



TO: Subcommittee on State Aid

FROM: Ken Slentz

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SUBJECT: School District Fiscal Condition and Educational Opportunities

DATE: June 13, 2012

AUTHORIZATION(S): *John B. G. Jr.*
SUMMARY

Issue for Discussion

The 2012-13 school year represents the first implementation of two significant changes, the Property Tax Cap and the limitation on growth in State Aid based on personal income. Information on the school district 2012-13 budget votes will be reviewed. Given these new developments and the challenges school districts have faced over the past several years, it is important to assess the fiscal condition of districts and the impact on educational opportunities for students. Should the department initiate a project to collect and report data on the impacts of these changes on school district's fiscal health and educational outcomes over time?

Reason(s) for Consideration

Review of Policy.

Proposed Handling

These questions will come before the State Aid Subcommittee at their June 2012 meeting.

Procedural History

The Regents annually review and discuss school district fiscal circumstances and educational opportunities leading up to the adoption of the Regents State Aid Proposal.

Background Information

Each year the Board of Regents develops a proposal on State Aid to school districts and advocates for its enactment to educators and policy makers. As part of that process, the Board reviews the economic and educational circumstances of school districts across the State. The Regents Subcommittee on State Aid reviewed the enacted State budget with regard to legislative action on State Aid to school districts at their April 2012 meeting. This review set the context for school districts in order to begin the planning process for the development of the Regents proposal on State Aid to school districts for the next year. This year's school aid was increased by \$805 million, a 4.1 percent increase compared to the prior year.

Chapter 58 of the Laws of 2011 limited future growth in State Aid to the annual increase in Personal Income. The 2012-13 Enacted Budget was the first application of the Personal Income Growth Index.

Chapter 97 of the Laws of 2011 enacted legislation establishing a "property tax cap" on the amount that local governments including school districts can increase their property tax levy each year. The law became effective for school districts beginning in the 2012-13 school year. Under Chapter 97, the growth in the property tax levy is capped at two percent or the rate of inflation, whichever is less, with some adjustments and exceptions. Local governments have the ability to override the cap. See Attachment A for more information.

Recommendation

It is recommended that the department work to identify a dataset that could best measure educational opportunities offered to students across the State with the goal of developing an index based on the key indicators. Initial efforts would center on using existing data and reviewing opportunities to collect new data to develop baselines and monitor changes over time in order to inform policy decisions. Ultimately, the project would identify best practices and choices which provide high quality, cost effective education. The department anticipates working with the academic and research communities as well as stakeholders on this project.

Timetable for Implementation

Issues that emerge from this discussion will inform the context for development of Regents State Aid proposals.

HIGHLIGHTS OF 2012-13 SCHOOL DISTRICT BUDGET VOTES

- New York State voters, except those in the Big Five Cities, went to the polls on May 15, 2012 and passed 96.5 percent of school district budgets. This is the second highest passage rate since the Department began tracking budget votes in 1969. The chart below provides a recent history of budget vote results.

School Year Budget	Number of Districts Voting	Percent of Budgets Adopted	Percent of Budgets Defeated
2006-07	679	88.7%	11.3%
2007-08	680	95.3%	4.7%
2008-09	676	92.5%	7.5%
2009-10	675	97.3%	2.7%
2010-11	677	92.2%	7.8%
2011-12	678	92.4%	6.6%
2012-13	677	96.5%	3.5%

- Budget vote results presented here do not include New York City or the Big Four cities, i.e., Yonkers, Buffalo, Rochester, or Syracuse. New York City is not subject to tax cap legislation and the Big Four city school district budgets are subject to their municipal tax cap levy limit.
- This was the first year that the tax cap levy was applicable to districts' budgets and 619 districts, or 92 percent, presented budgets at or below their calculated tax levy limit. Within this group of districts, 99 percent, or 613, budgets passed.
- The positive outcome of budget votes generally appears to reflect voter support for school districts containing spending increases.
- More specifically, of the 52 districts attempting to override the cap with a super majority vote, 34 districts, or 65 percent, were successful.

- High need rural districts – 6 percent attempted an override with a 78 percent success rate.
- Average and low need districts – 8 percent attempted overrides with average need districts having the lowest success rate at 57 percent and low need districts had the highest success rate at 82 percent.
- The average statewide tax levy increase was 2.2 percent. Those districts not attempting to override the levy limit proposed an average increase of 2.1 percent, with districts proposing over-rides reflecting a 4.2 percent increase. The successful override districts proposed an average of a 3.5 percent increase with unsuccessful districts proposing an average of a 5.4 percent increase.
- Districts with defeated budgets may adopt a contingency budget or present a second budget to the voters on June 19, 2012. School districts without a budget approved by the voters must adopt a contingency budget with a tax levy no greater than the prior year's levy.