
Cost Drivers, State Aid and Education Reform

The Problem and Possible Strategies

Materials for Discussion by the
New York State Board of Regents
Subcommittee on State Aid
October 2010

The Problem

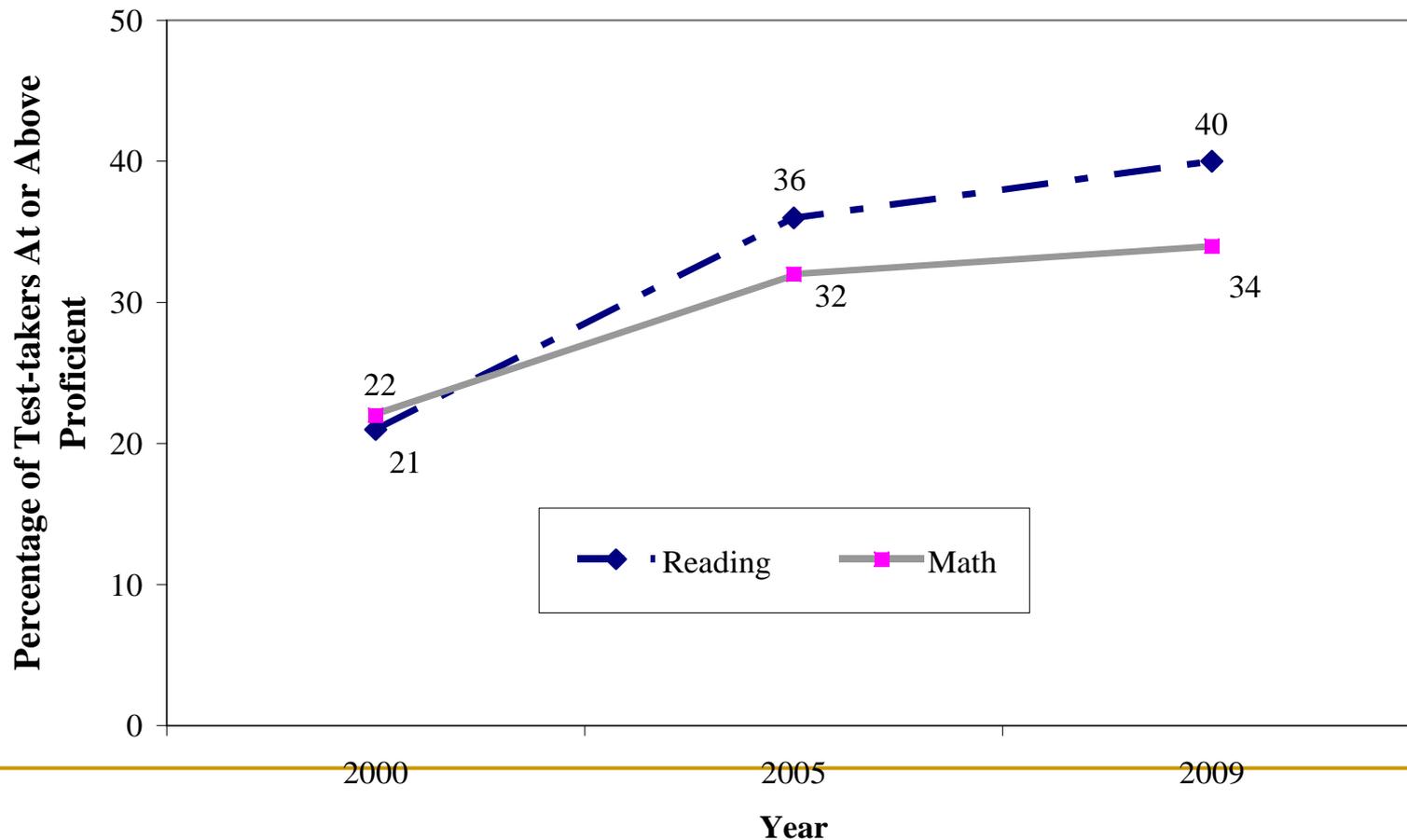
- The Regents are implementing a bold reform agenda to raise educational standards and performance.
- New York State anticipates a budget gap of \$3.2 billion in the current fiscal year and \$8.2 billion in the next fiscal year*.
- Federal stimulus funds will end next year. These have provided over \$3 billion in increased stabilization funding to mitigate school aid cuts and \$2 billion in additional targeted funding over two years.
- School districts are facing revenue cuts while costs continue to rise. Simultaneously districts are engaged in school reform, with and without, Race to the Top funds.
- What are key recommendations the Regents should make as the State balances its budget in order to minimize the impact of the budget gap on school reform?

* <http://publications.budget.state.ny.us/budgetFP/2010-11FinancialPlanReport.pdf>

Student Achievement

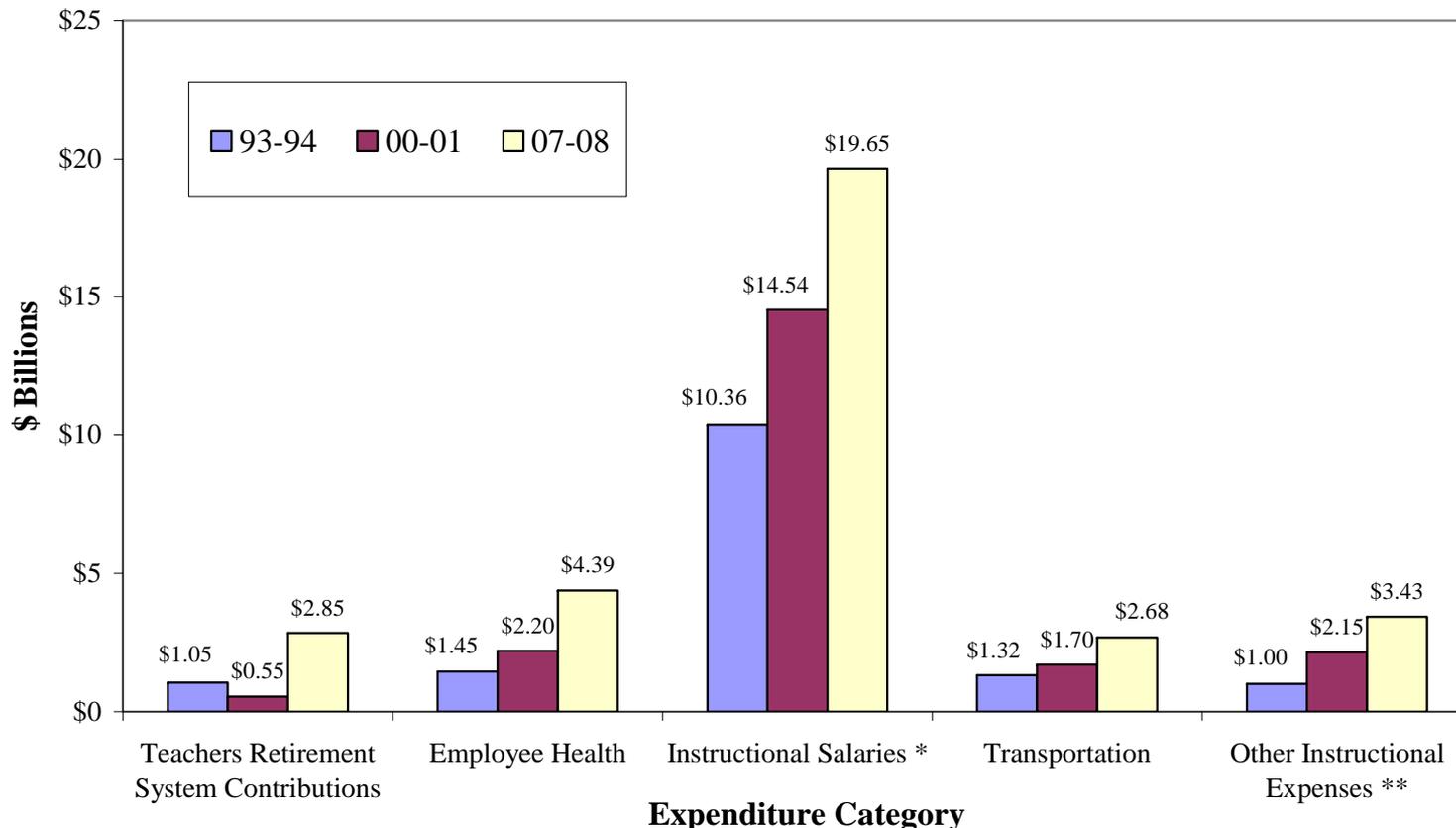
Progress is Occurring but Proficiency is Low

Percentages of New York Students Scoring at or Above a Proficient Level, 4th Grade NAEP Reading and Math, 2000, 2005 and 2009



Total Statewide District Expenditures for Selected Spending Categories, School Years 1993-94, 2000-01 and 2007-08

Source: SED Fiscal Profiles, compiling data from the ST-3 annual financial report



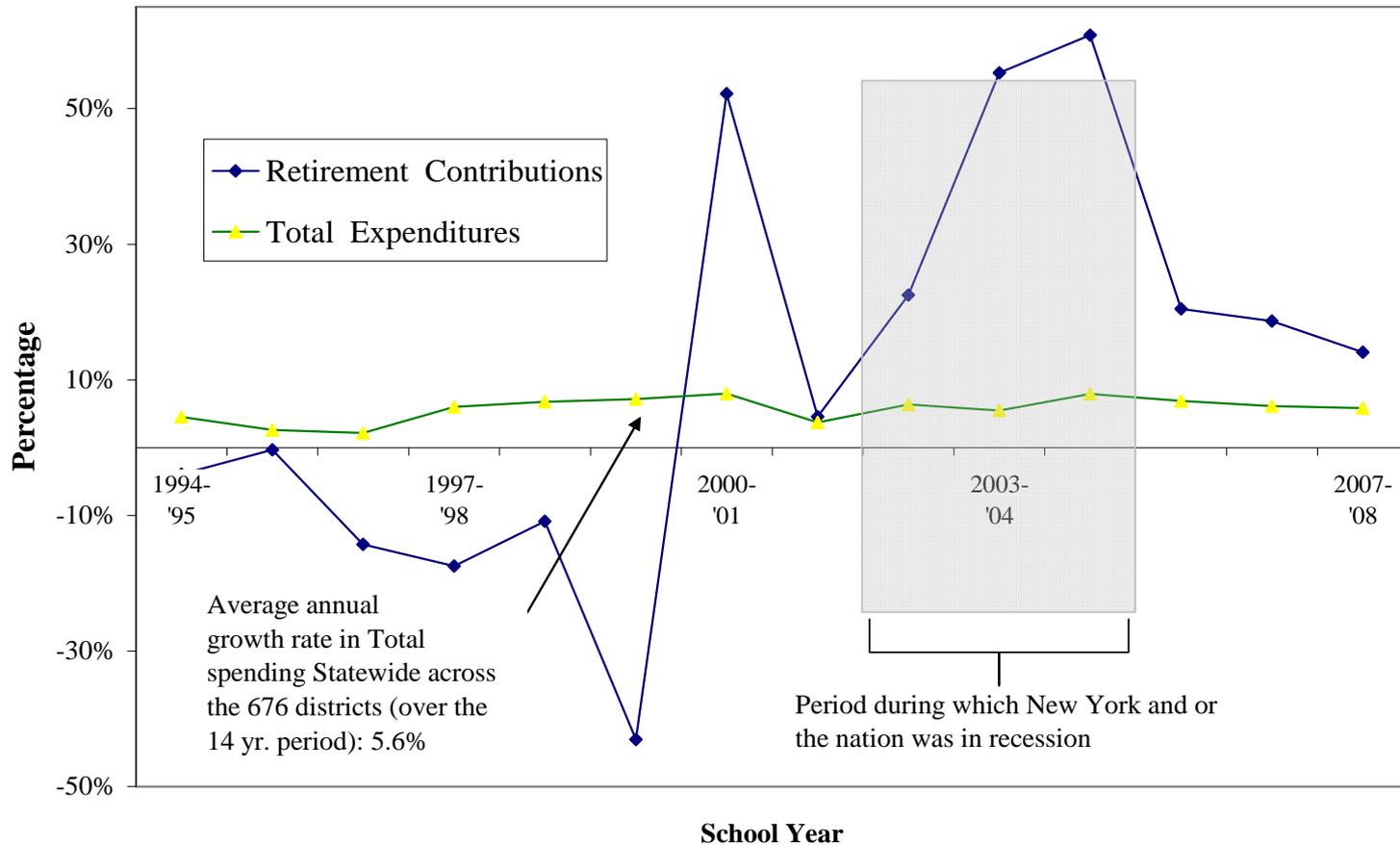
** Note that this spending category includes payments to charter schools

Two cost categories -- instructional salaries and transportation -- have roughly doubled over 14 years. Employee retirement, health care costs and other instructional expenses, have grown even faster (increasing 171, 203 and 243 percent, respectively).

** Private sector wage growth for comparable industries increased at comparable rates (87 percent compared with 90 percent growth here, in instructional salaries).*

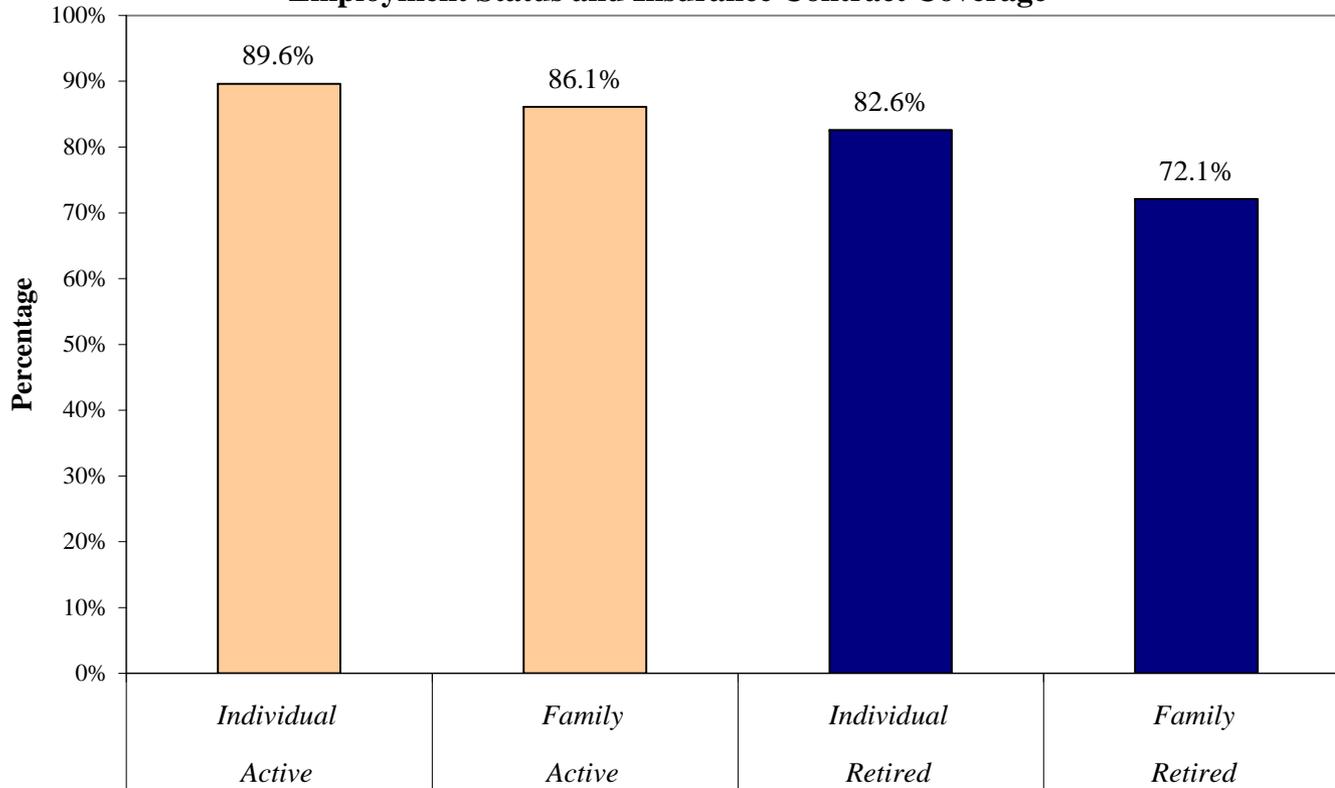
Annual Percent Change in Statewide Contributions for Employee Retirement and Total Expenditures, School Years 1994-95 thru 2007-08

Source(s): NYS Division of the Budget and SED Fiscal Profiles



School district retirement contributions, unlike growth in spending, vary widely from year to year (with an annual increase of 11.3%). Contributions grow particularly during recessions when returns on investment are lower.

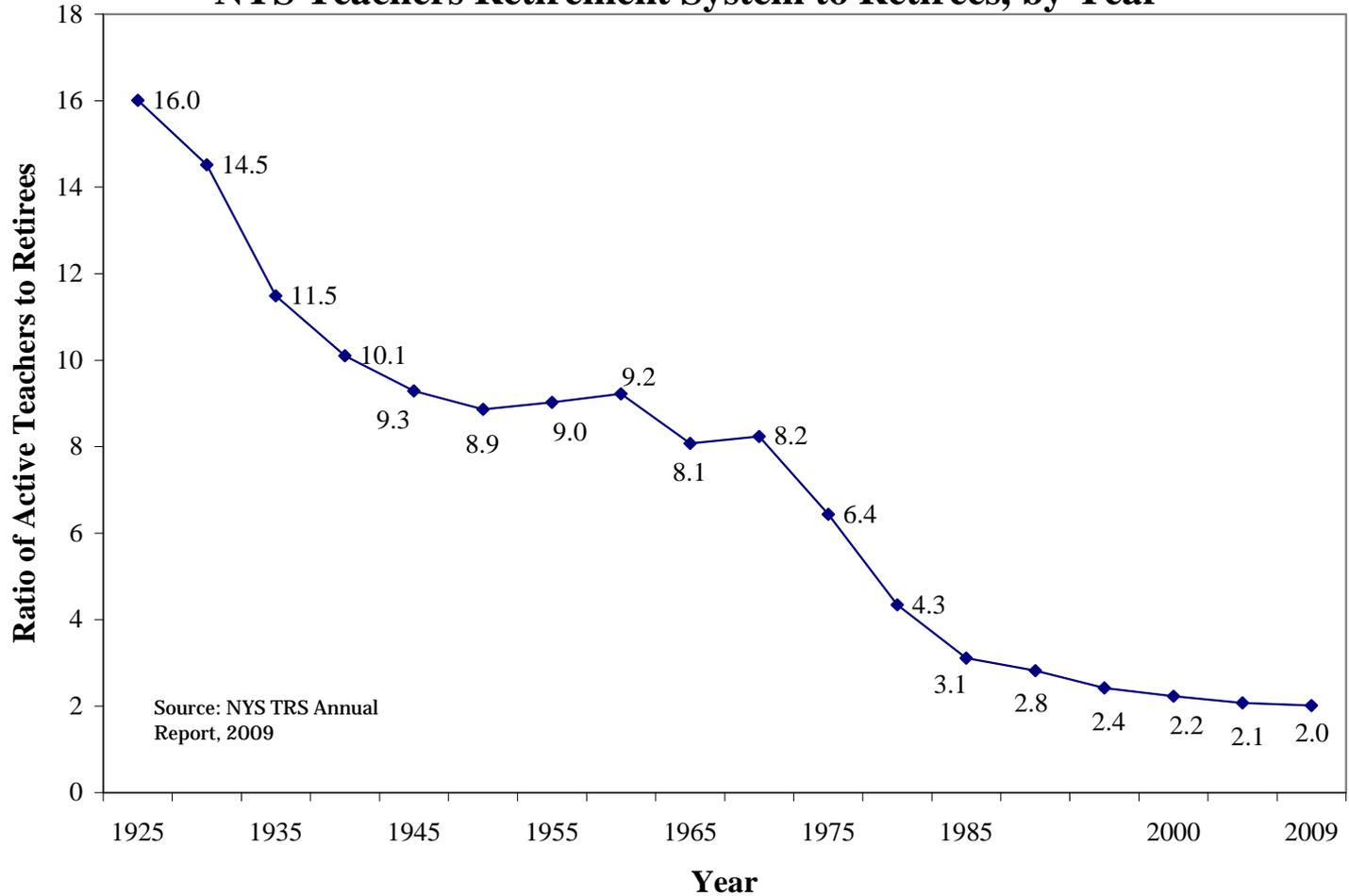
**Average Percentage of Health Benefits Premium Paid by District, by
Employment Status and Insurance Contract Coverage**



Source: Chung, Duncombe, Melamed & Yinger, “Documenting Variation in Teacher Contract Provisions Across New York State Districts” – analysis based on 267 district contracts outside of NYC in July ‘07

The share of individual and/or family health premiums borne by districts is much larger than the cost borne by employees.

Ratio of Currently Employed District Employees Covered by the NYS Teachers Retirement System to Retirees, by Year

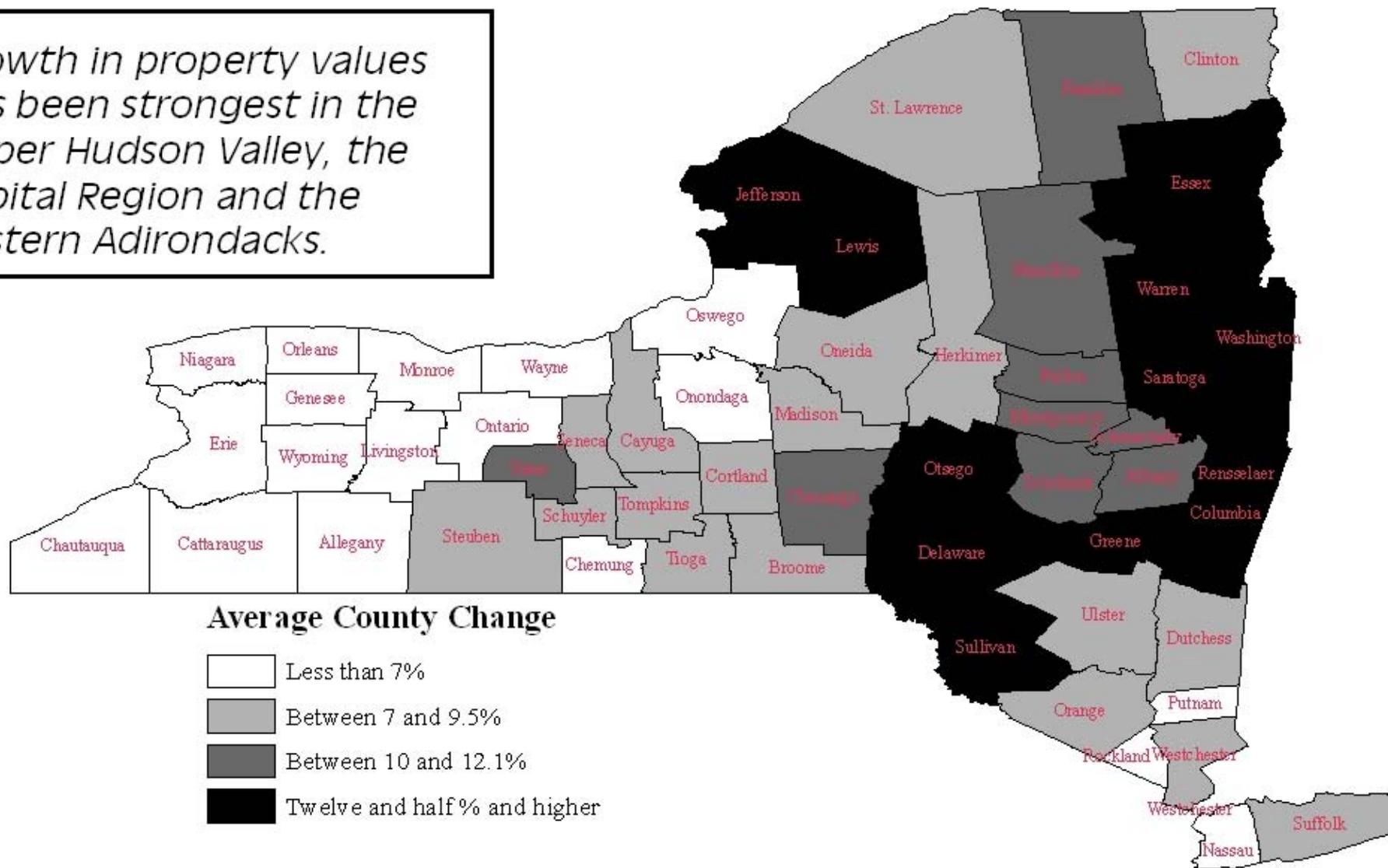


Retirement contributions by districts have increased in part because there are fewer active workers contributing and in turn, more are taking funds out as pensioners.

Three Year Average Percent Change in Property Values, Outside New York City, by County, 2006 to 2009

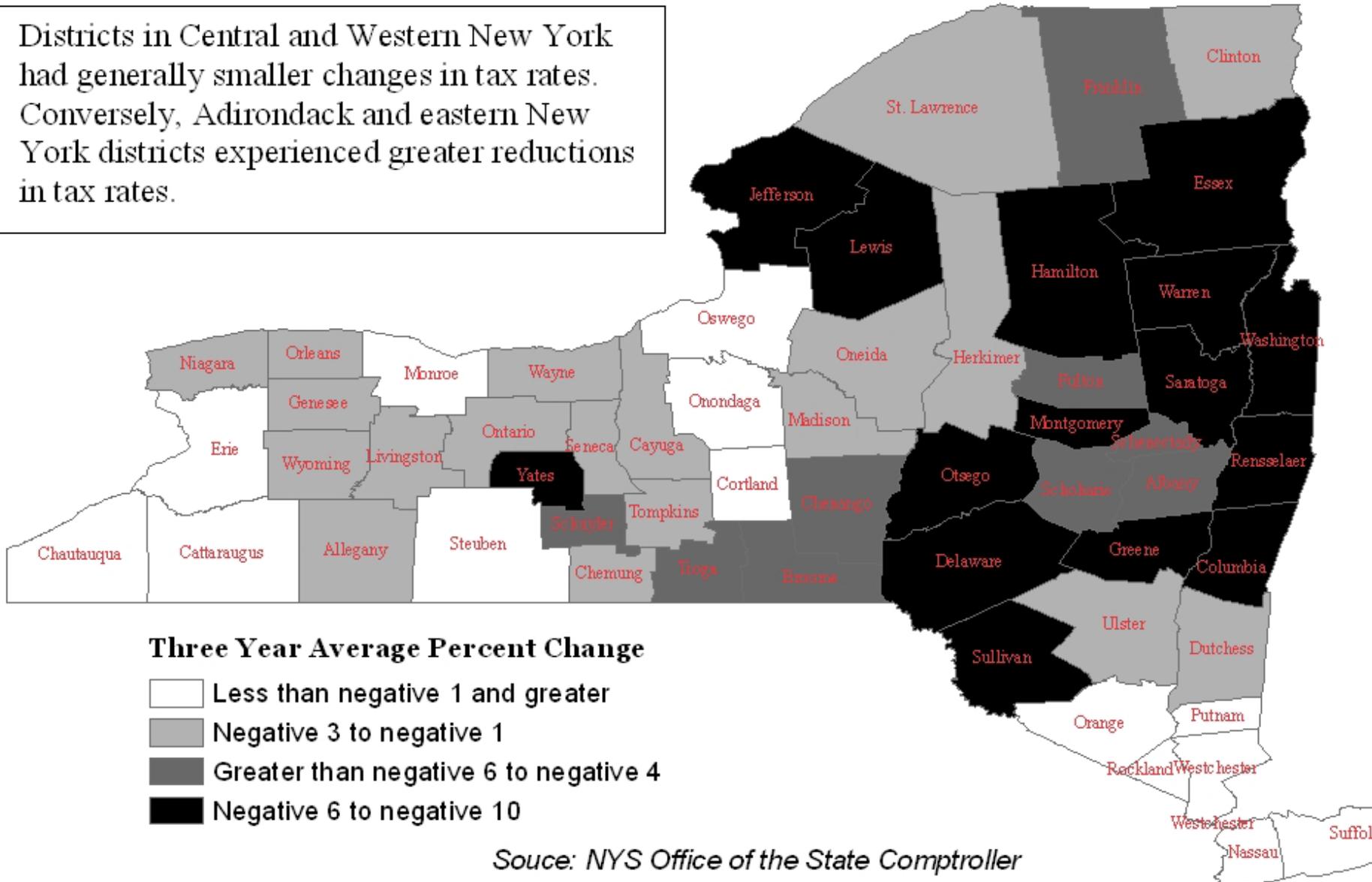
Source: NYS Office of the State Comptroller

Growth in property values has been strongest in the Upper Hudson Valley, the Capital Region and the eastern Adirondacks.



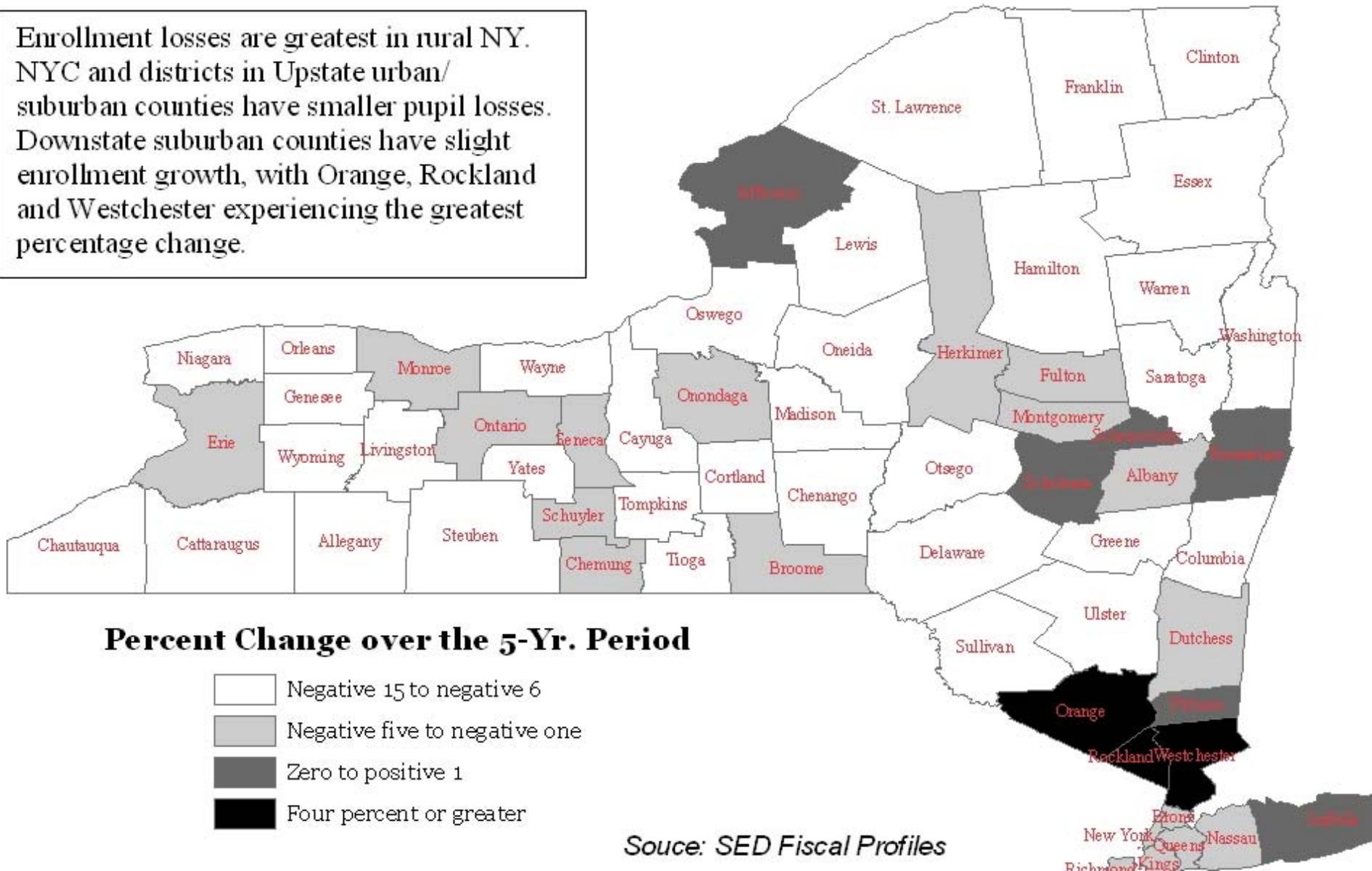
Three Year Average Percent Change in School District Tax Rates (i.e., Dollars per \$1000 Assessed Value), by County, 2006 to 2009

Districts in Central and Western New York had generally smaller changes in tax rates. Conversely, Adirondack and eastern New York districts experienced greater reductions in tax rates.



Average Percent Change in Student Enrollment by County, SY 2002-03 to 2007-08

Enrollment losses are greatest in rural NY. NYC and districts in Upstate urban/suburban counties have smaller pupil losses. Downstate suburban counties have slight enrollment growth, with Orange, Rockland and Westchester experiencing the greatest percentage change.



Cost Containment Proposals

- Goal is to reduce State and local costs and encourage more cost-effective spending by school districts that contributes to raising student achievement.
- Population and cost trends suggest a need for strategies that support district consolidation and regionalization of services.
- There is a need to look to other states for incentives, other than State Aid, for school districts to share education services and consider their appropriateness to New York State.

Task Force Report Recommendations

Recommendations of recent blue ribbon New York State task force reports*—

- Establish local committees to evaluate district reorganization and sharing
- Advance regional shared services, such as central business office, purchasing, energy, health care and collective bargaining
- Amend the Triborough provision of the Taylor Law to exclude teacher step increments from contracts until new contracts are negotiated
- Implement a statewide property tax cap, except in Big Four cities, which would have greater fiscal flexibility under mayoral control
- Implement property tax circuit breaker to provide targeted tax relief
- Consolidate and modernize municipal and school district functions

*Lundine, Stan, Chairman. 2008. "21st Century Local Government: Report of the New York State Commission on Local Government Efficiency & Competitiveness". Prepared under Executive Order No. 11, April 23, 2007.

Suozzi, Thomas R., Chairman, 2008. "New York State Commission on Property Tax Relief". Final Report to Governor David A. Paterson.

Containing Costs and Supporting Improved Student Achievement

Race to the Top Reform Strategies

- Improve Standards and Assessments
 - Including developing statewide curriculum models and curriculum-embedded formative assessments.
- Develop Longitudinal P-20 Data Systems
 - Create robust data systems to support decision making on policy and instruction.
- Develop and Retain Great Teachers and Leaders
 - With 80 percent of school costs related to personnel and the powerful influence of teachers on student learning, the State must ensure highly effective teachers for all students.
- Turn Around Low-Performing Schools
 - Improve college and career readiness of high need students (e.g., school innovation, AP access, etc.)

Containing Costs and Supporting Improved Student Achievement

- Improve school operational efficiency
 - Promote restructuring and reorganization implementation through a competition similar to Race to the Top for school districts with small enrollments, high costs and low student achievement.
 - Promote restructuring and reorganization strategies through BOCES-led local committees.
 - Establish a blue ribbon panel to restructure Building Aid.
 - Encourage regional transportation with a New York State pilot project authorized in Laws of 2010 underway.
 - Implement special education mandate relief and cost-saving proposals that provide administrative relief or cost savings to school districts but do not adversely impact the quality of special education supports and services available to students with disabilities.

Policy Questions

- Which key investments that if made will produce greater results for students and reduce costs in the future?
- Can the State improve the distribution of State Aid in a way that is fair to all school districts while better accomplishing the State's mission of providing an adequate education to all students?
- Can the current rate of increase in salaries and benefits be maintained?
- Are there efficiencies in the educational system that will free up more funds to support student learning?
- How can the State continue progress in providing the opportunity for all students to meet State learning standards, despite the economic crisis?