

BIG 4 CITIES TO REPORT MAINTENANCE OF EFFORT FOR EDUCATION TO NEW YORK STATE EDUCATION DEPARTMENT

Chapter 57 of the Laws of 2007 added a new subdivision 5-b to Section 2576 of the Education Law. It requires Big 4 school districts - i.e., those in Buffalo, Rochester, Syracuse and Yonkers - to maintain their local effort in support of education. That is, the locally-supported funding by the city for the support of the city school district - the city amount - cannot be reduced from one year to the next, except in cases where city funds or revenues decline from one year to the next. In such a case, the city may reduce its educational support by no more than the same percentage that city funds are reduced.

The cities must maintain effort on the city amount (of city support for education) appropriated and the city school districts must certify that the city amount expended maintains effort. Thus there are two (2) reporting requirements imposed by the statute.

Attachment A comprises the legislation authorizing the MoE requirements, as amended by Chap. 57 of the laws of 2009.

The schedule located in Attachment B of this document describes the form in which Big 4 cities as well as the component school districts, should report on and certify their city amounts and funds.

The two graphics in Attachment C of this document describe the annual calendar for these reporting requirements.

Attachment D simulates six scenarios and describes in each case, based on the city funds and city amounts, whether and why the hypothetical district in question is in, or out of compliance with the maintenance of effort (MoE) requirements.

Attachment E contains a series of Q&A which provide further guidance to reporting requirements, for conditions or circumstances on which the statute is unclear, silent or where it does not jibe with the nuances of the cities' existing financial accounting procedures.

Attachment F provides guidance as to the inclusion (or conversely, exclusion) of certain revenue sources from the definition of 'city funds' for the purposes of this requirement.

Finally, Attachment G contains the regulation the Department promulgated to carry out this requirement.

Any questions regarding these responsibilities can be directed to Educational Management Services staff at 518-474-6541 or emscmgts@mail.nysed.gov.

Attachment A

The legislation authorizing maintenance of effort (MoE) requirements by the Big 4 school districts, subdivision 5-b of sec. 2576 of the education law, is as follows:

5-b. a. For the purposes of this subdivision, the terms:

(i) "city funds" shall mean funds of each city having a population of one hundred twenty-five thousand or more inhabitants and less than one million inhabitants derived from any source except funds contained with-in the capital budget, funds from county sales tax revenues shared with such city, funds derived from any federal source and funds derived from any state or private sources over which the city has no discretion, as defined pursuant to regulations developed by the commissioner and approved by the director of the budget.

(ii) "city amount" shall mean the total amount of expenditures funded by city funds for the support of the city school district of each city having a population of one hundred twenty-five thousand or more inhabitants and less than one million inhabitants, not including city payments to bond or note holders for debt service payments of such district, as contained within the budget as adopted by such city.

(iii) "base year" shall mean the fiscal year immediately preceding the fiscal year for which the budget referred to in subparagraph (ii) of this paragraph is adopted. The initial base year shall be the fiscal year ending June thirtieth, two thousand seven.

b. The city amount shall not be less than the city amount appropriated in the base year determined at the time of adoption of the budget for the ensuing fiscal year, and shall not be less than the city amount expended in the base year determined as of the end of the school year. Provided, however, in the event the total amount of city funds relied upon to balance such budget is lower than the total amount of city funds appropriated in the base year, as determined at the time of adoption of such budget, the city amount may be reduced by up to the same percentage as the overall percentage decrease in city funds between the base year and the ensuing fiscal year.

c. Upon the enactment of a city budget, for the two thousand nine--two thousand ten school year budget and annually thereafter, the chief executive officer of the city, as defined pursuant to subdivision five-a of section 2.00 of the local finance law, shall annually certify to the commissioner, in a form prescribed by the commissioner upon approval of the director of the budget, as to the city amount in such budget, the city amount in the base year, and that the city amount appropriated in such budget is in compliance with paragraph b of this subdivision.

d. The school district audit report certified to by an independent certified public accountant or an independent accountant pursuant to section twenty-one hundred sixteen-a of this title for the two thousand eight--two thousand nine school year budget and annually thereafter, shall include a certification by the accountant, in a form prescribed by the commissioner upon approval of the director of the budget, as to the city amount expended in the school year covered by such audit report, the city amount in the prior school year, and that the city amount expended in the school year covered by such audit report is in compliance with paragraph b of this subdivision.

Big 4 Maintenance of Effort Certification and Reporting Form

Big 4 school districts and cities shall use this form for reporting two accounting measures: for the certification by the district of the city amount expended ¹ and for certification by the city of the amount appropriated. ²

¹ Due date: April 15, 2010 (and January 1, each year thereafter)

² Due date: April 15, 2010 (and by September 1, 2010 in years thereafter)

CITY completes this part of the form

School District completes these parts of the form

Row	CITY FUNDS: ALL PURPOSES		CITY AMOUNTS SUPPORTING SCHOOLS		SCHOOL BUDGET TOTALS	
	BASE YEAR 200_ TO 20__	BUDGET YEAR 200_ TO 20__	BASE YEAR 200_ TO 20__	BUDGET YEAR 200_ TO 20__	BASE YEAR 200_ TO 20__	BUDGET YEAR 200_ TO 20__
1	TOTAL		TOTAL		STATE AID	
	less		less			
2	CAPITAL		DEBT SERVICE			
3	SALES TAX					
4	FEDERAL		REMAINDER	0	TOTAL BUDGET	
	NON-DISCRETIONARY *					
5	STATE **		REMAINDER DIVIDED BY CITY FUNDS REMAINDER			
6	PRIVATE		(to 3 decimals without rounding)			
7	NET CITY FUNDS	0		#DIV/0!		
	CITY FUNDS INCREASES?	YES	MEETS AMOUNT REQUIREMENT	YES		
	IF 'NO', DECREASED BY WHAT % ?	0	MEETS PERCENTAGE REQUIREMENT	#DIV/0!		

SIGNATURE _____
DATE _____

* NON-DISCRETIONARY FUNDS are funds such as gifts or grants limited to specified purposes.

** Including State Aid to school districts

Instructions: The district/city shall complete data entry for the twelve (12) fields located in columns A and B, rows 1 thru 6, the four (4) fields in columns C and D, rows 1-2 and the four cells in rows 1 and 4, columns E and F. The balance of the fields in this schedule shall be calculated automatically, using the values of the data entry fields.

Note: Where applicable, if values in these certification forms are at variance from values for the same variables listed in the city budget and/or district audit reports, please provide a description of the adjustments made or variance and its rationale. This will enable SED staff to more easily verify these values with other data and thus, ascertain whether the cities have maintained effort.

¹ To be completed by the City School District (with the City providing supplementary data where necessary), of the Education Law, pursuant to paragraph d of subdivision 5-b of section 2576 of the Education Law,

² To be completed by the COO of the City (with the District providing supplementary data where necessary), pursuant to paragraph c of subdivision 5-b of section 2576 of the Education Law.

Send completed form to:

Matt Reilly, Office of Educational Management Services, NYS Education Dept., Room 876 EBA, Albany, NY 12234
or email to: mreilly@mail.nysed.gov

Attachment B - Big 4 Maintenance of Effort Certification and Reporting Form - ANNOTATED

City revenues from any source, except funds in the capital budget, county sales tax receipts shared with the city, federal funds and funds from state or private sources, over which the city exerts no discretion (including State aid to school districts)

STATEMENT OF CITY SUPPORT FOR SCHOOLS

CITY Completes this part of the form

School District completes these parts of the form

	BASE YEAR 200 _ TO 20__	BUDGET YEAR 200 _ TO 20__
TOTAL	_____	_____
less	_____	_____
CAPITAL	_____	_____
SALES TAX	_____	_____
FEDERAL	_____	_____
NON-DISCRETIONARY *	_____	_____
STATE **	_____	_____
PRIVATE	_____	_____
NET CITY FUNDS	_____0	_____0
CITY FUNDS INCREASES?		YES _____
IF 'NO', DECREASED BY WHAT %?		_____

	BASE YEAR 200 _ TO 20__	BUDGET YEAR 200 _ TO 20__
TOTAL	_____	_____
less	_____	_____
DEBT SERVICE	_____	_____
REMAINDER	_____0	_____0
REMAINDER DIVIDED BY CITY FUNDS REMAINDER (to 3 decimals without rounding)	_____	_____
MEETS AMOUNT REQUIREMENT		_____
MEETS PERCENTAGE REQUIREMENT		_____

	BASE YEAR 200 _ TO 20__	BUDGET YEAR 200 _ TO 20__
STATE AID	_____	_____
TOTAL BUDGET	_____	_____

Values reflect State Aid and the total school budgets in the base and budget years

SIGNATURE _____

DATE _____

* NON-DISCRETIONARY FUNDS are funds such as gifts or grants limited to specified purposes.

** Including State Aid to school districts

If city funds in the budget year are greater than or equal to the value on the same measure in the base year, the sheet is pre-programmed to return the narrative answer 'YES'; otherwise 'NO'

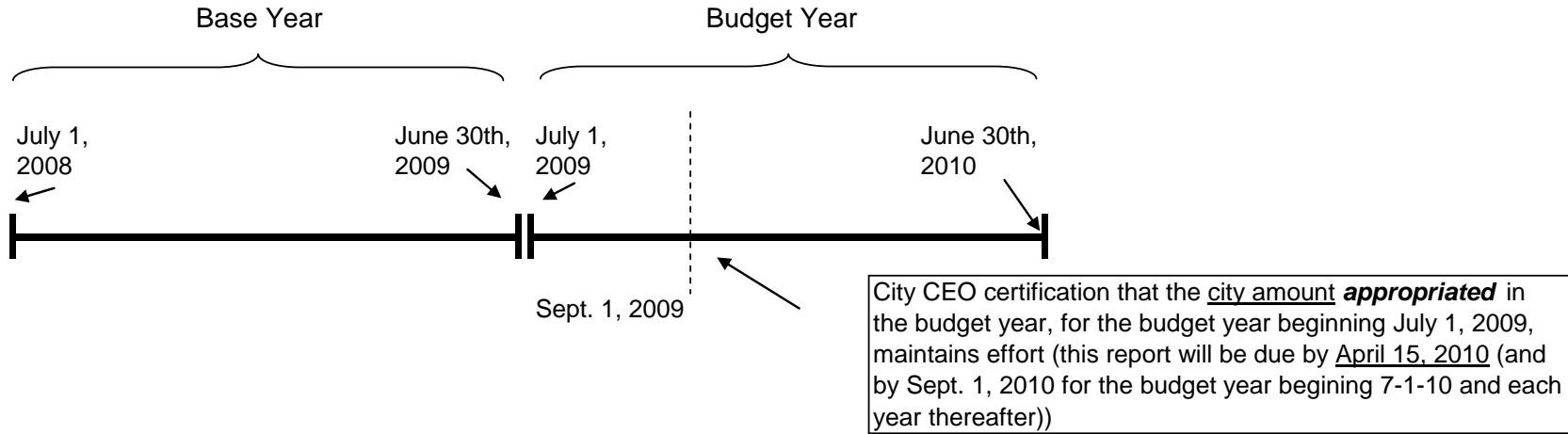
Calculates or expresses city amounts as a percentage of city funds in the base and budget years

Returns a value of 'YES' if the raw dollar value of the net city amount in the budget year is greater than or equal to the base year value

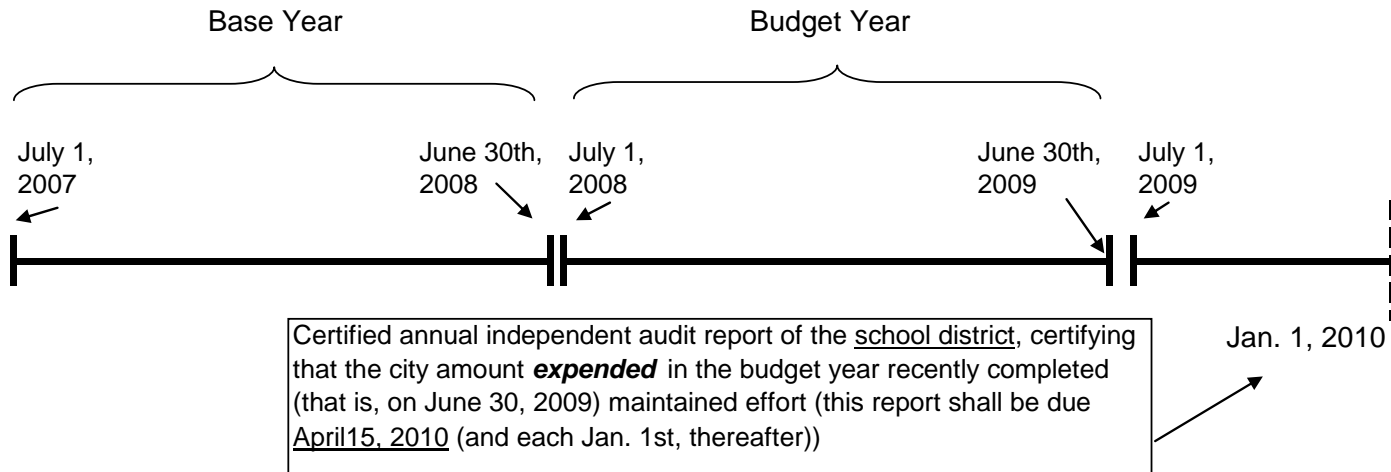
Returns a value of 'YES' if the value of the city amount as a percentage of city funds in the budget year, is greater than or equal to the same measure in the base year

Attachment C:

Big 4 City Certification Pursuant to Education Law 2576 (5-b) (c)



Big 4 City School District Certification Pursuant to Education Law 2576 (5-b) (d)



Attachment D

Scenarios Simulating Whether a Big 4 District Complies with the MoE Requirements (pursuant to Sec. 2576 of Education Law)

Scenario #	Accounting Measure	Appropriated/Expended Amounts (in \$ Millions)		Ratio/% of Budget to Base Year Value (where applicable)	Practical Effect Simulated by Scenario	In Compliance w/ MoE Requirements?	Why (in or out of compliance)?
		Base Year	Budget Year				
1	City Funds ¹	\$150	\$200		City funds <i>increased</i> from base to budget years		
	City Amounts ²	\$50	\$50			Yes	City amount is not less than appropriated in base year
2	City Funds ¹	\$150	\$150		City funds <i>unchanged</i> from base to budget years		
	City Amounts ²	\$50	\$50			Yes	City amount is not less than appropriated in base year
3	City Funds ¹	\$150	\$125	-16.67%	City funds <i>reduced</i> from base to budget years		
	City Amounts ²	\$50	\$42	-16.00%		Yes	City amount reduced by no more than overall decrease in city funds
4	City Funds ¹	\$150	\$125	-16.67%	City funds <i>reduced</i> from base to budget years		
	City Amounts ²	\$50	\$40	-20.00%		No	City amount reduced by larger % as overall decrease in city funds
5	City Funds ¹	\$150	\$200		City funds <i>increased</i> from base to budget years		
	City Amounts ²	\$50	\$60			Yes	City amount is not less than appropriated in base year
6	City Funds ¹	\$150	\$150		City funds <i>unchanged</i> from base to budget years		
	City Amounts ²	\$50	\$45			No	City amount is less than amount appropriated in base year

Legend:

¹ 'City funds' refers to total City revenues (less certain allowable deductions and exclusions);

² 'City amounts' refers to those funds comprising the City's financial support for education;

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Attachment E

Guidance Document Further Detailing Procedures and Requirements Relating to the Big 4 Maintenance of Effort (M o E) Pursuant to Sec 2576 of the Education Law

1. Is State Aid to school districts provided under GSPS (general support for public schools) considered to be State funds, over which the city has no control?

A. Yes. Although some of these funds could be used for general purposes, they are specifically designed for education.

2. How shall districts treat federal stimulus funds for this purpose?

A. Funding that districts receive as part of the federal stimulus package pursuant to the American Recovery and reinvestment Act shall not be included in ‘city funds’ for the purpose of MoE.

3. How should districts treat atypical city funds for education such as police (e.g., resource officers) school crossing guards and others like it?

A. The guiding principle regarding such matters is whether the expenditure is included in the city funds of the district budget. That is, the statute makes no mention of whether the district needs to record or account for such expenditures. However, if the city chooses to include these items of expenditures in the city funds budgeted for the district, then for purposes of calculating MoE, they shall be included as such.

4. What should be the treatment of special revenue streams that are not the result of tax levy, such as, water and sewer fees, airport and parking fees, house inspection fees and others for particular and discrete purposes?

A. The statute does not allow the Department to promulgate guidance that gives cities the right to deduct from the definition of city funds those revenues that support or are dedicated to a particular purpose or function if the revenue stream is listed as a revenue source of the city. However, if the revenue stream is not that of the city per se, but rather is a fund sources of a public benefit corporation or a public authority (which may have some connection to the city but is a separate legal entity), then this revenue stream should not be included in the definition of city funds for this MoE purpose.

5. Is the city district required to maintain effort in terms of the city amount, equal to a percentage increase in city funds, should one occur?

A. No. In such as case, where city revenues have grown or increased, the city merely needs to maintain the same dollar effort as that made in the base year.

6. *How shall expenditures be accounted for?*

A. Funds shall be accounted for on a modified accrual basis.

7. *What about a circumstance in which the city underestimated revenues: that is, let's say the economy turns around and the amount of actual revenue that the city has to fund the schools has increased? How will this be accounted for in the expense certification?*

A. It will not be accounted for. Rather, the expense certification will not have to worry about maintenance of actual, final revenues, provided it maintains effort, relative to the budget amount adopted.

8. *Why does the school district have to certify that the city's contribution maintained effort?*

A. Because the statute requires the district to verify that they actually received and spent the funds. This will require communication between the city and district auditors.

9. *What's included in the capital portion of city funds?*

A. All of those accounts and functions specified in the uniform system of accounts relating to operation of plant, maintenance of plant, purchase of vehicles, debt service and employee benefits attributable to salaries included in other accounts and functions relating to these areas.

Attachment F: Guidance Regarding the Inclusion of Certain Revenues in City Funds

Revenue Sources	Exclude/ Include	Rationale/Comments
State aid to school districts	Exclude	Commissioner’s regulation Sec. 170.13 (located in Attachment G of this document) excludes from the definition of city funds, any State or private sources over which the city has no discretion, including: grants in aid for specific purposes
The revenues of IDAs, public authorities, public benefit corporations and other quasi-public entities that have a corporate identity separate and distinct from the city will be excluded from the definition of ‘city funds’.	Exclude	Statutory language referencing excluding ‘funds derived ...from sources over which the city has no discretion’.
Where applicable, proprietary and enterprise fund revenues will be included in the definition of ‘city funds’.	Include	Statutory language referencing city funds as ‘funds derived from any source’.
PILOTs (payments in lieu of taxes)	Include	Statutory language referencing city funds as ‘funds derived from any source’.
Cities imposing utilities and income taxes will have these sources included as city funds	Include	Statutory language referencing city funds as ‘funds derived from any source’.
County sales tax receipts shared with the cities shall be excluded	Exclude	Authorizing statute explicitly excludes this source of funds

Attachment G - Regulations of the Commissioner of Education

§ 170.13. Definition of city funds for purposes of determining maintenance of effort for cities having a population of 125,000 or more inhabitants and less than one million inhabitant pursuant to Education Law, section 2576(5-b).

For purposes of this section and Education Law, section 2576(5-b), city funds shall mean funds of each city having a population of 125,000 or more inhabitants and less than one million inhabitants derived from any source except:

- (a) funds contained within the capital budget;
- (b) funds from county sales tax revenues shared with such city;
- (c) funds derived from any Federal source; and
- (d) funds derived from any State or private sources over which the city has no discretion, including:
 - (1) gifts for specific purposes;
 - (2) grants in aid for specific purposes; or
 - (3) insurance proceeds authorized pursuant to Education Law, section 1718(2) in addition to that which has been previously budgeted.