has been revised to calculate eligibility based on school district wealth (income and property wealth) as opposed to county-wide tax effort. Results of this change would be two-fold: more aid is driven to high tax-low wealth areas and a number of previously funded districts lose hundreds of thousands of dollars.

BOCES Aid The BOCES Aid reimbursement formula would be replaced with a new formula also based on school district wealth (income and property wealth) factors. Statewide reduction in this aid totals \$31 million. The proposal for redistribution would result in substantial losses to certain districts, particularly those whose aid is based on their high tax effort. The Big 5 school districts do not use BOCES and will see an increase in their Shared Services Aid of \$39 million. The proposal fails to recognize that BOCES Aid is funding already spent by school districts for programs and services. Since school districts build BOCES Aid into their budgets based on state reimbursement promised at a specified rate, to retroactively diminish aid would cause great fiscal upheaval and impacts predictability. There is additional legislative language (Article VII) that proposes to reduce the BOCES aid ratio over three years.

Public School Excess Cost Aid When the foundation formula was adopted last year, basic support for public special education programs was included in the foundation amount. The 2007 legislature created a "supplemental excess cost" formula to protect districts that would lose aid due to moving support of special education programs into the foundation formula. The Governor's budget eliminates this protection, resulting in a loss of over \$18 million in aid, predominantly for districts with many students placed in highly structured settings. High Cost Special Education Aid (a reimbursed aid) would be increased over last year's amount using the same reimbursement formula.

Pre School Special Education The Governor proposes to transfer responsibility for evaluation and administrative costs as related to pre-school children considered to be in need of special education services, from the counties to school districts. To offset this new expense, school districts would need to either take on the contractual costs now borne by the counties or add to their own staff. The estimated cost of this shift is \$46m statewide. The cost of actually providing programs and services to classified pre-school students would remain with the counties. The State would absorb service cost increases that go beyond 4% next year and beyond 3% thereafter.

Universal Pre- Kindergarten The Governor proposes \$452 million to fund UPK, an increase of \$79 million over 2007-08. The description of this aid in school district budget runs assumes that districts will request and actually receive this aid. Districts would only receive these funds if they operate a pre-K program. Districts that are unable to operate a pre-K program due to space limitations, staffing and transportation issues, high outside pre-school enrollment will find their state aid revenues for 2008-09 artificially inflated with these unusable funds. It is estimated that the State will have \$70 million in unspent pre-school funds available.

STAR The Basic Middle Class STAR rebate was scheduled to increase by 17%, or \$65 for the average homeowner for 2008-09. Delaying this increase one year generates \$169 million in savings. The Governor moved forward his planned increase of 40% for the Senior Citizen Enhanced STAR program. Although touted as state aid, its sole intent is tax relief as opposed to program support.

Wicks Reform The Governor proposes to update the dollar threshold to require separate prime construction contracts. Current Wicks regulations require projects with costs exceeding \$50,000 to have four prime contractors rather than a single general contractor. The Governor would increase this threshold to \$3 million in NYC, to \$1.5million for Long Island schools and to \$500,000 for all other districts. Thresholds are based on regional cost differences. Numerous new mandates are tied to the proposal.

Healthy Schools Act The Governor proposes and would fund a detailed plan to improve nutrition and physical activity in schools. A change from last year's proposal targets low-income students by making the current reduced cost lunch program completely free. Combining these provisions, reimbursements for expansion of access to nutritious meals is projected to amount to a total of \$37 million by 2010.

Higher Education The Governor proposes a \$1 billion bold initiative to develop the SUNY/ CUNY programs by adding faculty and to attract high profile faculty. He also proposes to support veterans at the full level of SUNY tuition.

Building Aid and EXCEL Aid The proposed Executive Budget includes an increase of \$174 million for building aid under current reimbursement formulas. While NYC is slated to receive a \$70 million boost in Excel aid, only debt services on existing Excel projects would be included for school districts outside the city.

Transportation Aid This aid is proposed to increase by \$108 million dollars with the same rate of reimbursement as 2007-08.

Tax Caps The Governor has appointed a Property Tax Relief Commission led by Nassau County Executive, Tom Suozzi, to examine the root causes of high property taxes, identify ways to make the state's property tax system fairer, and determine a fair property tax cap that would not adversely impact educational quality. A capping mechanism already exists in contingency budgets. Property tax caps are known to lead to diminished municipal services, school district program and staffing cuts, and increased educational inequity.