
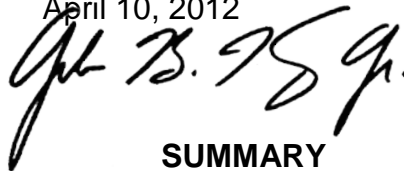




TO: Regents Subcommittee on State Aid
FROM: Ken Slentz 
SUBJECT: Legislative Action on State Aid to School Districts as the Context for the 2013-14 Regents State Aid Proposal and Information on the Property Tax Cap Filing by School Districts

DATE: April 10, 2012

AUTHORIZATION(S):


SUMMARY

Issue for Discussion

Does the Board of Regents have any questions concerning Legislative Action for 2012-13? How does this year's budget affect the approach for the development of the 2013-14 Regents State Aid Proposal? What information did school districts submit in the 2012 Property Tax Filing?

Reason(s) for Consideration

Review of policy.

Proposed Handling

Questions about the State budget as related to school aid and information on the tax cap filing by school districts will come before the Subcommittee on State Aid at its April 2012 meeting.

Procedural History

The Regents adopted their State Aid Proposal for 2012-13 in December 2011. The Executive Budget was released on January 17, 2012. Legislative action was approved on March 30, 2012.

Background Information

Each year the chair of the Regents Subcommittee on State Aid requests a review of the enacted budget with regard to legislative action on State Aid to school districts. This is done in order to define the context for school districts in order to begin the planning process for the development of the Regents proposal on State Aid to school districts for the next year. This year's school aid was increased by \$805 million, a 4.1 percent increase compared to the prior year. Attachment 1 provides narrative highlights of the Enacted Budget and Attachment 2 provides fiscal details of the budget and a comparison with the 2011-12 budget.

Chapter 97 of the Laws of 2011 enacted legislation establishing a "property tax cap" on the amount that local governments including school districts can increase their property tax levy each year. Referred to as the "property tax cap" the legislation affects all local governments, most school districts in New York State, except New York City and the big four city districts, and a host of other independent taxing entities such as library, fire and water districts. The law is effective for fiscal years beginning in 2012 and for the 2012-13 school year. Under this law, the growth in the property tax levy is capped at two percent or the rate of inflation, whichever is less, with some adjustments and exceptions. Local governments have the ability to override the cap. Attachment 3 provides information on the property tax cap filing by school districts for the first submission on March 1, 2012.

Recommendation

For information purposes.

Timetable for Implementation

This discussion will inform the development of the Regents State Aid proposal for the 13-14 school year. As part of this process, the Subcommittee will meet with New York State educational associations that comprise the Department's Education Finance Advisory Group, which advises the Regents and Department on school aid issues. The purpose of this consultation is to get a broad reaction from educators to school aid and educational issues.

HIGHLIGHTS OF THE 2012-2013 ENACTED BUDGET 2012-13 School Year Compared to the 2011-2012 School Year

SCHOOL AID PROPOSAL

Overview

The 2012-2013 Enacted Budget includes \$20.3 billion in funding for General Support for Public Schools (GSPS). This is a year-to-year increase of \$805 million, or 4.1 percent compared to 2011-12. The Enacted Budget fully allocates the \$805 million increase available under the School Aid growth cap for GSPS and reprograms \$200 million in competitive grants through formula-based school aid compared to the Executive Budget proposal. The major components of the reprogramming are increased Foundation Aid, additional restorations to the Gap Elimination Adjustment, and the removal of the proposal to limit State Aid to data available in November of 2011.

In addition, the Enacted Budget provides that \$37.5 million of the School District Performance Improvement Awards program be allocated in the 2013-14 State Fiscal year, and \$37.5 million of the School District Management Efficiency Awards be awarded during the 2013-14 state fiscal year. Districts that have fully implemented new standards for teacher and principal evaluations will receive bonus points in the School District Management Efficiency Award scoring.

Key Formula Provisions for the 2012-2013 School Year

Foundation Aid

The Enacted Budget includes a \$111 million increase in Foundation Aid for the 2012-13 school year, bringing total Foundation Aid to \$15 billion. Legislation originally enacted with the 2011-12 budget prescribes that Foundation Aid continue to be carried forward at base year levels unless legislation is enacted to designate a portion of the allowable increase under the GSPS Cap to be used for Foundation Aid.

Gap Elimination Adjustment

The Enacted Budget includes a Gap Elimination Adjustment of \$2.2 billion, a restoration of \$400 million or 15.6 percent over 2011-12. The restoration formula includes a maximum per district restoration of 25 percent and a minimum per district restoration of 3 percent.

Support for Early Childhood Education

The Enacted Budget caps Universal Prekindergarten funding at current levels for existing programs. The Enacted Budget also included two technical corrections which would allow data submitted after the original UPK freeze to be used in calculating maximum grant amounts and alter the Maintenance of Effort calculation.

Support for Pupils with Disabilities

The provisions for apportioning both Public High Cost Excess Cost Aid and Private Excess Cost Aid remain unchanged. Public Excess High Cost Aid increases by \$5 million from \$499 million to \$504 million, a growth rate of 1 percent. Private Excess Cost Aid will increase from \$324 million in 2011-2012 to \$366 million in 2012-2013, an increase of \$42 million or 13 percent.

Career and Technical Education Aid

The Enacted Budget continues existing provisions for these aid categories. BOCES Aid is estimated to increase by \$19 million or 2.7 percent, to an overall level of \$723 million. Special Services Aid (which provides aid to the Big Five and other districts that are not components of BOCES for career education activities, administrative computer services and academic programs) is estimated to be \$220 million, an increase of 3.3 percent or \$7 million over 2011-2012 levels.

Aid for Instructional Materials

The Enacted Budget continues the preexisting allocation formulas for Textbook Aid, Library Materials Aid, Computer Software Aid and Computer Hardware Aid. Funding of \$287 million represents an increase of \$6 million or 2.1 percent.

Building Aid

The Enacted Budget included language that would allow school districts to recover some Building Aid for projects where Final Cost reports were filed late. For 2012-13 Building Aid and Building Reorganization Incentive Aid are estimated to total \$2.7 billion, an increase of \$88 million, or 3.3 percent over 2011-12.

Transportation Aid

Transportation Aid for operating expenses will be calculated under the existing formula. The Enacted Budget included language that would allow school districts to claim Transportation Aid in instances where minor inadvertent technical or clerical errors resulted in past disallowances. Transportation Aid and Summer Transportation Aid are estimated to total \$1.7 billion, an increase of \$63 million or 3.9 percent over 2011-12.

2012-2013 Enacted State Aid Budget NEW YORK STATE

(all figures in millions)

Program	2011-12 School Year (Updated)	2012-2013 State Aid Estimate	2012-2013 Change from 2011-2012
General Purpose Aid	<u>\$12,985</u>	<u>\$13,506</u>	<u>\$521</u>
Foundation Aid	\$14,894	\$15,005	\$111
Academic Enhancement Aid	\$27	\$27	\$0
Charter School Transitional Aid	\$27	\$31	\$4
High Tax Aid	\$205	\$205	\$0
Reorganization Incentive Operating Aid	\$3	\$3	\$0
Gap Elimination Adjustment	(\$2,556)	(\$2,156)	\$400
General Purpose Aid Subtotal	<u>\$12,600</u>	<u>\$13,115</u>	<u>\$515</u>
Aid for Early Childhood Education	\$385	\$391	\$6
Support for Pupils with Disabilities	<u>\$827</u>	<u>\$874</u>	<u>\$47</u>
Private Excess Cost Aid	\$324	\$366	\$42
Public High Cost Excess Cost Aid	\$499	\$504	\$5
Supplemental Public Excess Cost Aid	\$4	\$4	\$0
BOCES\Career and Technical Ed.	<u>\$916</u>	<u>\$943</u>	<u>\$27</u>
BOCES Aid	\$704	\$723	\$19
Special Services - Aid for Academic Improvement	\$51	\$52	\$1
Special Services - Career Education Aid	\$125	\$130	\$5
Special Services - Computer Admin. Aid	\$37	\$38	\$1
Instructional Materials Aids	<u>\$281</u>	<u>\$287</u>	<u>\$6</u>
Hardware & Technology Aid	\$38	\$39	\$1
Library Materials Aid	\$19	\$20	\$1
Software Aid	\$46	\$47	\$1
Textbook Aid	\$179	\$182	\$3
Expense-Based Aids	<u>\$4,249</u>	<u>\$4,400</u>	<u>\$151</u>
Building Aids	\$2,633	\$2,721	\$88
Transportation Aids	\$1,616	\$1,679	\$63
Computerized Aids Subtotal	<u>\$19,258</u>	<u>\$20,010</u>	<u>\$752</u>
All Other Aids	<u>\$284</u>	<u>\$287</u>	<u>\$3</u>
Total GSPS	<u>\$19,542</u>	<u>\$20,297</u>	<u>\$755</u>

Note: The amounts do not include \$50 million in grants which will be distributed through a competitive process.

2012 Property Tax Cap Filing*

School districts submitted data on the Tax Cap on March 1, 2012, as required by Chapter 97 of the laws of 2011.

The law allows school districts to levy a tax up to a *levy limit* with a simple majority approval by district voters (50 percent plus one). Districts may override or levy more than the limit with a super-majority approval by voters (60 percent plus one).

The levy limit allows growth of two percent or the increase in the consumer price index (whichever is less) over the prior year's levy. In addition, districts may levy for certain *permissible exclusions*: local capital expenditures and expenditures for excessive legal expenses and pension contributions.

The data districts submitted on March 1 determine the levy limit with permissible exclusions that each school district can levy with a simple majority approval by its voters. The data reflect the submission from 679 districts, which represents all of the districts required to report. Twenty school districts reported they plan to override their calculated levy limit; 495 districts do not plan to override the levy limit; and 164 districts are undecided at this time.

Levy Limits

Chapter 97 specifies the calculation of each school district's levy limit. Changes in PILOTs (Payments in Lieu of Taxes) and in capital expense can cause the levy limit to fluctuate compared with the prior year's levy. Please note that the levy limit is a cap used to determine the level of voter approval required and does not necessarily represent what a district will propose to levy.

Comparing the levy limit with permissible exclusions to the prior year levy results in the following:

- 12 districts (2 percent) had a levy limit that was less than their prior year levy, ranging from -0.02 percent (Jasper-Troupsburg Central School District) to -42.9 percent (Oswego City School District).
- 86 districts (12 percent) had a levy limit between zero and 2 percent compared with their prior year levy
- 581 districts (86 percent) had a levy limit with permissible exclusions greater than 2 percent compared with their prior year levy. Although only 10 school districts (1 percent) had a levy limit greater than 10 percent, the largest change in the tax levy limit was a 32 percent increase over the prior year.

* Data submitted as of April 9, 2012

Proposed Levy

Four hundred forty-eight of the 679 school districts submitted a proposed levy for 2012-13. Only 448 districts submitted their proposed levy because, since many districts are still discussing their budgets with their communities and boards of education, this item was optional. Of the 448 districts that did submit a proposed levy for 2012-13, the average change in the proposed levy compared with the prior year was 2.5 percent.

Comparing the actual proposed levy for these 448 districts to the prior year levy:

- 269 or 60 percent of districts proposed a levy greater than 2 percent compared with their prior year levy. Five districts proposed a levy more than 10 percent greater than their prior year levy, the highest being a 21 percent increase.
- 175 or 39 percent of districts proposed a levy increase between zero and 2 percent compared with their prior year levy.
- Four districts proposed a small levy decrease.

Next Steps

- Districts are reviewing final official guidance that has been issued and making adjustments to align with the guidance and incorporate changes resulting from the State and local budget process.
- School Officials are engaging their communities in understanding how district budgets are affected by the Tax Cap.
- Districts will complete the process of budget development by April 21, 2012 when they are required to submit the Property Tax Report Card and make any final adjustments to the Tax Levy Limit calculation.
- Voters will vote on school district budgets on May 15, 2012. Boards of Education with defeated budgets may adopt a contingency budget or present a second budget to the voters on June 19, 2012. School districts without a budget approved by the voters must adopt a contingency budget with a tax levy no greater than the prior year's levy.