

**The State of Our Schools:
The Effect of the "Bare-Bones"
Budget on New York
School Districts**

Prepared by the

Public Policy and Education Fund

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The State of Our Schools is the first of a series of reports in 2002 analyzing school districts across the State of New York. This report will look at the effects of last session's State budget on the budgets of school districts statewide.

This report was prepared by
the Public Policy and Education Fund

All of the data in this report relating to the impact the State's budget on school districts was provided by Frank Mauro and Trudi Renwick of Fiscal Policy Institute, Inc.

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INTRODUCTION

In two days, the Governor will deliver his "State-of-the-State" address to a joint session of the State Legislature and to the people of the State. The main purpose of the address is to provide an overview of the Governor's policy proposals to the State Legislature. Particularly important to the address is the Governor's fiscal plan: how he plans to spend state funds and to raise revenue. The specific blueprint for the Governor's fiscal proposals is set forth in the Executive Budget, which will be submitted to the Legislature for consideration later this month.

The Public Policy and Education Fund (PPEF) is a member of the Alliance for Quality Education ("AQE"), a one-year old coalition of over 170 hundred organizations dedicated to a quality education for all public school children, that collectively have hundreds of thousands of members throughout the State. AQE seeks to ensure that all students, pre-kindergarten through grade 12, receive a quality education. Based on recent public statements by the Governor and his representatives, PPEF and AQE have reason to fear that the Governor will propose cuts in state aid to education this year, in response to the fiscal crisis precipitated by the tragic events of September 11th.

The current crisis in New York State's schools is not the result of September 11th, or of the slowing state economy. It is the result of a long process that has for years treated education as a political football in which the needs of our children took a back seat to political trade-offs. And while it is true that prior to this fiscal year, state funding for education had risen approximately 5.4% for the last 10 years,¹ this has not made up for the years of neglect which have crippled schools from New York City to Buffalo to the Adirondacks. In fact, just one year ago in the landmark *Campaign for Fiscal Equity (CFE)* decision, a State Supreme Court judge found education underfunding to be so egregious so as to constitute a violation of the state constitution.²

¹ Fiscal Policy Institute calculation from New York State Division of the Budget Education Unit "Summary of Aids Financed Through General Support for Public Schools."

²On January 10, 2001, Judge Leland DeGrasse shook up the education world in New York State by ruling that the state's system of financing education was illegal. Judge DeGrasse ordered the State Legislature to

The central point of this report is that the statements by some commentators, including the Governor, that school aid increased in the 2001 legislative session through the enactment of the "bare-bones" budget are completely misleading. This report analyzes the effect of the "bare-bones" budget" adopted in 2001 by the Governor and the Legislature by comparing the State aid levels of the current fiscal year (2001-02) with the previous fiscal year (2000-01). **This report finds that the 2001-02 enacted state budget, when adjusted for inflation, resulted in a decrease in per-pupil aid for 427 or 63% of the 678 state school districts surveyed. 2.3 million students, representing roughly 4 out of every 5 students in the state (81%), attend districts that receive less aid per-pupil than in the previous academic year.**

The cuts made by the Governor and the Legislature to education are particularly disturbing, given the upcoming full implementation of the new Regents learning standards and the recent enactment of new initiatives such as the state class size reduction program that are designed to assist kids to meet these standards. **These new mandates are of course commendable. However, they obviously impose new costs upon school districts that require year-to-year increases in school expenditures over and above inflation.** In light of the increased need, the central finding of this report – that most school districts representing most kids actually received cuts when adjusted for inflation – should be disturbing to every friend of children in the state.

The impact of the cuts is already beginning to be felt throughout the state: layoffs in Buffalo and Rochester, cuts in extracurricular activities and teacher professional development in New York City, a freeze on equipment purchases in Binghamton, delays

restructure the state education financing system by September 15th by, among other things, providing additional funding to needy school districts. The Judge based his ruling on the "Education Article" of the New York State Constitution, which requires the state to provide all children with a "sound basic education," as well as federal regulations prohibiting racial discrimination in programs funded by the federal government, including schools. Both the decision in *Campaign for Fiscal Equity v. State of New York* and a summary of the decision may be obtained by visiting the Campaign for Fiscal Equity's website at the following address: www.cfequity.org. The ruling in the CFE case has been stayed as the Governor has appealed the decision.

in new text book purchases in Syracuse, and cuts in academic intervention services in the Finger Lakes region. Perhaps most disturbing, among the first programs that were negatively affected by school district budget shortfalls were programs especially designed to help low performing students meet the new Regents standards. The resources needed to provide students with extra learning time before and after school, have been drastically cut or eliminated in many of the neediest school districts across the State.

PPEF and its supporters throughout the State are greatly concerned that the funding decreases that occurred with the enactment of the "bare-bones" budget in August of 2001, just before the start of the school year, may portend a new and alarming trend of reducing the State's commitment to its schools. This cannot be allowed to happen, justified either by September 11th, or due to the slowing of the state economy. We submit that an educated work force is critical to the recovery of the state's economy, and to the continued vitality of the State. We therefore urge the Governor and Legislature to accord priority funding to education during the 2002 legislative session.

METHODOLOGY AND FINDINGS

The report compares the amount of formula-based or computerized aid plus growth aid³ for school districts in the current school year (2001-02) to the prior year (2000-01) for 678 school districts⁴, using data from the State Education Department's "school aid runs" released in November 2001. The school aid amounts for school year 2000-01 are expressed in constant dollars, adjusted for inflation using the 3.4% change in the Consumer Price Index calculated as specified under state law for the school districts'

³ Formula-based or computerized aids in 2000-01 included the following specific aid programs: operating aid, tax effort aid, tax equalization aid, transition adjustment aid, gifted and talented aid, minor maintenance aid, public excess cost aid, private excess cost aid, educationally related supportive services apportionment (ERSSA) aid, extraordinary needs aid, operating standards aid, limited English proficiency AID, transportation aid, BOCES aid, special services aid, computer hardware aid, textbook aid, computer software aid, library materials aid, full-day kindergarten aid, pre-kindergarten aid, class size reduction aid, summer school aid, tax limitation aid, reorganization incentive operating aid, shared services for BIG 5 aid. These specific aid programs were replaced with a single grant for "computerized aids" in the 2001-02 school year. Growth aid, while not considered a "computerized aid" is provided to districts with enrollment growth in excess of .4% and is essentially a supplement to the district's operating aid.

⁴ This analysis considers all school districts included in the SED school aid runs except two districts,

2001-02 School Property Tax Report Cards. Transportation and building aid are not included in the analysis for either school year.

Our analysis found that:

- 81% of students (or 4 of 5 students) attend school in districts that received a reduction in per-pupil aid between the two years. (See Chart Entitled: "County-by-County Summary")
- In addition, between 2000-01 and 2000-02:
 - 427 of the 678 districts, or 63% received a reduction in per-pupil aid. (See Chart Entitled: "County-by-County Summary")
 - On average, school districts statewide received a \$76 reduction in per-pupil aid. (See Chart Entitled: "County-by-County Summary")
 - 39 of the 50 largest school districts, or 78% received a reduction in state aid. Major cities that received cuts included New York City (\$85.1 million), Buffalo (\$4.1 million), and Utica (\$215,000). (Yonkers received a minimal increase of \$72,455, but a 1.2% reduction in state aid per-pupil.) (See Charts Entitled: "Fifty Largest School Districts" and "Fifty Districts with Largest Declines in Total Aid.")
 - 35 of 58 counties in the state received a reduction in the average aid per-pupil countywide. (See Chart Entitled: "County-by-County" Summary).^{5 6}

CONCLUSION

This short analysis indicates that, contrary to the claims of some, 2001 was a year of cuts in the State's commitment to education. This is particularly disheartening, given that the year began with a powerful judicial declaration that the state was mandated to increase education funding. Further, the school aid cuts this year affected most schoolchildren and most school districts around the state: 4 of 5 children attended school in districts receiving a reduction in per-pupil aid, and over 3 of 5 districts received a

Monroe Woodbury and Dansville, for which enrollment data for 2001-02 was not available

⁵For the purposes of this statistic, New York City was treated as one county.

⁶ Breakdowns of the change in per-pupil formula aid plus growth aid from FY 2000-01 to 2001-02 as well as the change in formula plus growth aid for this period for every one of the 678 districts covered in this survey is available by visiting: www.allianceforqualityeducation.org. On our website, the districts are listed in county by county charts.

reduction in per-pupil aid. Moreover, the school aid "losers" were distributed throughout the state. (See Chart Entitled: "Fifty Districts with Largest Declines in Total Aid.") As the New York State School Board Association survey discussed in the appendix to this report highlights, our children will pay the price for the State's shortsightedness: most school districts have indicated they are making program cuts to reduce their budget gaps arising from the bare-bones budget. Pupil performance will suffer in the long-term if the State continues to shortchange its public school children.

Further, as the Appendix to this report indicates, the problem of underfunding of schoolchildren was enormously exacerbated last legislative session by the months of stalemate over the state budget, almost entirely due to a failure to agree on school aid levels. Districts were unable to effectively plan their budgets and therefore their educational programs, because they did not know how much state aid they would ultimately receive once a budget agreement was reached. School districts like the City of Buffalo that were particularly state aid dependant, as well as districts that were not extremely conservative in "guesstimating" how much state aid they would receive (and some that were in fact quite conservative in their estimates), are now faced with making mid-year cuts or revisions of their education programs, to the detriment of district children.

The Public Policy and Education Fund believes that the state must change its course in the upcoming legislative session if New York is going to continue to make progress towards meeting two critical educational mandates: ensuring that all children in the State receive a "sound basic education" in accordance with the state constitution, and closing the "achievement gap."

We therefore call upon the Governor and the Legislature to commit themselves to significantly increase school aid this legislative session, and to reform the inequitable school aid formula. The current economic difficulties of the State may require the Governor and the Legislature to phase-in increases in school aid over a period of years.

However, given the unconscionable cuts schoolchildren were subject to last year, there must be a significant down payment made on our obligations to our children this year.

APPENDIX

"BUDGETING IN THE DARK" IN 2001: **IS THIS ANY WAY TO RUN OUR SCHOOLS?**

Exacerbating the problem of underfunding described in the main text of this report has been the 2001 budgetary mess, in which school districts still did not know as of the beginning of the 2001-02 school year how much aid they would ultimately receive. **The chaotic budget "process" of the 2001 legislative session easily was the most dysfunctional state budget fight in decades, if not ever, to the detriment of every recipient of state aid, particularly school children.**

The formal budget process begins when the Governor releases his proposed budget in mid-January. Then the Legislature negotiates with the Governor and a final budget is adopted. By law, the Governor and the Legislature are supposed to complete the negotiation process and adopt a budget by March 31st, the end of the State's fiscal year. In reality, this process is almost never completed in a timely fashion. In fact, for each of the last eighteen years, the budget has been late.

Last session, the "bare-bones" budget was adopted in August – over 4 months late. The supplemental budget, which was intended to fill some of the holes from the bare-bones budget, and to correct its technical flaws, was not adopted until October 25, 2001. As of that time, there was only five months left in the fiscal year. As of today, with approximately 13 weeks left in the fiscal year, some of the allocations from the supplemental budget have still not been publicly released. Otherwise put, some school districts still do not have the final numbers as to what school aid they will eventually receive.

Virtually all school districts in the state are required to prepare their budgets in early spring. Districts where the citizens vote on the school budget (all districts except the "Big Five") are mandated to publicly release their proposed budget before May 15th,

the date school budgets are voted on across the state. Districts must tell voters the amount the district intends to spend, the programs the district will run and the level at which the school tax rate will be set to support the budget. This year, given that the state budget was not decided as of May 15th, school districts had to "guesstimate" as to the amount of State aid that would be received. Further, as these districts must send tax bills to property owners sometime between August 15 and mid-September (depending on the local law) to meet this requirement, districts had to once again "guesstimate" the amount of state aid they would ultimately receive.

A similar chaotic process happened in the "Big 5" school districts (Buffalo, Rochester, Syracuse, Yonkers, and New York City), which set their school budgets in conjunction with their City's budget. The Big 5 school district budgets generally become final with the beginning of each city's fiscal year on July 1st; they too, had to "budget in the dark" since state aid levels were not determined by that date.⁷

How did school districts deal with the need to "budget in the dark" in the 2001 legislative session? By looking at the Governor and Legislature's past practice. Historically, the numbers in the Governor's Executive Budget have been much lower than the final adopted budget. The State Assembly has generally made the highest initial proposal for school aid, and the State Senate has proposed a number between the other two parties. The final state budget ultimately adopted has typically been between the Governor's and the Assembly's numbers. Nevertheless, most districts played the game of guesstimation quite conservatively in 2001. According to a September survey by the New York State School Board Association, 61% of school districts relied on the Governor's Executive Budget proposal in projecting their tax rates in May, 19% relied most on the average district aid increase for recent years, and 5% relied on the Senate proposal.⁸

⁷ The Big 5 are also known as "fiscally-dependent" school districts because they have no authority to set school taxes, but must instead rely on funding from their city and the State for their schools.

⁸ See New York State School Boards Associations. *Districts Tax, Beg, Borrow to Cover Budget Gap* (9/10/01). Available by visiting: www.nyssba.org.

As suggested above, some school districts functioned in 2001 as they had become accustomed to in this bizarre process, by assuming that they would receive somewhere between the Governor's and the Assembly's number, perhaps somewhat closer to the Senate's number. This was a reasonable assumption, given past history. Further, in 2001, there were good reasons for school districts to assume they would get considerably more than the Governor's proposed school aid increase (a \$382 million increase statewide, less than the rate of inflation), since the state coffers were full, and the *Campaign for Fiscal Equity* decision raised hopes of significant school aid increases. However, in 2001, the usual bets were off, because the Governor and the Legislature ultimately adopted the "bare-bones" budget, which essentially enacted the school aid numbers in the Governor's Executive Budget.

Many districts that made the assumption that they would get more than the Governor's figures are now being forced to make program cuts or take other emergency measures to make up their budget shortfalls as a result. However, given the finding of this report the most districts ultimately received less school aid when inflation is taken into account, we must assume that even districts that budgeted conservatively (*i.e.*, by assuming they would receive only the Governor's figures) may also have to make some cuts. In fact, a recent survey indicated that more than 9 of 10 school districts in the state stated that they would be forced to raise taxes, abolish programs, or take other forms of emergency action as a result of the "bare-bones" budget.⁹ **This is no way to run our schools.**

⁹ *Id.* 57% of the districts surveyed are making program cuts.