

NYS Schools and the Current Fiscal Environment

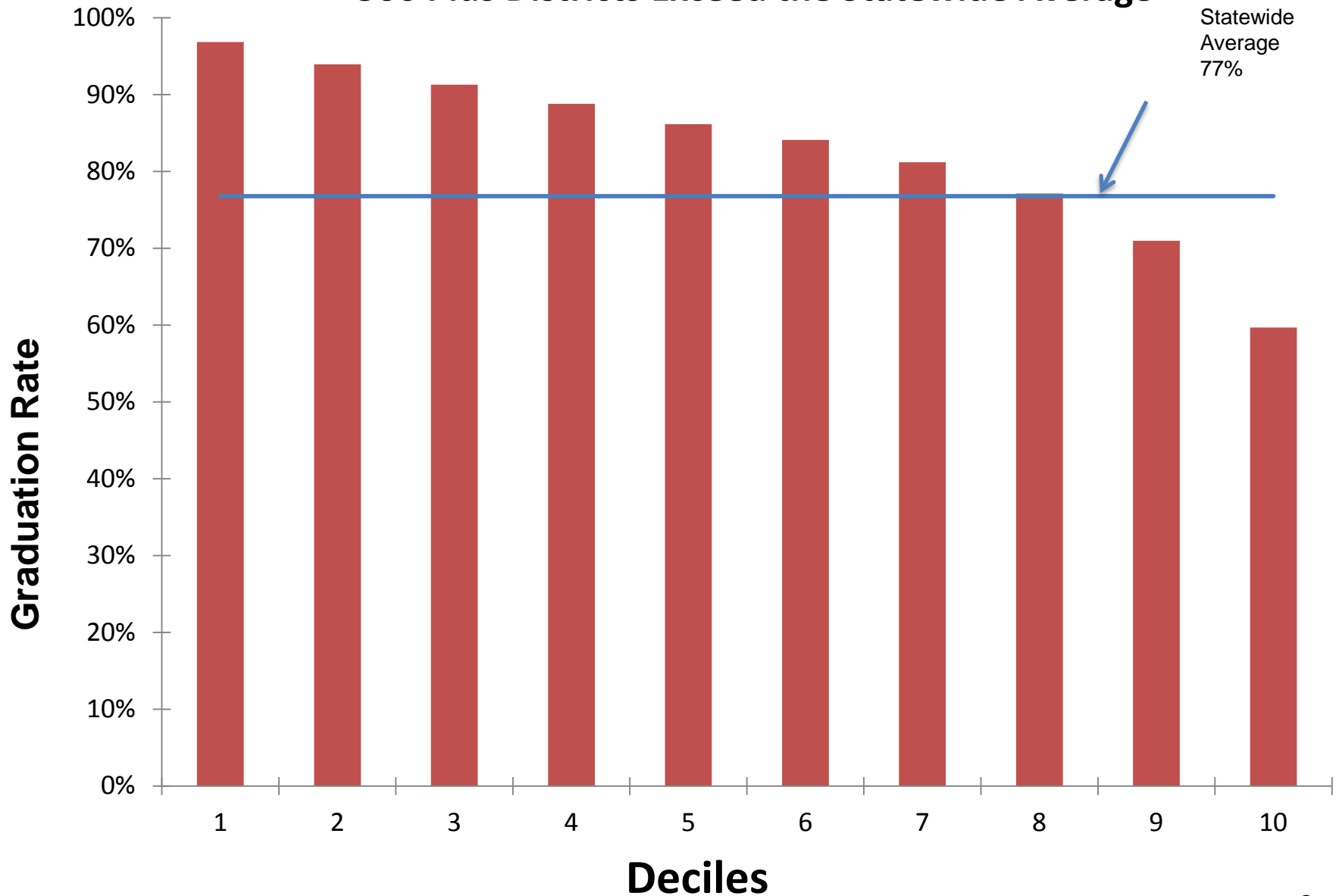
NYS Board of Regents
October 2012

Current Fiscal Climate

- Foundation aid -originally adopted in 2007 – was frozen in 2009-10.
- School Districts face significant fiscal challenges from diverse spending and performance starting points.
- 90 percent of revenue sources are now subject to caps.
 - State Aid is capped at the level of personal income growth (40 percent of district revenues come from state sources).
 - Property Tax levy is capped at the lesser of CPI or 2 percent(52 percent of district revenues come from Local Sources).
- Major cost drivers, such as energy costs, insurance, pensions and health care continue to grow at rates greater than the revenue caps.
- On a per pupil basis prior reductions were larger for high need districts.
- Declining reserve funds indicate future difficulties.

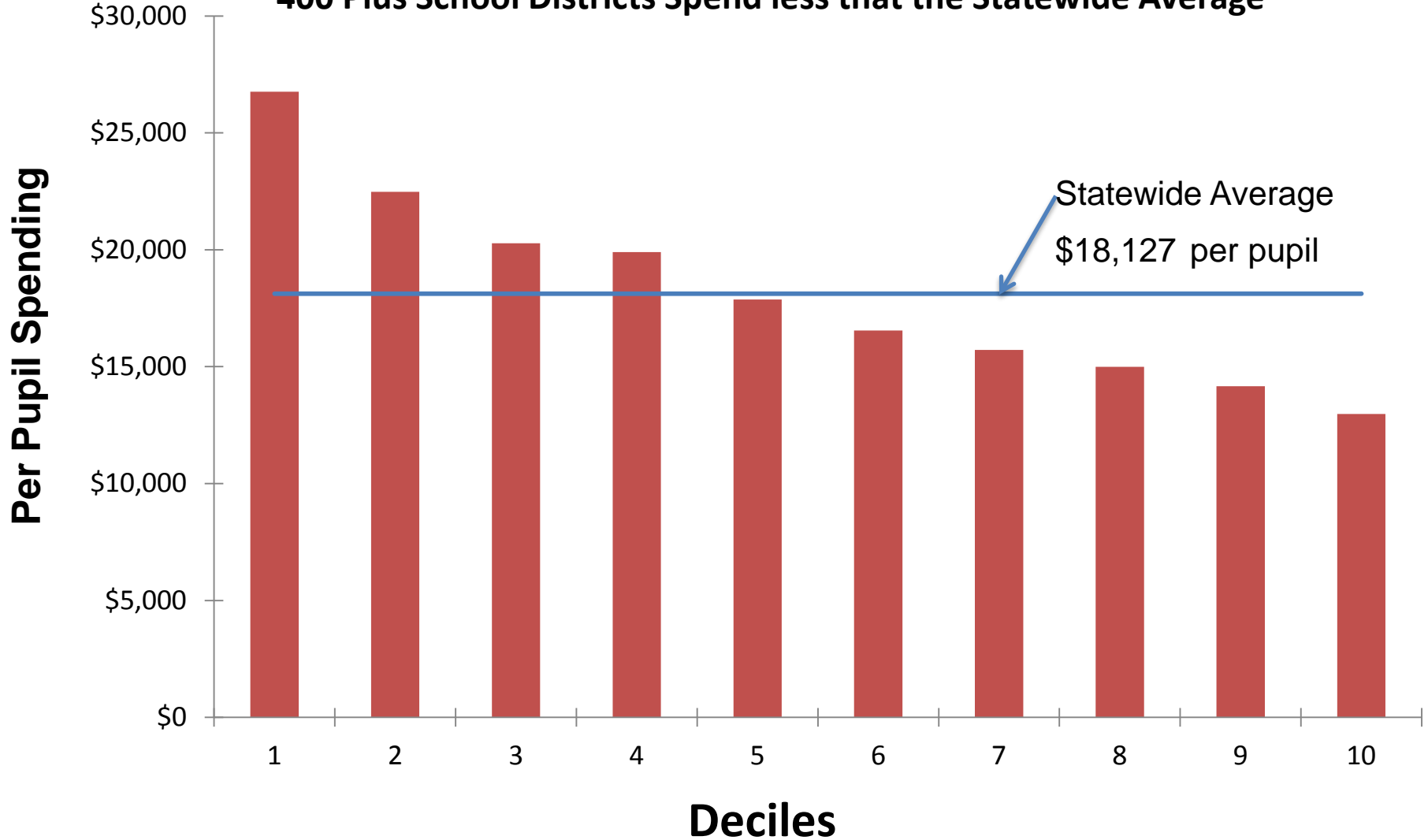
Graduation Rates Vary Widely

500 Plus Districts Exceed the Statewide Average



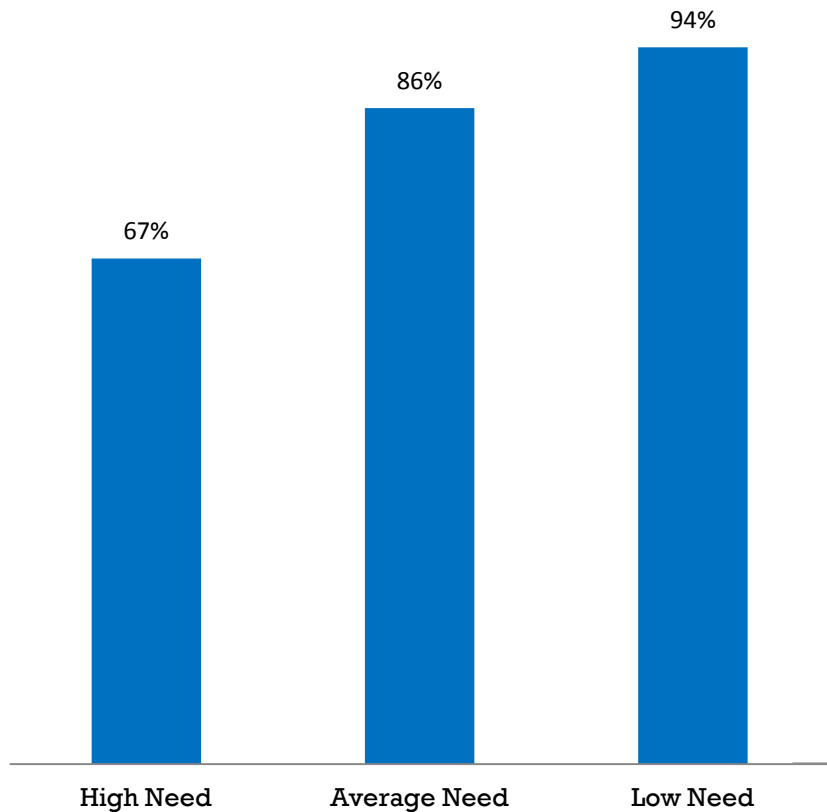
Per Pupil Spending Varies Widely

400 Plus School Districts Spend less than the Statewide Average

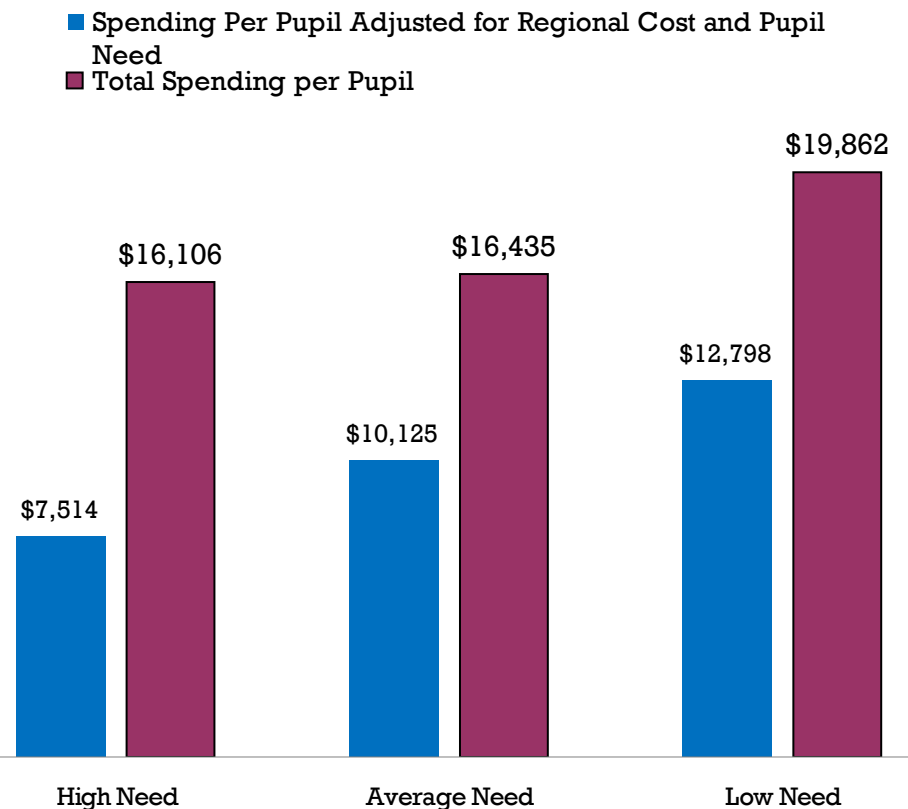


High Need Districts Face Difficult Challenges

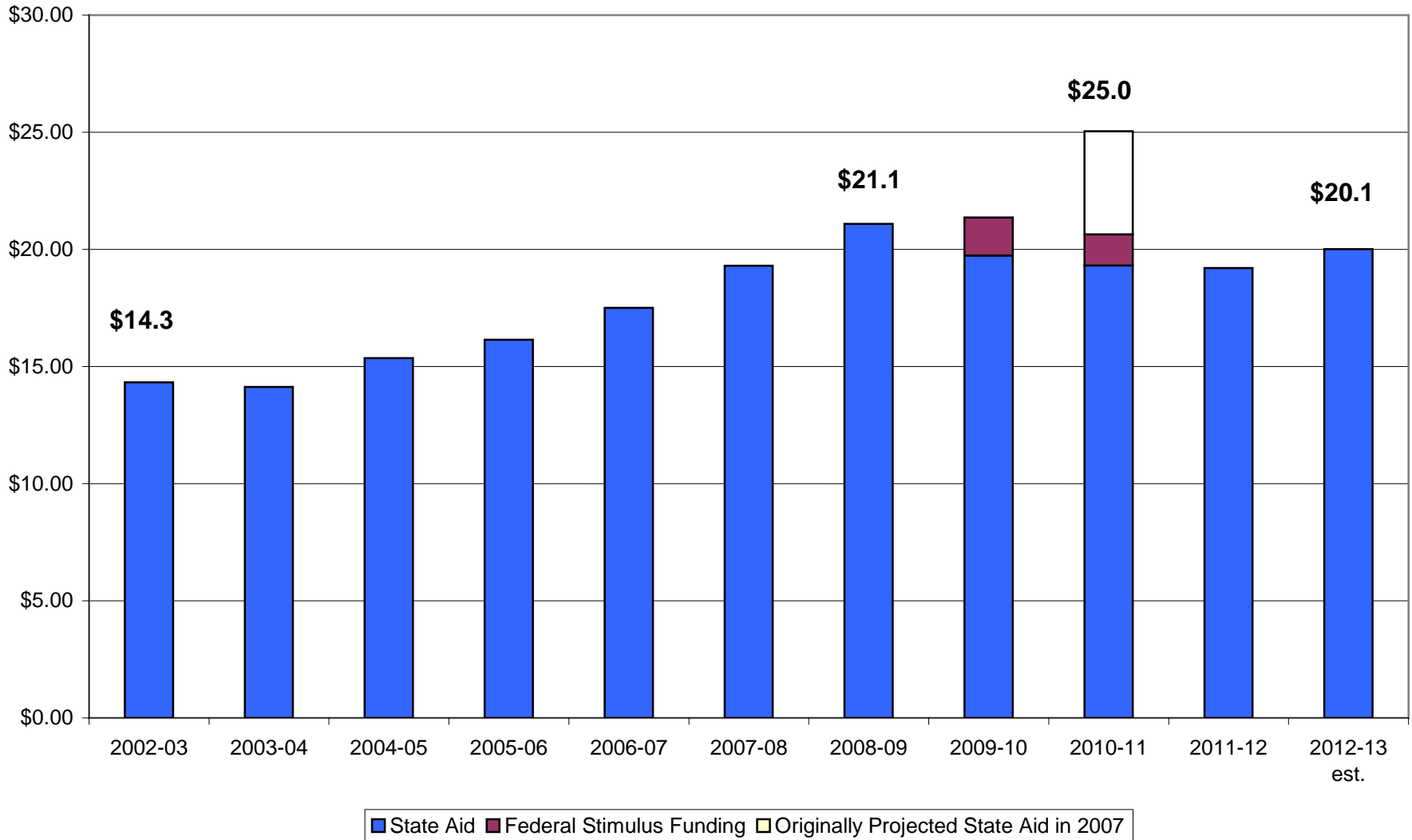
Graduation Rates by District Need/Resource Category



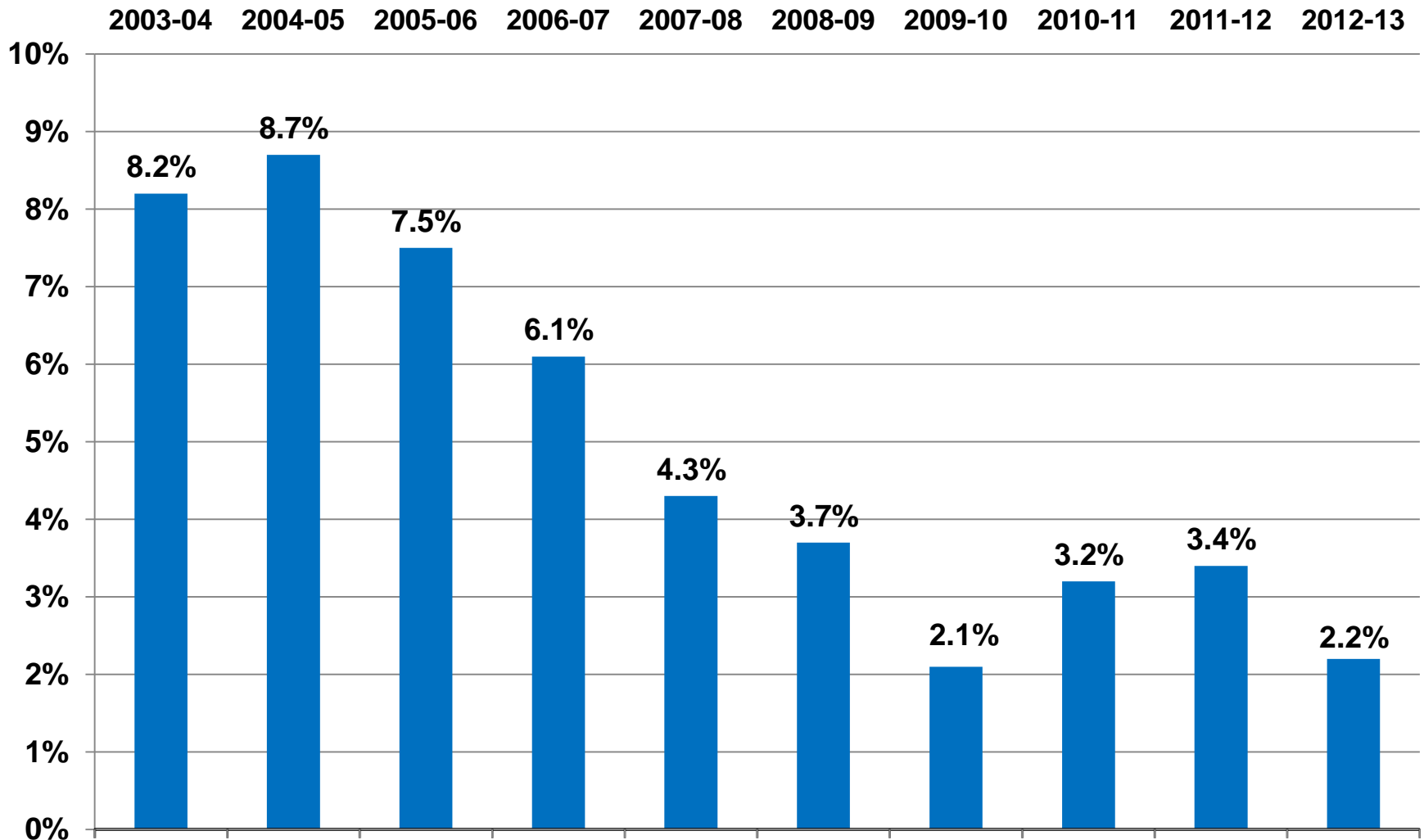
Adjusted Spending Per Pupil



The Economic Recession Has Constrained State Aid

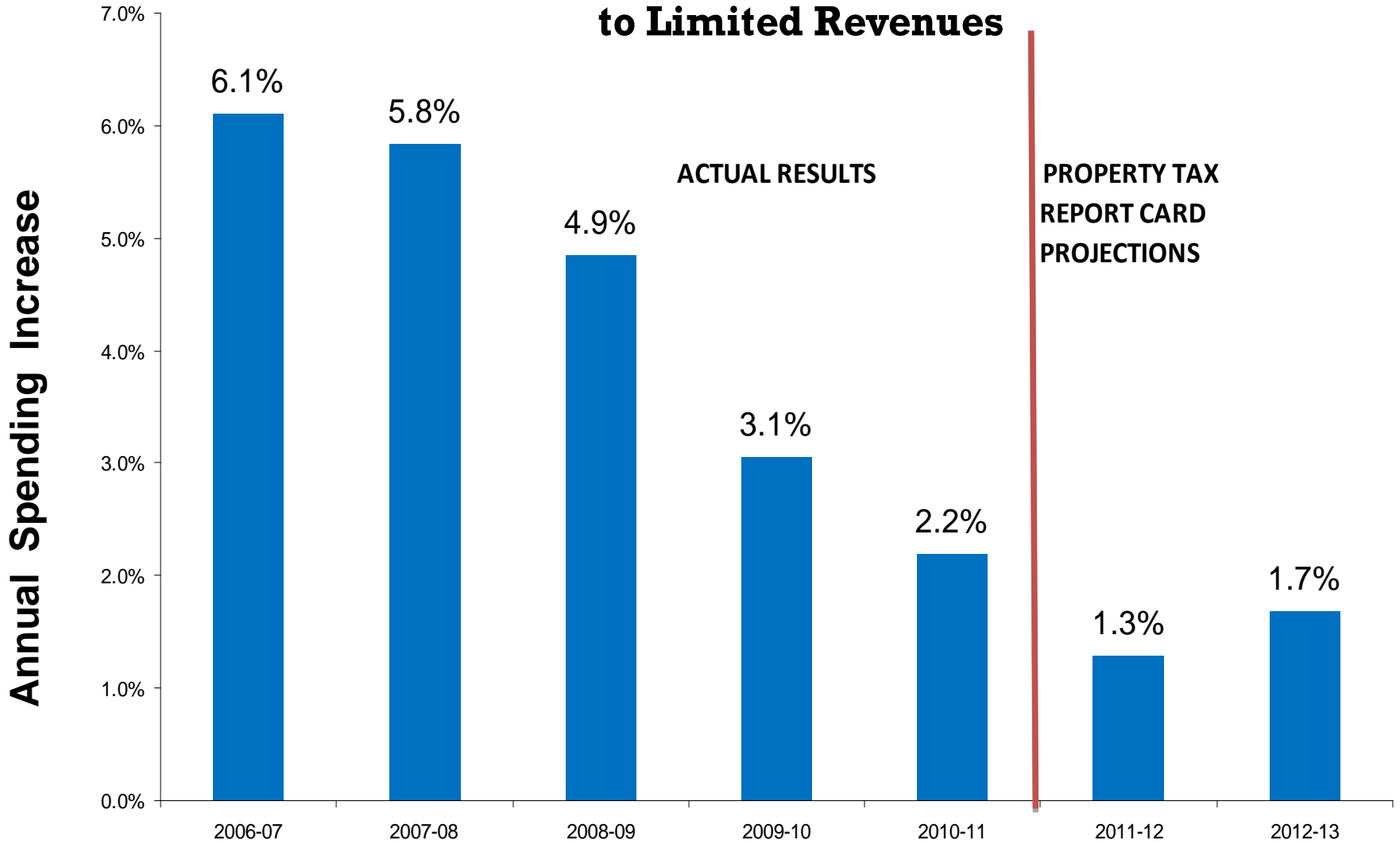


Even Prior to Tax Cap, Districts Began Holding Down Tax Levy Increases



Source: Annual Levy Increases Excluding the Big 5, Property Tax Report Card.

School Districts Have Reduced Spending in Response to Limited Revenues

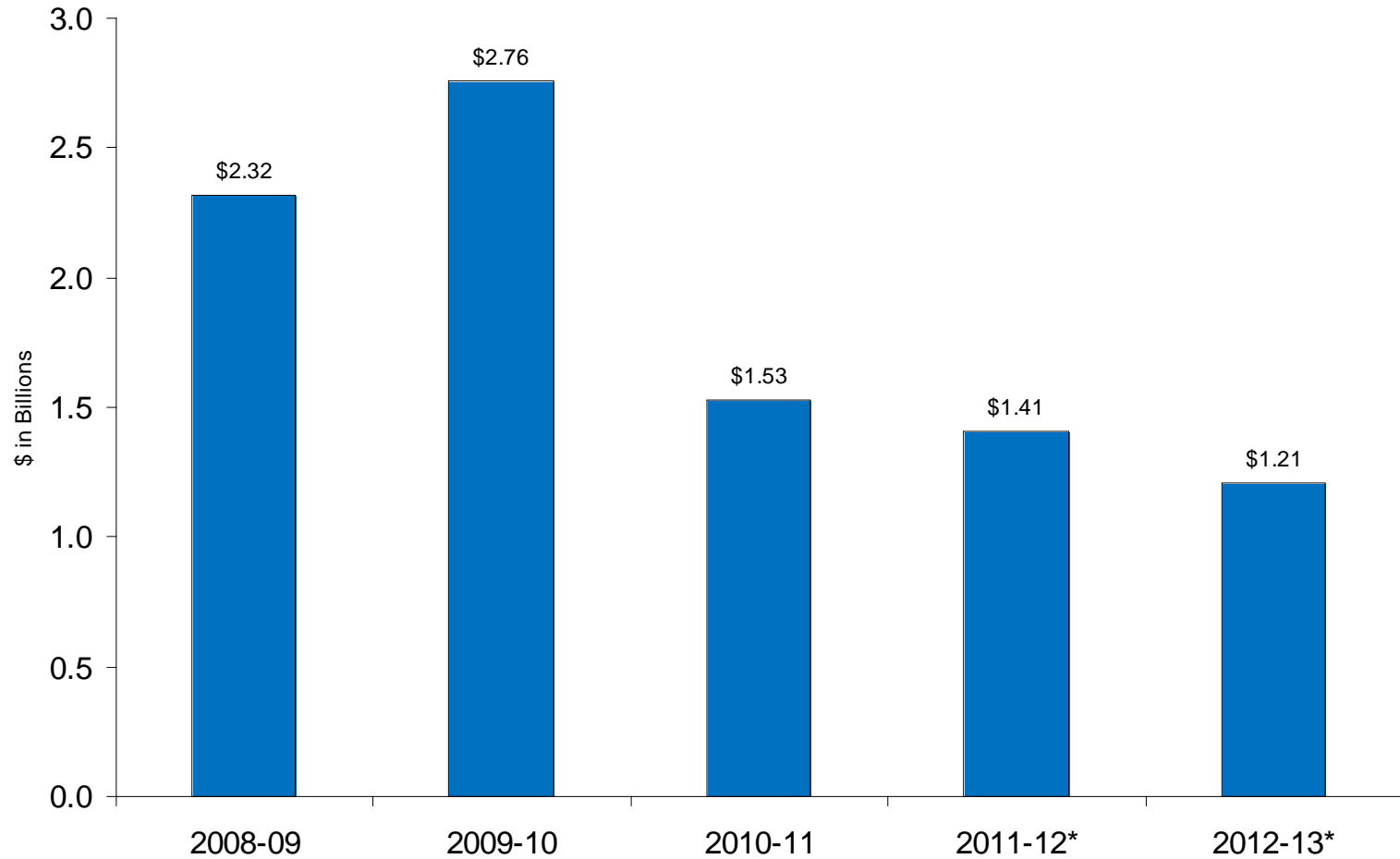


Major Cost Drivers Challenge Efforts to Balance Budgets

- District contributions to employees' health care, which grew on average 9.1 percent annually from 1996-97 through 2009-10, slowed to 4.3 percent in the most recent year under analysis.¹
- Percent of district payroll that public retirement systems impose on districts increases when there are stock market declines.²
- Strong stock market gains in 1990's, resulted in the Teacher Retirement System (TRS) reducing district contributions in early 2000's to about 1 percent. But, due to slow recovery and lower market returns, district contributions have increased over the past several years and are now in excess of 10 percent of annual districts' payrolls.²
- From 2001-02 through 2009-10 operations and maintenance grew 40 percent and transportation and debt services increased 56 and 58 percent respectively.³
 - Energy cost increases are reflected in operations, maintenance and transportation categories.

Sources: 1) NYSED ST-3 Fiscal Profiles; 2) NYS Teacher Retirement Annual Report, 2011; 3) SED Fiscal Profiles, aggregating ST-3 school district financial information.

Fund Balances Are Declining



Data excludes Big 5 city school districts.

* Estimates from the Property Tax Report Card

■ Unexpended Surplus Funds (Prior to 2011-12, known as Unappropriated, Unreserved Fund Balance. From 2011-12 on, Adjusted Unrestricted Fund Balance)

Supporting Achievement with Constrained Spending

- Develop multiyear projections of school district financial status.
- Encourage multi-year planning that supports the district strategic plan.
- Develop a set of educational opportunity indicators to provide a measure for comparing of course offerings across different types of districts over time.
- Promote a comprehensive early childhood education system for all students, focusing on high need districts, and support full day kindergarten in all districts.
- Leverage greater efficiency through shared services, technology, district reorganizations, regional transportation and regional high schools where appropriate.
- Use the engageNY website to share best practices related to the staffing, resource allocation, professional development and the human capital pipeline.
- Build a culture of measurable continuous improvement hard-wired into fiscal and instructional systems.

2011-12 Budget capped Medicaid and School Aid

Caps are constructed differently:

- School Aid Cap is based on one-year growth in Personal Income.
- Medicaid Cap is based on the 10-year average of the Medical component of CPI.
- Medical CPI is more stable than New York State Personal Income, which is highly dependent on the financial services sector.
- The 10-year average in the Medicaid Cap calculation moderates changes.

Medicaid Cap is Less Volatile

