

Governor Cuomo's proposed state budget includes initiatives that could have long-term payoffs for schoolchildren and school districts.

It's the near-term that is the problem.

Gains that might come from funding new initiatives for prekindergarten, after-school programs, and technology upgrades are apt to be undermined before they can ever be realized by the fact that many schools will not be able to maintain current basics.

The proposed \$603 million increase in regular state aid for next year would not be adequate to help schools fund rising costs for pensions, health insurance and general inflation when coupled with the restrictions on local revenues created by the tax cap.

### Background

Two weeks ago, we released results from our third annual survey of superintendents on school budgets. We titled it, *Not Out of the Woods: School Districts Still Struggling to Find a Way Through Budget Challenges*.

We explained that despite the aid increases of the past two state budgets, too many districts still have real fears of insolvency and too few have been able to restore programs and opportunities for their students.

One-third of superintendents responding said their districts could face financial insolvency within four years. In that same span, over 40 percent foresaw a threat of educational insolvency, which we defined as unable to fund all instructional and student services mandated by Albany or Washington.

### FINANCIAL INSOLVENCY

**Financial insolvency: Do you foresee a point at which your district would be unable to ensure that some of its financial obligations will EVER be paid?**

	2012	2013
Yes, we are currently unable	1%	1%
Yes, within 1 year	2%	1%
Yes, between 1 and 2 years	6%	4%
Yes, between 2 and 4 years	32%	27%
Yes, beyond 4 years	36%	42%
No, I do not foresee that time	15%	19%
Unsure	9%	7%
<b>Total % within 2 years</b>	<b>9%</b>	<b>6%</b>
<b>Total % within 4 years</b>	<b>41%</b>	<b>33%</b>

### EDUCATIONAL INSOLVENCY

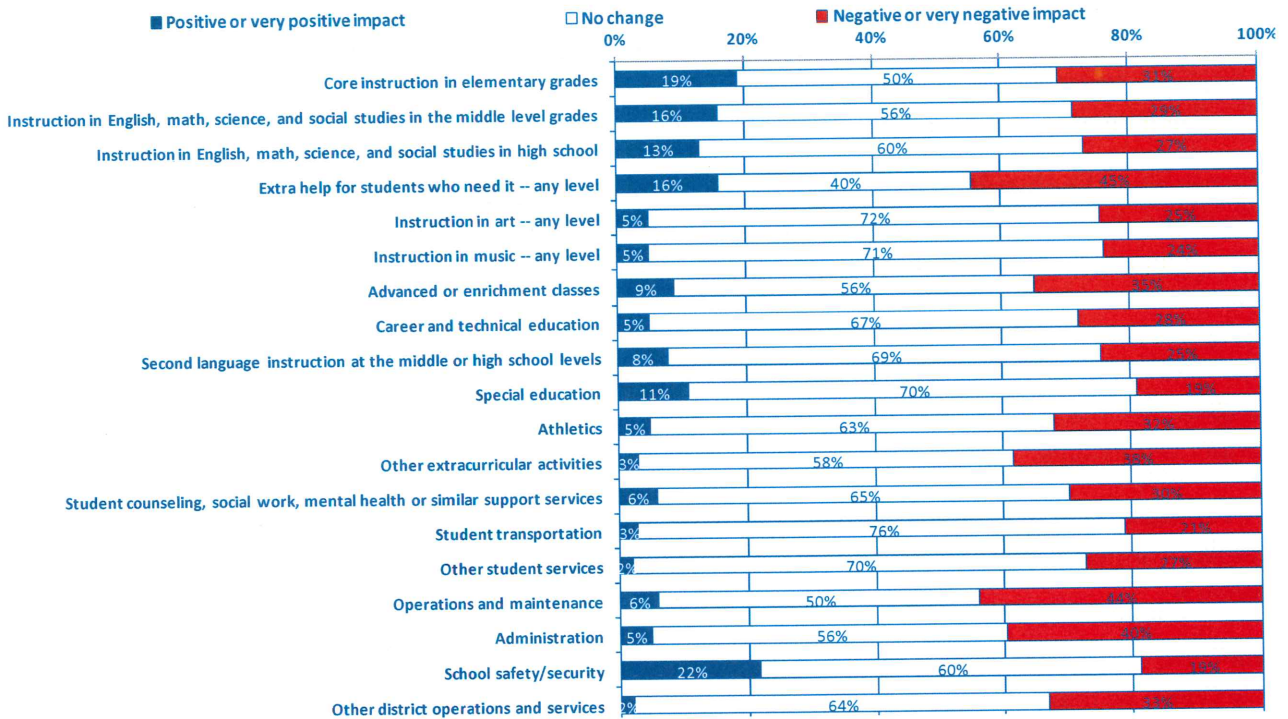
**Educational insolvency: Do you foresee a point at which your district would be unable to fund all the instructional and other student service requirements established by laws or regulations approved by the state and federal governments?**

	2012	2013
Yes, we are currently unable	5%	3%
Yes, within 1 year	5%	3%
Yes, between 1 and 2 years	9%	7%
Yes, between 2 and 4 years	32%	30%
Yes, beyond 4 years	33%	38%
No, I do not foresee that time	12%	15%
Unsure	4%	5%
<b>Total % within 2 years</b>	<b>19%</b>	<b>13%</b>
<b>Total % within 4 years</b>	<b>51%</b>	<b>43%</b>

Nor have the aid increases in the last two state budgets translated into improved services for many districts. Fewer superintendents are predicting negative impacts on their programs this year, but fewer than 25 percent of superintendents believe their district budget for the current year would have a positive impact on services in *any* program area. Only in school safety did more superintendents anticipate a positive impact from this year's district budget than a negative budget.

For the third straight year, over 40 percent of superintendents predicted their district budgets would negatively affect extra help for students who need it, operations and maintenance, and administration.

**What was the impact of 2013-14 budget decisions on each of the following areas of school operations?:**



**School Aid**

Again, with improvements in the state's fiscal outlook, superintendents were gaining hope that prospects for their schools might brighten as well. But the increase in regular School Aid recommended by the Governor falls far short of what would be needed to maintain current services.

Asked how the Governor's budget would affect the choices his district will face, one Central New York superintendent wrote,

*Quite honestly, I have no answer to your question. I suspect we're looking at a budget gap of about \$500,000. We have cut staffing, teaching, support, and administrative two years running. We already have some elementary class sizes beyond what good practice dictates and struggle to fit the upper level high school courses into a teacher's schedule.*

*Cutting more staff is just not an option. We don't buy \$500,000 worth of pens and paper clips which leaves only the fund balance to drain. The problem, as you well know, is that the three year outlook for that plan isn't good.*



*The Governor's educational leadership is filled with contradictions. Better schools, less money, new money for Pre-K, bond acts to place the next generation in debt, and gee, maybe the Common Core isn't all we thought it would be.*

A Capital Region superintendent wrote,

*With an estimated 1.5 percent tax revenue cap, and the amount in the Governor's proposal, we will be approximately \$400K short of what we need. I honestly don't know what I can cut if we don't get the funds we need. All we have left is to eliminate all sports, music and art programs that are not mandated. What will be left will be a pathetic excuse for an educational program. I haven't slept for the last two nights!*

Even with the aid the Governor proposes, over 60 percent of school districts would still receive less help from the state than in 2008-09, six years in the past. Excluding Building Aid, over 80 percent of districts would receive less state help than in 2008-09.

It is true, as the Governor's staff asserts, that enrollment has gone down in some districts – and we estimate schools outside the Big 5 Cities have cut staffing by 11 percent over just the past three years. But these things have gone up:

- ✓ General inflation, measured by the Consumer Price Index, has risen by 2.2 percent per year.
- ✓ The contribution rate for the Teachers Retirement System has more than doubled – from 7.63 percent to 16.25 percent; since the rate is multiplied by the payroll, that cost impact is equivalent to giving raises averaging 1.7 percent per year to all certified employees – *whether or not actual raises were given.*
- ✓ Health insurance premiums – costs for state government have risen by more than 4 percent a year.
- ✓ State mandates have grown, including Common Core instruction and new teacher evaluation requirements. As one Capital Region superintendent wrote, *"We cannot expect to achieve 2014 higher academic standards with 2009 level in state financial support."*

At the same time, districts have had to adapt to a tax cap that imposes punishing consequences for failing to gain voter approval for an over-ride.

Massachusetts's tax cap has been cited as a model, but communities in next-door neighbor may increase their tax levy by up to 2.5 percent without asking for voter approval and a simple majority is required to over-ride the 2.5 percent limit.

In New York, districts must obtain a 60 percent super-majority to over-ride their cap, and a simple majority to approve a budget within the cap. If voter approval cannot be gained after two attempts, a district may not increase its tax levy over the prior year at all – in effect, a zero percent cap.

The Governor's budget would increase basic School Aid by \$603 million, or 2.9 percent. The Educational Conference Board, a coalition of seven statewide education leadership groups, estimated School

Aid would need to rise by \$1.5 billion in order to enable schools to maintain current services, given moderate assumptions about costs and the tax cap's restrictions on the ability to raise local revenue.<sup>1</sup>

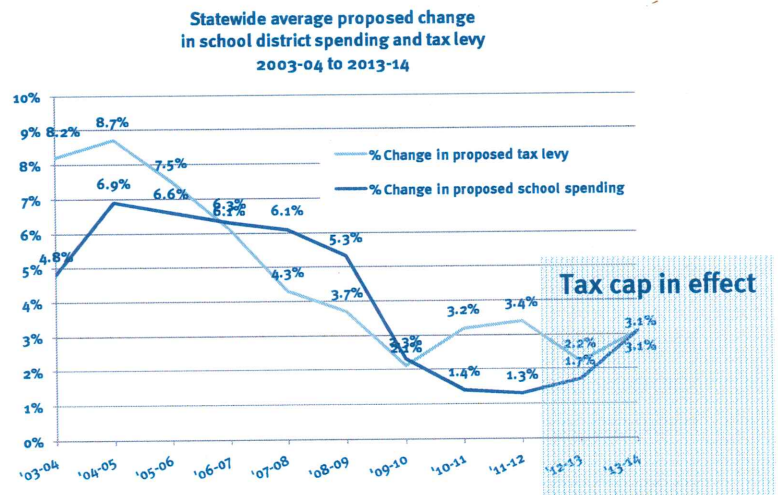
The Governor's proposal would reduce the Gap Elimination Adjustment by \$323 million, or 20 percent for an average district. At that rate the GEA would be with us for at least four more years. One Western New York superintendent wrote,

*Without the elimination or at the very least a significant reduction to the Gap Elimination Adjustment, the district will not be able to maintain its instructional program for students for the 2014-15 year. District officials have approached the district's bargaining units for help through the various collective bargaining agreements, and are once more looking at staffing levels to see where cuts can be made. It is disheartening to see the bleeding continue, while the Governor offers tax credits, tax cuts and tax incentives to other groups. The people of the state of New York need to realize that ANY AND ALL such tax breaks are being funded by public school districts, through the Gap Elimination Adjustment.*

The level of funding projected in the Governor's budget could decrease for some districts by a total of over \$44 million if provisions of a 2001 law are executed. Under that law, interest rates used in calculating debt service reimbursed through Building Aid are due to be reset, affecting aid payments both in the current year and in 2014-15. Districts can obtain waivers from this process if, for example, they are unable to refinance bonds, but some will lose aid. The bottom line is that whatever the rationale for this adjustment, the state aid outlook for many districts is even worse than it appears on School Aid runs.

School district leaders have worked hard to control local spending and tax increases. Over the past five years, the budgets they asked voters to approve proposed spending increases averaging 2.0 percent and tax increases averaging 2.8 percent. Restraint started *before* the tax cap took effect.

*Choices have consequences.* State government has limited the ability of school districts to raise money locally. Other than pension reforms with a very long-term payoff, the state has done little to help schools reduce or control costs. Many districts are approaching having nothing left



SOURCE: Council analysis of NYSED Property Tax Report Card data; Big 5 Cities not included

<sup>1</sup> The ECB estimate assumes growth of 2.6 percent in salaries, based on national data on education salaries; 8 percent in benefits, consistent projected growth in Teachers Retirement System costs; and 1.8 percent for other costs, consistent with the Division of the Budget's projected CPI increase for 2014. The ECB consists of the New York State Council of School Superintendents, Conference of Big 5 School Districts, New York State Association of School Business Officials, New York State Parent Teacher Association, New York State School Boards Association, New York State United Teachers, and School Administrators Association of New York State.



to cut that is not mandated, and our survey showed that 3 percent of superintendents say their districts are already unable to fund all student service mandates.

Budgeting rules are stacked against schools and the students they are expected to serve. As the ECB concluded, an increase in regular School Aid of \$1.5 billion is needed to enable schools to maintain the services they offer students now.

### Property Tax Freeze

We oppose the Governor's proposal for a two-year freeze on property taxes. It would worsen the financial prospects for our schools.

Local leaders would be put in a no win position. The proposal would give rebates to taxpayers offsetting property tax increases if their school district adopts a budget within its tax cap. The choice for local leaders would be either (1) forego asking voters for revenues they may see as truly essential to preserving opportunities for students, or (2) attempt a tax cap over-ride, asking voters to give up rebates and pay more in taxes, creating virtual certainty that the budget will be rejected, and thereby denying schools any increase in local revenue.

A Western New York superintendent wrote,

*As we enter the third year of the tax cap, we have now cut our budget to bare bones, used up our reserves, and are limited to a 1.46 percent growth factor, there is one more reason for the public to defeat a budget that could likely require a 60 percent majority vote. In essence, we have had the rug pulled out from under us with the reduction in state aid, which includes factors of property wealth and personal income, and then limiting our ability to tax our residents.*

A Finger Lakes superintendent added, *"If he can fund a rebate, he should be funding the schools properly in the first place."*

We also oppose proposals to tie year 2 eligibility for the rebates to district participation in a consolidation or sharing plan coordinated by the largest district in the Board of Cooperative Educational Services region.

First, districts have been through five years of tough budgets, many have made aggressive efforts to share services and some have exhausted all opportunities. There have also been more attempts at actual district mergers, but voters have rejected eight of the last 10 proposals, including every one presented since the start of the current school year. Last, it would also be extremely burdensome for any district to coordinate a sharing plan; that responsibility should belong with BOCES.

We do support legislation to promote further sharing of services, to authorize regional high schools and to streamline procedures for voter-approved consolidation. But roughly three-quarters of school spending is devoted to instruction, less than 3 percent goes to district administration on average. Twenty-nine states have more school districts relative to enrollment than we do. The number of districts we maintain does not explain our education spending.

We have supported efforts to create a circuit-breaker in the income tax as a way to efficiently target the meaningful relief to taxpayers with the greatest need.

**Programmatic Initiatives: Full-Day Prekindergarten and Smart Schools Bond Issue**

The superintendent of a downstate small city district wrote,

*It's wonderful to hear of multi-billion surpluses and exciting new programs. Prekindergarten is a sound, research-based program that we would welcome with sufficient space, personnel and associated expenses, but why not first fund existing programs by adherence to the original Foundation Aid formula. Perhaps with the state surplus we can mandate programs like kindergarten.*

Someone once made the simple observation that kids who fall behind in school need time to catch up. Poor children often start out behind in developing the foundations for literacy, so the best place to give them more time is at the beginning.

New York should commit to building opportunities for high quality full-day prekindergarten, targeted first to students from disadvantaged backgrounds. But the state needs to assure that those same students will also have access to quality instruction in all the grades that follow. A key to securing voluntary participation by districts in pre-k will be for the state to demonstrate a sustained commitment to funding both the new initiative and the instruction that follows.

The proposed \$2 billion "Smart Schools" bond issue could ensure no schoolchildren are left out of the learning opportunities technology can create. The inclusion of construction of prekindergarten space would help promote expansion of that program. We have been cautioned that much of the technology schools are purchasing now may not be appropriate for bond financing. The bond issue can be helpful, but debating its details must not divert attention from addressing the fundamental budget challenges that are occupying district leaders now.

**Discriminatory Pattern Reporting Requirements for School Districts**

Superintendents feel ultimate responsibility for the physical safety of all children attending the schools they lead and serve. You will find no group more dedicated to making schools a safe and welcoming environment for all students.

We cannot speak to the specific situation in the Pine Bush School District, mentioned by the Governor in his State of the State address. There is currently an active federal investigation ongoing. But we can speak to strategies to protect students against acts of harassment, discrimination and cruelty.

The Dignity for all Students Act (DASA) is already the law in New York State and by and large it has worked, requiring annual reporting of discrimination to the State Education Department and the proper law enforcement agency, if warranted. Are there possible improvements that can be made? Certainly. However, the Governor's proposed changes to DASA have considerable logistical problems which are likely to create confusion, create further duplication of government functions, and result in a worse outcome than under the present law. These proposed actions are duplicative, punitive, and offer no improvements for victims of discrimination.

Additionally, requiring termination of education officials based upon an undefined and subjective standard of what constitutes a "pattern" is patently unfair and will not encourage better reporting of actual incidents. In fact, it is very likely to lead to an abundance of over-reporting and inefficiency in investigation time.



Despite these criticisms, THE COUNCIL can see a need for possible changes to the existing DASA law. One possibility would be to require reporting of a pattern of discrimination to SED within thirty days, as opposed to the current annual report. Another would be to notify only the State Police if criminal activity is suspected, as opposed to local law enforcement entities.

THE COUNCIL asks legislators to carefully examine the changes to DASA that the Governor proposes, and to make smart, sensible changes that will not overburden investigators and will truly help school districts and victims deal with issues of discrimination.

### Common Core Panel

Discord over state education policies has reached a level never witnessed by any one now active schools or policy arenas. In his budget presentation, Governor Cuomo announced that he will appoint a panel to review implementation of the Common Core Learning Standards and related issues.

The panel envisioned by the Governor could play a valuable role in avoiding haphazard, poorly thought-out responses, ensuring instead that focused and constructive actions are adopted and implemented. But the controversies prevailing now reached the breadth and depth they have in part because policymakers did not listen to the concerns raised by practicing educators and leaders. So this panel should include people working in our schools now and must listen to what they advise.

Testifying to the Senate Education Committee in October, we recommended a series of actions to improve implementation of the state's reform agenda, including funding for the State Education Department to enable disclosure of state test questions, shortening the tests, and reducing field testing.

Finally, it should be understood that much of the tension over testing arises from the new teacher and principal evaluation requirements – Annual Professional Performance Review, or APPR. There *are* fewer state standardized tests than in 2010. But students *are* facing more testing now because of assessments districts have had to add to comply with the APPR law. Teachers and students feel more stress over testing because the new evaluation procedures were installed simultaneously with the shift to Common Core instruction. It makes no sense to us to further elevate the stakes over APPR by promising financial rewards to teachers reaching “highly effective” status, as the Governor would do with the proposed Teacher Excellence Fund. Different investments in improving teacher quality should be sought.

### Conclusion

As our survey report concluded, our school districts are not out of the woods in navigating through financial challenges. Two successive increases in School Aid and reports of state budget surpluses created glimmers of hope that better days might lie ahead. But the proposed state budget offers our schools too little help in assembling their budgets for the year ahead, or in resolving the deep structural challenges many must confront.

We look forward to working with you to produce a budget that improves both the immediate and long-term capacity of our schools to provide the opportunities our students need. We thank you for your past support.

