

## **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.

Attachment C annotates the electronic form for greater guidance if needed.

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.

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

Attachment H contains a graphical representation of a schedule of reporting requirements.

**Please note that these materials clarify the treatment of debt service (for the purposes of exclusion from the calculation of 'city amounts') as only including the 'local share', thereby excluding State building aid or other grant payments.**

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

**Attachment B**

		<i>Columns</i>					
		<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>
		CITY FUNDS: ALL PURPOSES		CITY AMOUNTS SUPPORTING SCHOOLS		SCHOOL BUDGET TOTALS	
<i>Row</i>		BASE YEAR July 20__ to June 20__	BUDGET YEAR July 20__ to June 20__	BASE YEAR July 20__ to June 20__	BUDGET YEAR July 20__ to June 20__	BASE YEAR July 20__ to June 20__	BUDGET YEAR July 20__ to June 20__
<b>1</b>	TOTAL less	_____	_____	TOTAL less	_____	STATE AID	_____
<b>2</b>	CAPITAL	_____	_____	DEBT SERVICE (Total):	_____		
				State and Federal	_____		
				Grants, Gifts	_____		
<b>3</b>				Local Share	_____		
<b>4</b>	SALES TAX	_____	_____	REMAINDER	_____	TOTAL BUDGET	_____
<b>5</b>	FEDERAL **	_____	_____				
	NON-DISCRETIONARY *			REMAINDER DIVIDED BY CITY FUNDS REMAINDER			
	STATE **	_____	_____	(to 3 decimals without rounding)			
<b>6</b>	PRIVATE	_____	_____	#DIV/0!	#DIV/0!		
<b>7</b>				MEETS AMOUNT REQUIREMENT	YES		
<b>8</b>	NET CITY FUNDS	_____	_____				
	CITY FUNDS INCREASES?		YES				

SIGNATURE \_\_\_\_\_  
DATE \_\_\_\_\_

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

\*\* Includes funds for both educational and other purposes

**Instructions:** The district/city shall complete data entry for the all of the applicable or relevant fields underlined in rows 1 thru 7 and columns A thru 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 measurement 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.

A		B		C		D		E		F	
CITY FUNDS:ALL PURPOSES		CITY AMOUNTS SUPPORTING SCHOOLS		SCHOOL BUDGET TOTALS		STATE AID		TOTAL BUDGET		TOTAL BUDGET	
BASE YEAR July 20__ to June 20__		BUDGET YEAR July 20__ to June 20__		BASE YEAR July 20__ to June 20__		BUDGET YEAR July 20__ to June 20__		BASE YEAR July 20__ to June 20__		BUDGET YEAR July 20__ to June 20__	
TOTAL	_____	_____	_____	TOTAL	_____	_____	_____	STATE AID	_____	_____	_____
less	_____	_____	_____	less	_____	_____	_____				
CAPITAL	_____	_____	_____	DEBT SERVICE (Total):	_____	_____	_____				
	_____	_____	_____	State and Federal	_____	_____	_____				
SALES TAX	_____	_____	_____	Grants, Gifts	_____	_____	_____				
FEDERAL **	_____	_____	_____	Local Share	_____	_____	_____				
NON-DISCRETIONARY *	_____	_____	_____	REMAINDER	_____	_____	_____				
STATE **	_____	_____	_____	REMAINDER DIVIDED BY CITY FUNDS REMAINDER	_____	_____	_____				
PRIVATE	_____	_____	_____	(to 3 decimals without rounding)	_____	_____	_____				
NET CITY FUNDS	_____	_____	_____	#DIV/0!	_____	_____	_____				
CITY FUNDS INCREASES?		YES	_____	MEETS AMOUNT REQUIREMENT	_____	_____	_____				

SIGNATURE \_\_\_\_\_  
DATE \_\_\_\_\_

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

\*\* Includes funds for both educational and other purposes

**Instructions:** The district/city shall complete data entry for the all of the applicable or relevant fields underlined in rows 1 thru 7 and columns A thru 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 measurement 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.

If city funds in the budget year are greater than or equal to the value on the same measure in the base year, the spreadsheet is pre-programmed to return the narrative answer 'Yes'; otherwise, the sheet returns a value of 'No'

Reflects the value derived after subtracting the 'local share' of debt service from total city amount(s)

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.

**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 <sup>1</sup>	\$150	\$200		City funds <i>increased</i> from base to budget years		
	City Amounts <sup>2</sup>	\$50	\$50			Yes	City amount is not less than appropriated in base year
2	City Funds <sup>1</sup>	\$150	\$150		City funds <i>unchanged</i> from base to budget years		
	City Amounts <sup>2</sup>	\$50	\$50			Yes	City amount is not less than appropriated in base year
3	City Funds <sup>1</sup>	\$150	\$125	-16.67%	City funds <i>reduced</i> from base to budget years		
	City Amounts <sup>2</sup>	\$50	\$42	-16.00%		Yes	City amount reduced by no more than overall decrease in city funds
4	City Funds <sup>1</sup>	\$150	\$125	-16.67%	City funds <i>reduced</i> from base to budget years		
	City Amounts <sup>2</sup>	\$50	\$40	-20.00%		<b>No</b>	City amount reduced by <b>larger</b> % as overall decrease in city funds
5	City Funds <sup>1</sup>	\$150	\$200		City funds <i>increased</i> from base to budget years		
	City Amounts <sup>2</sup>	\$50	\$60			Yes	City amount is not less than appropriated in base year
6	City Funds <sup>1</sup>	\$150	\$150		City funds <i>unchanged</i> from base to budget years		
	City Amounts <sup>2</sup>	\$50	\$45			<b>No</b>	City amount <b>is</b> less than amount appropriated in base year

**Legend:**

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

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

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## Attachment E

### **Guidance Document Q&As 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.

**10. How is debt service to be calculated (for the purpose of its exclusion from the definition of 'city amount')?**

A. Debt service is to be calculated in total and then disaggregated between those funds derived from: 1) State, federal and other grant funds and 2) local sources. This 'separating out' is to reflect the Department's interpretation or understanding of the statute authorizing the maintenance of effort requirements, was that the funds to be excluded from -- or to reduce the city amount -- would be those reflecting the local share, i.e., local revenue.

The table below describes operationally how this calculation is made:

CITY AMOUNTS SUPPORTING SCHOOLS		
	BASE YEAR July 20__ to June 20__	BUDGET YEAR July 20__ to June 20__
TOTAL	<u>\$100,000,000</u>	<u>\$100,000,000</u>
less		
DEBT SERVICE (Total):	<u>\$10,000,000</u>	<u>\$8,000,000</u>
State and Federal Grants, Gifts	<u>\$7,000,000</u>	<u>\$5,440,000</u>
Local Share	<u>\$3,000,000</u>	<u>\$1,740,800</u>
REMAINDER	<u>\$97,000,000</u>	<u>\$98,259,200</u>

As one can see from this example, the total City levy supporting education has not changed in the budget year from its base year level of \$100 million. Moreover, in this example, the City has maintained effort, because this local fiscal effort (after being reduced by the local share of debt service), is at least as great in the budget year as it was in the base, one year prior.

## 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
Joint School Construction Board (JSCB)	See discussion to right	Authorizing statute says that the city amount shall not include ‘city payments to bond or note holders for debt service payments of such district, as contained within the budget as adopted by such city’. Thus this debt service for capital expenditures is to be included in that amount excluded from, or by which the city amount is to be reduced.

## **Attachment G - Regulations of the Commissioner of Education**

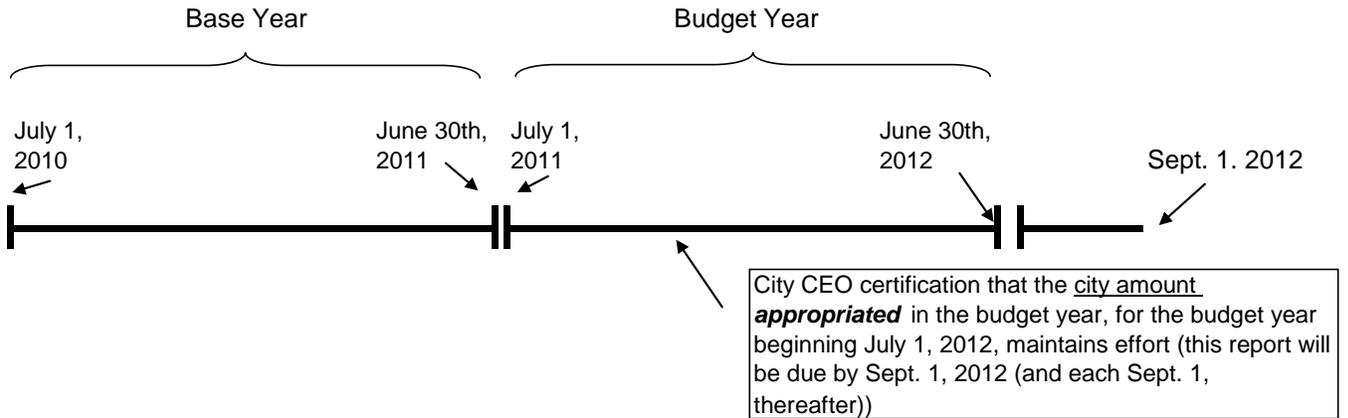
§ 170.13. Definition of city funds for purposes of determining maintenance of effort for cities having a population of 125,000 or more inhabitants and less than one million inhabitant pursuant to Education Law, section 2576(5-b).

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.

Attachment H:

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 )

