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THE COUNCIL of SCHOOL SUPERINTENDENTS

LEADERS • EDUCATORS • ADVOCATES

TESTIMONY

2014 -15 Executive Budget and Schools

Senate Finance Committee
Assembly Ways and Means Committee
January 28, 2014

Governor Cuomo's proposed state budget includes initiatives that could have long-term payoffs for schoolchildren and school districts.

It's the near-term that is the problem.

Gains that might come from funding new initiatives for prekindergarten, after-school programs, and technology upgrades are apt to be undermined before they can ever be realized by the fact that many schools will not be able to maintain current basics.

The proposed $603 million increase in regular state aid for next year would not be adequate to help schools fund rising costs for pensions, health insurance and general inflation when coupled with the restrictions on local revenues created by the tax cap.

Background

Two weeks ago, we released results from our third annual survey of superintendents on school budgets. We titled it, *Not Out of the Woods: School Districts Still Struggling to Find a Way Through Budget Challenges*.

We explained that despite the aid increases of the past two state budgets, too many districts still have real fears of insolvency and too few have been able to restore programs and opportunities for their students.

One-third of superintendents responding said their districts could face financial insolvency within four years. In that same span, over 40 percent foresaw a threat of educational insolvency, which we defined as unable to fund all instructional and student services mandated by Albany or Washington.

FINANCIAL INSOLVENCY

Financial insolvency: Do you foresee a point at which your district would be unable to ensure that some of its financial obligations will EVER be paid?

	2012	2013
Yes, we are currently unable	1%	1%
Yes, within 1 year	2%	1%
Yes, between 1 and 2 years	6%	4%
Yes, between 2 and 4 years	32%	27%
Yes, beyond 4 years	36%	42%
No, I do not foresee that time	15%	19%
Unsure	9%	7%
Total % within 2 years	**9%**	**6%**
Total % within 4 years	**41%**	**33%**

EDUCATIONAL INSOLVENCY

Educational insolvency: Do you foresee a point at which your district would be unable to fund all the instructional and other student service requirements established by laws or regulations approved by the state and federal governments?

	2012	2013
Yes, we are currently unable	5%	3%
Yes, within 1 year	5%	3%
Yes, between 1 and 2 years	9%	7%
Yes, between 2 and 4 years	32%	30%
Yes, beyond 4 years	33%	38%
No, I do not foresee that time	12%	15%
Unsure	4%	5%
Total % within 2 years	**19%**	**13%**
Total % within 4 years	**51%**	**43%**

NEW YORK STATE COUNCIL OF SCHOOL SUPERINTENDENTS

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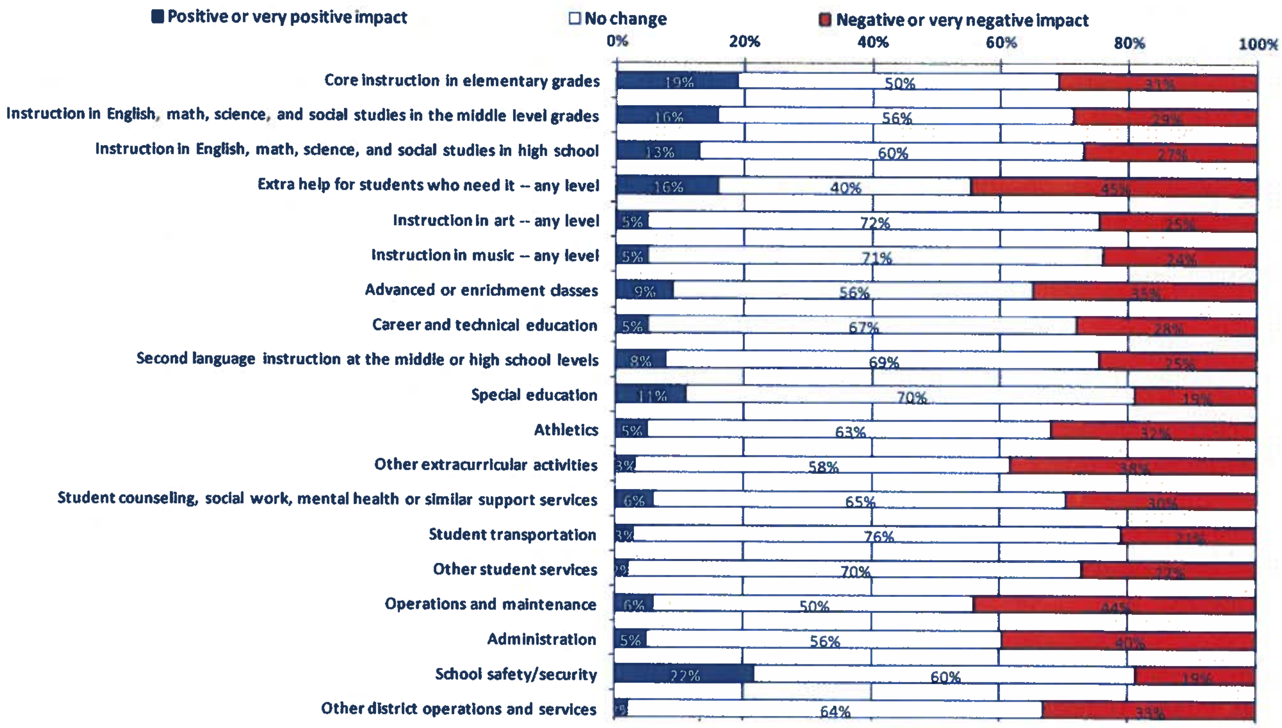
Nor have the aid increases in the last two state budgets translated into improved services for many districts. Fewer superintendents are predicting negative impacts on their programs this year, but fewer than 25 percent of superintendents believe their district budget for the current year would have a positive impact on services in *any* program area. Only in school safety did more superintendents anticipate a positive impact from this year's district budget than a negative budget.

For the third straight year, over 40 percent of superintendents predicted their district budgets would negatively affect extra help for students who need it, operations and maintenance, and administration.

What was the impact of 2013-14 budget decisions on each of the following areas of school operations?:



School Aid

Again, with improvements in the state's fiscal outlook, superintendents were gaining hope that prospects for their schools might brighten as well. But the increase in regular School Aid recommended by the Governor falls far short of what would be needed to maintain current services.

Asked how the Governor's budget would affect the choices his district will face, one Central New York superintendent wrote,

> *Quite honestly, I have no answer to your question. I suspect we're looking at a budget gap of about $500,000. We have cut staffing, teaching, support, and administrative two years running. We already have some elementary class sizes beyond what good practice dictates and struggle to fit the upper level high school courses into a teacher's schedule.*
>
> *Cutting more staff is just not an option. We don't buy $500,000 worth of pens and paper clips which leaves only the fund balance to drain. The problem, as you well know, is that the three year outlook for that plan isn't good.*

> *The Governor's educational leadership is filled with contradictions. Better schools, less money, new money for Pre-K, bond acts to place the next generation in debt, and gee, maybe the Common Core isn't all we thought it would be.*

A Capital Region superintendent wrote,

> *With an estimated 1.5 percent tax revenue cap, and the amount in the Governor's proposal, we will be approximately $400K short of what we need. I honestly don't know what I can cut if we don't get the funds we need. All we have left is to eliminate all sports, music and art programs that are not mandated. What will be left will be a pathetic excuse for an educational program. I haven't slept for the last two nights!*

Even with the aid the Governor proposes, over 60 percent of school districts would still receive less help from the state than in 2008-09, six years in the past. Excluding Building Aid, over 80 percent of districts would receive less state help than in 2008-09.

It is true, as the Governor's staff asserts, that enrollment has gone down in some districts – and we estimate schools outside the Big 5 Cities have cut staffing by 11 percent over just the past three years. But these things have gone up:

- ✓ General inflation, measured by the Consumer Price Index, has risen by 2.2 percent per year.
- ✓ The contribution rate for the Teachers Retirement System has more than doubled – from 7.63 percent to 16.25 percent; since the rate is multiplied by the payroll, that cost impact is equivalent to giving raises averaging 1.7 percent per year to all certified employees – *whether or not actual raises were given.*
- ✓ Health insurance premiums – costs for state government have risen by more than 4 percent a year.
- ✓ State mandates have grown, including Common Core instruction and new teacher evaluation requirements. As one Capital Region superintendent wrote, *"We cannot expect to achieve 2014 higher academic standards with 2009 level in state financial support."*

At the same time, districts have had to adapt to a tax cap that imposes punishing consequences for failing to gain voter approval for an over-ride.

Massachusetts's tax cap has been cited as a model, but communities in next-door neighbor may increase their tax levy by up to 2.5 percent without asking for voter approval and a simple majority is required to over-ride the 2.5 percent limit.

In New York, districts must obtain a 60 percent super-majority to over-ride their cap, and a simple majority to approve a budget within the cap. If voter approval cannot be gained after two attempts, a district may not increase its tax levy over the prior year at all – in effect, a zero percent cap.

The Governor's budget would increase basic School Aid by $603 million, or 2.9 percent. The Educational Conference Board, a coalition of seven statewide education leadership groups, estimated School

Aid would need to rise by $1.5 billion in order to enable schools to maintain current services, given moderate assumptions about costs and the tax cap's restrictions on the ability to raise local revenue.[1]

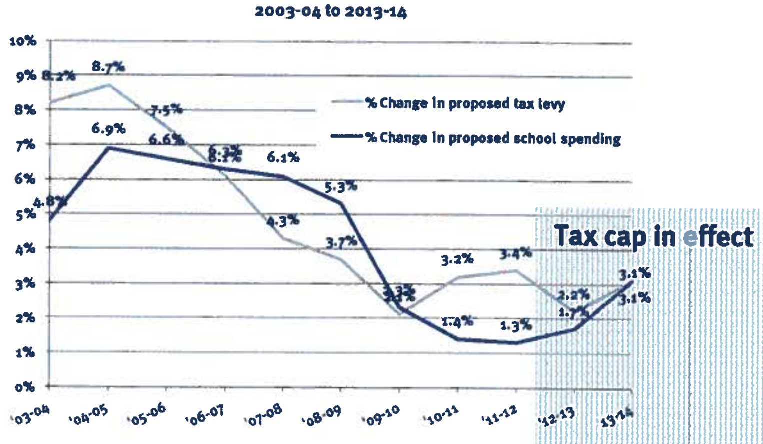
The Governor's proposal would reduce the Gap Elimination Adjustment by $323 million, or 20 percent for an average district. At that rate the GEA would be with us for at least four more years. One Western New York superintendent wrote,

> *Without the elimination or at the very least a significant reduction to the Gap Elimination Adjustment, the district will not be able to maintain its instructional program for students for the 2014-15 year. District officials have approached the district's bargaining units for help through the various collective bargaining agreements, and are once more looking at staffing levels to see where cuts can be made. It is disheartening to see the bleeding continue, while the Governor offers tax credits, tax cuts and tax incentives to other groups. The people of the state of New York need to realize that ANY AND ALL such tax breaks are being funded by public school districts, through the Gap Elimination Adjustment.*

The level of funding projected in the Governor's budget could decrease for some districts by a total of over $44 million if provisions of a 2001 law are executed. Under that law, interest rates used in calculating debt service reimbursed through Building Aid are due to be reset, affecting aid payments both in the current year and in 2014-15. Districts can obtain waivers from this process if, for example, they are unable to refinance bonds, but some will lose aid. The bottom line is that whatever the rationale for this adjustment, the state aid outlook for many districts is even worse than it appears on School Aid runs.

School district leaders have worked hard to control local spending and tax increases. Over the past five years, the budgets they asked voters to approve proposed spending increases averaging 2.0 percent and tax increases averaging 2.8 percent. Restraint started *before* the tax cap took effect.

Statewide average proposed change in school district spending and tax levy 2003-04 to 2013-14



SOURCE: Council analysis of NYSED Property Tax Report Card data; Big 5 Cities not included

Choices have consequences. State government has limited the ability of school districts to raise money locally. Other than pension reforms with a very long-term payoff, the state has done little to help schools reduce or control costs. Many districts are approaching having nothing left

[1] The ECB estimate assumes growth of 2.6 percent in salaries, based on national data on education salaries; 8 percent in benefits, consistent projected growth in Teachers Retirement System costs; and 1.8 percent for other costs, consistent with the Division of the Budget's projected CPI increase for 2014. The ECB consists of the New York State Council of School Superintendents, Conference of Big 5 School Districts, New York State Association of School Business Officials, New York State Parent Teacher Association, New York State School Boards Association, New York State United Teachers, and School Administrators Association of New York State.

to cut that is not mandated, and our survey showed that 3 percent of superintendents say their districts are already unable to fund all student service mandates.

Budgeting rules are stacked against schools and the students they are expected to serve. As the ECB concluded, an increase in regular School Aid of $1.5 billion is needed to enable schools to maintain the services they offer students now.

Property Tax Freeze

We oppose the Governor's proposal for a two-year freeze on property taxes. It would worsen the financial prospects for our schools.

Local leaders would be put in a no win position. The proposal would give rebates to taxpayers offsetting property tax increases if their school district adopts a budget within its tax cap. The choice for local leaders would be either (1) forego asking voters for revenues they may see as truly essential to preserving opportunities for students, or (2) attempt a tax cap over-ride, asking voters to give up rebates and pay more in taxes, creating virtual certainty that the budget will be rejected, and thereby denying schools any increase in local revenue.

A Western New York superintendent wrote,

> *As we enter the third year of the tax cap, we have now cut our budget to bare bones, used up our reserves, and are limited to a 1.46 percent growth factor, there is one more reason for the public to defeat a budget that could likely require a 60 percent majority vote. In essence, we have had the rug pulled out from under us with the reduction in state aid, which includes factors of property wealth and personal income, and then limiting our ability to tax our residents.*

A Finger Lakes superintendent added, *"If he can fund a rebate, he should be funding the schools properly in the first place."*

We also oppose proposals to tie year 2 eligibility for the rebates to district participation in a consolidation or sharing plan coordinated by the largest district in the Board of Cooperative Educational Services region.

First, districts have been through five years of tough budgets, many have made aggressive efforts to share services and some have exhausted all opportunities. There have also been more attempts at actual district mergers, but voters have rejected eight of the last 10 proposals, including every one presented since the start of the current school year. Last, it would also be extremely burdensome for any district to coordinate a sharing plan; that responsibility should belong with BOCES.

We do support legislation to promote further sharing of services, to authorize regional high schools and to streamline procedures for voter-approved consolidation. But roughly three-quarters of school spending is devoted to instruction, less than 3 percent goes to district administration on average. Twenty-nine states have more school districts relative to enrollment than we do. The number of districts we maintain does not explain our education spending.

We have supported efforts to create a circuit-breaker in the income tax as a way to efficiently target the meaningful relief to taxpayers with the greatest need.

Programmatic Initiatives: Full-Day Prekindergarten and Smart Schools Bond Issue

The superintendent of a downstate small city district wrote,

> *It's wonderful to hear of multi-billion surpluses and exciting new programs. Prekindergarten is a sound, research-based program that we would welcome with sufficient space, personnel and associated expenses, but why not first fund existing programs by adherence to the original Foundation Aid formula. Perhaps with the state surplus we can mandate programs like kindergarten.*

Someone once made the simple observation that kids who fall behind in school need time to catch up. Poor children often start out behind in developing the foundations for literacy, so the best place to give them more time is at the beginning.

New York should commit to building opportunities for high quality full-day prekindergarten, targeted first to students from disadvantaged backgrounds. But the state needs to assure that those same students will also have access to quality instruction in all the grades that follow. A key to securing voluntary participation by districts in pre-k will be for the state to demonstrate a sustained commitment to funding both the new initiative and the instruction that follows.

The proposed $2 billion "Smart Schools" bond issue could ensure no schoolchildren are left out of the learning opportunities technology can create. The inclusion of construction of prekindergarten space would help promote expansion of that program. We have been cautioned that much of the technology schools are purchasing now may not be appropriate for bond financing. The bond issue can be helpful, but debating its details must not divert attention from addressing the fundamental budget challenges that are occupying district leaders now.

Discriminatory Pattern Reporting Requirements for School Districts

Superintendents feel ultimate responsibility for the physical safety of all children attending the schools they lead and serve. You will find no group more dedicated to making schools a safe and welcoming environment for all students.

We cannot speak to the specific situation in the Pine Bush School District, mentioned by the Governor in his State of the State address. There is currently an active federal investigation ongoing. But we can speak to strategies to protect students against acts of harassment, discrimination and cruelty.

The Dignity for all Students Act (DASA) is already the law in New York State and by and large it has worked, requiring annual reporting of discrimination to the State Education Department and the proper law enforcement agency, if warranted. Are there possible improvements that can be made? Certainly. However, the Governor's proposed changes to DASA have considerable logistical problems which are likely to create confusion, create further duplication of government functions, and result in a worse outcome than under the present law. These proposed actions are duplicative, punitive, and offer no improvements for victims of discrimination.

Additionally, requiring termination of education officials based upon an undefined and subjective standard of what constitutes a "pattern" is patently unfair and will not encourage better reporting of actual incidents. In fact, it is very likely to lead to an abundance of over-reporting and inefficiency in investigation time.

Despite these criticisms, THE COUNCIL can see a need for possible changes to the existing DASA law. One possibility would be to require reporting of a pattern of discrimination to SED within thirty days, as opposed to the current annual report. Another would be to notify only the State Police if criminal activity is suspected, as opposed to local law enforcement entities.

THE COUNCIL asks legislators to carefully examine the changes to DASA that the Governor proposes, and to make smart, sensible changes that will not overburden investigators and will truly help school districts and victims deal with issues of discrimination.

Common Core Panel

Discord over state education policies has reached a level never witnessed by any one now active schools or policy arenas. In his budget presentation, Governor Cuomo announced that he will appoint a panel to review implementation of the Common Core Learning Standards and related issues.

The panel envisioned by the Governor could play a valuable role in avoiding haphazard, poorly thought-out responses, ensuring instead that focused and constructive actions are adopted and implemented. But the controversies prevailing now reached the breadth and depth they have in part because policymakers did not listen to the concerns raised by practicing educators and leaders. So this panel should include people working in our schools now and must listen to what they advise.

Testifying to the Senate Education Committee in October, we recommended a series of actions to improve implementation of the state's reform agenda, including funding for the State Education Department to enable disclosure of state test questions, shortening the tests, and reducing field testing.

Finally, it should be understood that much of the tension over testing arises from the new teacher and principal evaluation requirements – Annual Professional Performance Review, or APPR. There *are* fewer state standardized tests than in 2010. But students *are* facing more testing now because of assessments districts have had to add to comply with the APPR law. Teachers and students feel more stress over testing because the new evaluation procedures were installed simultaneously with the shift to Common Core instruction. It makes no sense to us to further elevate the stakes over APPR by promising financial rewards to teachers reaching "highly effective" status, as the Governor would do with the proposed Teacher Excellence Fund. Different investments in improving teacher quality should be sought.

Conclusion

As our survey report concluded, our school districts are not out of the woods in navigating through financial challenges. Two successive increases in School Aid and reports of state budget surpluses created glimmers of hope that better days might lie ahead. But the proposed state budget offers our schools too little help in assembling their budgets for the year ahead, or in resolving the deep structural challenges many must confront.

We look forward to working with you to produce a budget that improves both the immediate and long-term capacity of our schools to provide the opportunities our students need. We thank you for your past support.

Not Out of the Woods

Schools still struggling to find a way through budget challenges

Third Annual Survey of New York's School Superintendents on Fiscal Matters

THE COUNCIL of SCHOOL SUPERINTENDENTS
LEADERS · EDUCATORS · ADVOCATES

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About the Survey:

Between July 21 and August 24, 2013, the New York State Council of School Superintendents conducted an online survey of its superintendent-members on budgeting concerns for their districts. The survey was conducted using the services of K12 *Insight*, a strategic partner of THE COUNCIL.

A total of 339 superintendents submitted complete responses, a response rate of 50.2%. Partial submissions from 79 superintendents were also included in the results.

Superintendents serving the Big 5 Cities (New York, Buffalo, Rochester, Yonkers, and Syracuse) and Boards of Cooperative Educational Services were not included in the survey because their systems' budgets are not subject to voter approval and consequently do not report some of the financial data available for small city, rural and suburban districts.

THE COUNCIL conducted similar surveys in 2011 and 2012. In some instances, we compare results across the three years. However, the samples are different, since some of the superintendents responded in one year and not the other. Also, superintendents retire, resign, and change districts as time passes.

Finally, K12 *Insight*'s survey tools permit extensive cross-tabulations and we do report some findings broken down by region or district character (i.e., urban, suburban, or rural). Particularly when examining regional results, it is possible that the districts whose superintendents responded are not fully representative of their region. We do find some regional results to be more positive than anecdotal exchanges with district officials would have caused us to anticipate.

HIGHLIGHTS

- **The survey:** The New York State Council of School Superintendents conducted an online survey of its members on school fiscal matters; 339 superintendents (50.2%) submitted complete responses. Partial responses from 79 superintendents were also counted. Because their school budgets are not subject to voter approval, superintendents serving the Big 5 Cities and BOCES were not included in the survey. THE COUNCIL conducted similar surveys in 2011 and 2012.
- **Some background:** Despite School Aid increases in the last two state budgets, over 70% of districts are still receiving less state aid than in 2008-09; over 90% if Building Aid is excluded (reimbursement for capital expenses). Only 28 districts attempted to over-ride the tax cap in 2013, and only seven of those succeeded on the first attempt.
- **Financial insolvency:** 6% of superintendents say that within two years, given current trends, their districts may become unable to ensure some financial obligations will ever be paid. This share is down from 9% a year ago, but would still equate to roughly 40 districts. A total of 33% foresee reaching that condition within 4 years.
- **Educational insolvency:** 13% of superintendents say that within two years, given current trends, their districts may become unable to fund all state and federal mandates for instruction and student services. This figure is down from 19% a year ago, but would still equate to roughly 90 districts. A total of 43% foresee reaching that condition within 4 years.
- **Overall condition:** 32% of superintendents say their district's financial condition has grown somewhat or significantly worse over the past year; 16% report their financial condition has become somewhat or significantly better.
- **2013-14 budget impact:** Fewer than one-quarter of superintendents said their district's 2013-14 budget would have a positive impact on any of one of 19 service areas; only in school safety did more superintendents predict a positive impact than a negative. In each of the last three years, over 40% of superintendents said their district budgets had negatively affected three areas: extra help for students who need it; operations and maintenance; and administration.
- **Tax cap or state aid – which is a greater concern?:** Asked which is the greater financial concern for their districts – the tax levy cap or possible future state aid levels – 45% picked state aid (up from 23% in 2011), 12% chose the tax cap (down from 25%), and 44% said they are of equal concern. In poorer upstate regions away from the Hudson River, only 3% of superintendents now pick the tax levy cap as the greater concern.
- **Tax levy cap:** 58% of superintendents said the tax cap caused their adopted budget to have a more negative impact on programs than would have otherwise occurred (59% reported that impact in 2012). Perceptions of negative impacts have grown more sharply in districts which see the tax cap as the greater revenue concern – from 56% to 67%.
- **Job cuts:** Districts reduced their workforce by a net average of 2.3%, on top of 3.9% in 2012-13 and 4.9% in 2011-12. Reducing classroom teaching positions was the most widely reported of all budget reduction actions, adopted by 49% of districts (down from 57% in 2012-13).
- **Class sizes:** Despite some improvement in financial outlook, 42% of superintendents report their districts increased class sizes this year, down only slightly from a year ago (45%).

I. INTRODUCTION

Upon taking office in 2011, Governor Andrew Cuomo inherited a projected $10 billion deficit. Schools had already endured painful state budgets over the two preceding fiscal years. The Governor deserves credit for putting the state's finances on a more sustainable trajectory. But New York's public schools are not yet out of the woods in confronting financial challenges.

Backdrop

Despite two successive state budgets delivering School Aid increases greater than inflation, over 70 percent of districts are still receiving less help from the state in 2013-14 than in 2008-09, five years in the past. Excluding Building Aid (reimbursement for capital expenditures), over 90 percent of districts still have not gotten back to their state funding level of five years ago.

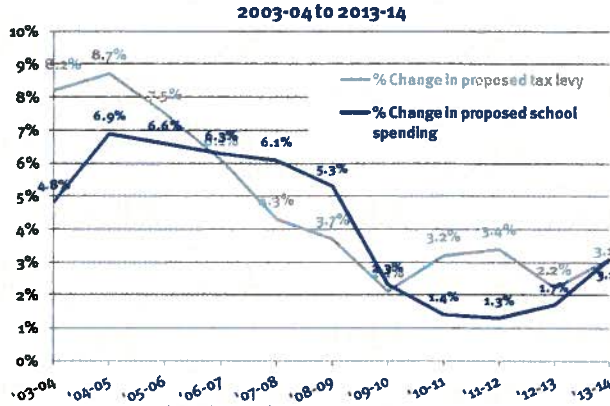
At the same time, school districts have been required to adapt to budgeting under a demanding tax levy cap. For the current year, only 28 districts attempted to over-ride the cap and only seven succeeded on their first attempt.

While managing constraints on their two major revenue sources, school districts had to absorb huge increases in some basic, hard-to-control costs, including pension contributions and health care premiums. The current year was especially difficult: the mandated employer contribution rate for the State Teachers Retirement System climbed from 11.86 percent to 16.25 percent. Since the rate is multiplied by the payroll, the jump required districts to absorb a cost equivalent to giving all teachers and other certified employees a raise of more than 4 percent, whether or not any actual raises were paid.

Finally, a year ago, districts were called on to launch two monumental state initiatives at once: instruction aligned with the Common Core Learning Standards and new evaluation procedures for teachers and principals. Over the past year, stress within the schools swelled into discord among parents and the public, shifting focus away from budgeting challenges.

Over the past five years, despite the demands of implementing the Regents Reform Agenda and absorbing surging benefit costs, school districts held spending increases to an average of 2 percent per year in the budgets they asked voters to approve.

Statewide average proposed change in school district spending and tax levy 2003-04 to 2013-14



SOURCE: Council analysis of NYSED Property Tax report card data

Key survey findings

THE COUNCIL's third annual survey of school superintendents on finance matters finds evidence of modest overall improvement in financial outlook. But a key point is that these gains have not yet translated into improved services and opportunities for students in many districts. Also, the outlook for some districts remains dire.

Prospects for insolvency, overall fiscal condition

For example, the share of superintendents foreseeing the possibility of financial insolvency for their district within two years declined from 9 percent to 6 percent, and the share anticipating educational insolvency within that span declined by from 19 percent to 13 percent. These figures still mean that within the two-year horizon, roughly 40 districts could become unable to meet all their financial obligations and 90 might no longer be able to fund all mandates covering instruction and students services.

More superintendents say their districts' financial condition worsened than improved over the past year (32 percent to 16 percent). Also, fewer than 20 percent were prepared to entirely rule out either form of insolvency. Similarly, worries about reliance on reserves to fund recurring expenses remains pervasive, with 83 percent expressing the concern, unmoved from a year ago.

Programmatic impact of current year school budgets

Despite an improved state aid picture and continuing success in winning voter approval for their budgets, less than a quarter of superintendents said their district's current year budget would have a positive impact on any one of 19 service areas. In only one area did more superintendents foresee a positive impact from their budget than negative – in school safety, reflecting actions taken in the wake of the Newtown, Connecticut tragedy.

In each of our three annual surveys, over 40 percent of superintendents anticipated their district budgets would have a negative impact on three areas: extra help for students who need it, operations and maintenance, and administration. It is certain that some districts have endured three straight years of negative impacts in these areas – and others.

Concerns about capacity to provide extra academic help reverberate throughout the survey. It is the area where superintendents are least likely to say their district has resources sufficient to enable students to meet the new Common Core Standards. Also, each year we have asked superintendents to rank their priorities if new funding became available; extra help has come in first each time.

Revenue concerns – state aid and the tax cap

Our survey again found wide divergence in revenue priorities across regions. The tax cap is the primary worry among downstate districts; upstate, possible future state aid level is the dominant concern. The disparity reflects variations in local wealth and the balance between state and local revenues.

Across all districts, 59 percent of superintendents said that the tax cap led their district to adopt a budget with more negative consequences for programs and services than would have otherwise been the case. Perceptions that the tax cap is negatively affecting school services is growing notably among superintendents who cited the tax cap as the greater concern for their district – from 56 percent in 2012, to 67 percent this year. In other districts, perceptions of negative impact declined slightly.

In 2011, Governor Cuomo persuaded the Legislature to enact caps on growth in School Aid and Medicaid funding. In 2012-13, School Aid funding was kept within the cap. So the Governor's 2013-14 proposed state budget exceeded Council staff expectations by recommending an increase above the cap; and the final budget climbed even further above the cap.

State aid expectations seem to explain some of the variation in overall outlook. For example, 46 percent of superintendents who said their districts' aid fell short of expectations reported a decline in overall financial condition, compared to only 22 percent for superintendents who said aid exceeded expectations.

Looking ahead

Based on the School Aid growth cap, another aid increase is anticipated for the year to come – at least 3.4 percent, or $722 million, and more if the cap is again exceeded.

But whatever transpires with state aid, some clear budgeting challenges will arise for schools. Average monthly change in the Consumer Price Index is the base for the property tax cap calculation; inflation ran low for most of 2013, with the result that for the first time, the basic cap will be less than 2 percent (under 1.5 percent based on the latest available data).

At the same time, some costs continue to rise steeply. The State Teachers Retirement System has advised districts that its employer contribution rate will rise from 16.25 percent of payroll to between 17.25 and 17.75 percent. This cost alone could consume more than half of what a 1.5 percent local tax increase would provide in most districts.

As noted, in 2013, very few districts attempted to over-ride the tax cap, and very few of those succeeded. Governor Cuomo has proposed a "property tax freeze" which would provide rebates to taxpayers to offset any property tax increase – but only if the jurisdiction adopts a budget which stays within its tax cap. If applied to school districts, this proposal would place them in a no win position: either forego the revenue local leaders honestly believe is needed to preserve opportunities for students, or ask residents to forego tax relief and thereby invite rejection of budgets by voters.

Conclusion

We invite superintendents to offer open-ended comments on the topics covered by our survey. Here is part of what the leader of one upstate rural district wrote:

We have realigned grade levels within schools to eliminate positions, raised class sizes, written creative schedules, reduced remedial supports all to save money. However, achievement gains are lagging, thus causing concern within the community. Again, this year, we started the budget process stating that our goal was to lose no more...and in the end, we did not replace one retiring music teacher. This was an accomplishment, but doesn't feel like one.

The economic circumstance within our community is such that more students are coming to school unprepared, with no pre-school or formal experiences. Sadly, we have fewer support services for them to access in addition to high quality classroom teachers, who are attempting to close large gaps. We are writing grants whenever possible, which helps to provide some of these needed services, but sustainability continues to be an issue. It does not seem right that we have to compete for funds that provide basic services to students in a region with high needs.

We are finding it difficult to plan on the long-term for our budget, as the state aid certainly has been variable, and the tax levy limit has constricted our attempts to educate the community relative to the need to exceed a 2% increase in budget.

This superintendent added,

I have been an educator for thirty years. I feel as strongly today as I did on day one about why this profession calls me, and why education is the key to a future filled with choice. However, this has been one of the most difficult years of my career. When I became a superintendent, it was with the belief that I could positively impact a system, and benefit all students within my district.

The past five years have been so tumultuous, that I have had to take actions that seem inconsistent with the beliefs that I stated when coming to my district. I am not sure that I am seen as an asset to my community. I am not sure that my faculty and staff believe that I "have their backs"...as the layoffs, penny pinching, and "press" to meet the accountability requirements might suggest otherwise. This all makes me sad. At the same time, I have hope. I see teachers and administrators learning...and getting better in what they do every year. I believe we are doing well by our kids.

This superintendent wrote with uncommon eloquence, but the sentiments she shared are common among colleagues who responded to our survey.

I. OVERALL FISCAL OUTLOOK

THE COUNCIL's 2013 fiscal survey finds evidence of modest improvement in the financial outlook for New York school districts taken as a whole. A key point, however, is that these small gains have yet to translate into improving services or learning opportunities for most students.

Insolvency

In last year's survey report, our findings regarding threats of financial or educational insolvency drew the greatest attention. Over the last year, the percentage of superintendents anticipating their school districts could face financial insolvency within two years declined from 9 percent to 6 percent, and those foreseeing the potential for educational insolvency within two years declined from 19 percent to 13 percent.[1]

Financial Insolvency: Do you foresee a point at which your district would be unable to ensure that some of its financial obligations will EVER be paid?

	2012	2013
Yes, we are currently unable	1%	1%
Yes, within 1 year	2%	1%
Yes, between 1 and 2 years	6%	4%
Yes, between 2 and 4 years	32%	27%
Yes, beyond 4 years	36%	42%
No, I do not foresee that time	15%	19%
Unsure	9%	7%
Total % within 2 years	**9%**	**6%**

Educational Insolvency: Do you foresee a point at which your district would be unable to fund all the instructional and other student service requirements established by laws or regulations approved by the state and federal governments?

	2012	2013
Yes, we are currently unable	5%	3%
Yes, within 1 year	5%	3%
Yes, between 1 and 2 years	9%	7%
Yes, between 2 and 4 years	32%	30%
Yes, beyond 4 years	33%	38%
No, I do not foresee that time	12%	15%
Unsure	4%	5%
Total % within 2 years	**19%**	**13%**

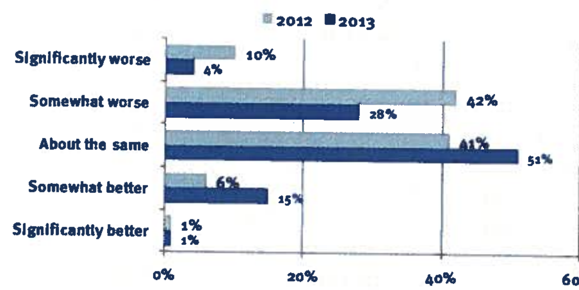
These projections still indicate dire prospects for significant numbers of school districts, however. The percentages would translate into 40 districts facing financial insolvency and 90 facing educational insolvency within the two-year horizon.

Notably, fewer than 20 percent of superintendents rule out either kind insolvency for their district.

Overall condition and reliance on reserves

Other measures present a mixed picture. The percentage of superintendents responding that their districts' fiscal condition worsened over the past year has declined from a year ago, but more still said their districts' financial condition had worsened (33 percent) than improved (16 percent) .

Compared to one year ago, how has the financial condition of your district changed, in terms of its ability to fund services meeting expectations of parents in the community?

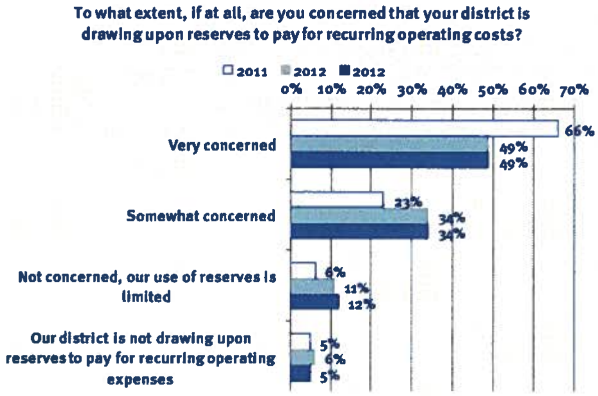


Yet concern about using reserves to fund recurring costs remains pervasive: 83 percent of superintendents shared this worry, unmoved from a year ago.

[1] THE COUNCIL has defined financial and educational insolvency for our surveys through the following questions:

Financial: "Given current revenue and expenditure trends, and current reserve levels for your district, do you foresee a point at which your district would be unable to ensure that some of its financial obligations will EVER be paid?"

Educational: "Given current revenue and expenditure trends, and current reserve levels for your district, do you foresee a point at which your district would be unable to fund all the instructional and other student service requirements established by laws or regulations approved by the state and federal governments?"



Budget impacts

Again, modest improvement in overall fiscal outlook has yet to translate into better services for most students. Across every one of 19 identified categories of programs and services, over 75 percent of superintendents anticipate their districts' 2013-14 budget will have either no impact or a negative impact.

In only one service area did a greater number of superintendents anticipate a positive impact than a negative impact, and only by a narrow margin. Twenty-two percent of superintendents anticipate this year's district budget will have a positive impact on school safety and security. But 19 percent still foresee negative impacts in this priority, despite elevated concerns in the aftermath of the Newtown tragedy.

Nearly half of superintendents (45 percent) anticipate their 2013-14 budget will have a negative impact on the crucial area of extra help for struggling students. This is a higher percentage than for any other activity. Implementation of state assessments aligned to the Common Core Learning Standards this year has resulted in many more students being deemed not proficient.

More detailed finding on budget impact are reported in the chapter on Budgeting Choices.

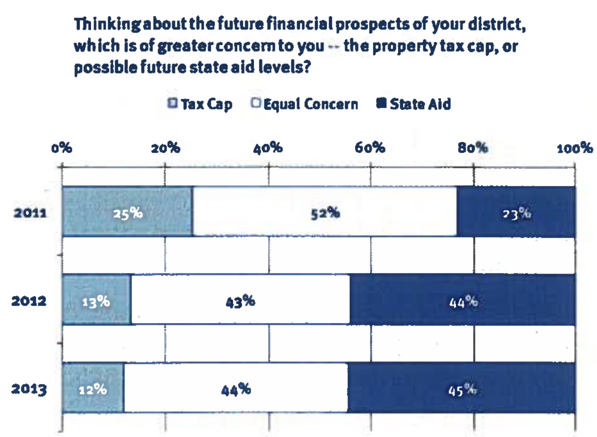
What was the impact of 2013-14 budget decisions on each of the following areas of school operations:

Program or Service Area	Positive or very positive impact	No change	Negative or very negative
Core instruction in elementary grades	19%	50%	31%
and social studies in the middle level	16%	56%	29%
Instruction in English, math, science, and social studies in high school	13%	60%	27%
Extra help for students who need it -- any level	16%	40%	45%
Instruction in art -- any level	5%	72%	25%
Instruction in music -- any level	5%	71%	24%
Advanced or enrichment classes	9%	56%	35%
Career and technical education	5%	67%	28%
middle or high school levels	8%	69%	25%
Special education	11%	70%	19%
Athletics	5%	63%	32%
Other extracurricular activities	3%	58%	38%
Student counseling, social work, mental health or similar support services	6%	65%	30%
Student transportation	3%	76%	21%
Other student services	2%	70%	27%
Operations and maintenance	6%	50%	44%
Administration	5%	56%	40%
School safety/security	22%	60%	19%
Other district operations and services	2%	64%	33%

Revenue sources – state aid and property taxes

The survey also asked a series of questions concerning the two major revenue sources for almost all school districts – state aid and property taxes.

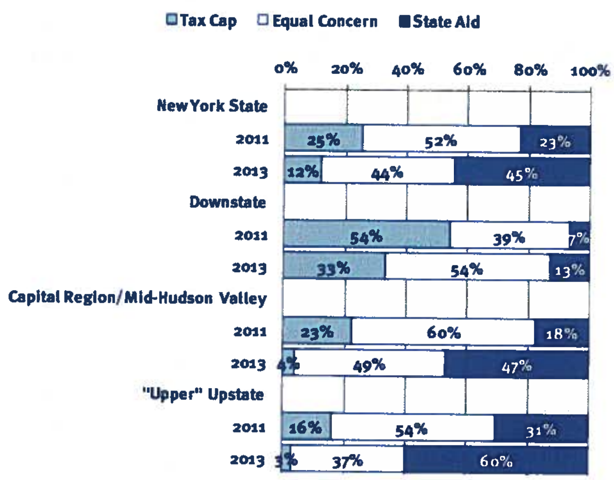
In each of the now three annual surveys, we asked superintendents which was the greater concern for their districts – the property tax cap or future state aid levels. The first year (2011), superintendents were responding after the tax cap was enacted, but before actually assembling a budget in compliance with its demands. With actual experience under the tax cap, there has been a dramatic shift among superintendents toward state aid as the greater concern for their schools.



As we wrote a year ago, the shift toward state aid as the greater revenue concern reflects a conclusion by many school district leaders that relief from the tax cap is not on the horizon – not that the cap has proved inconsequential.

Again, we note the striking divergence across regions over which is the greater concern: the tax cap in the suburban counties around New York City and state aid levels upstate. But across all regions there has been a shift toward state aid as a priority.

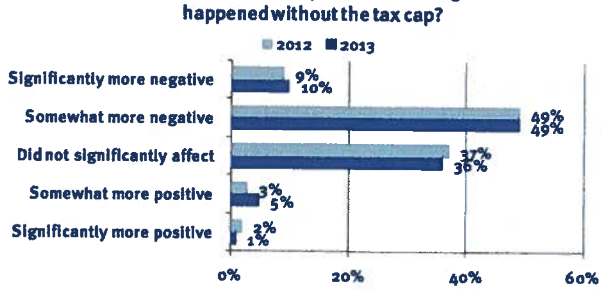
Thinking about the future financial prospects of your district, which is of greater concern to you -- the property tax cap, or possible future state aid levels?



Impact of the tax cap

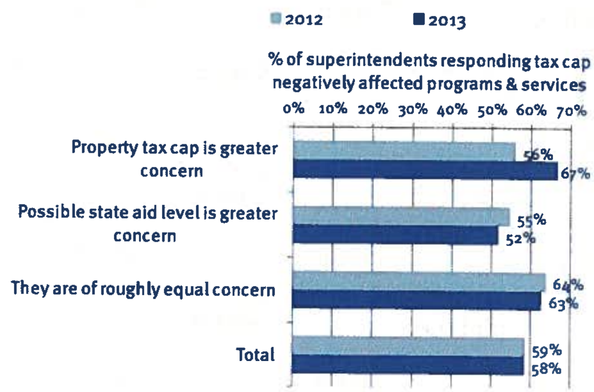
In each of the past two years, roughly 60 percent of superintendents said they believe that the tax cap led their district to adopt a budget with a more negative impact on programs and services than would have been the case without the cap.

How did the tax cap affect programs and services under your 2013-14 budget compared to what might have happened without the tax cap?



Perception that the tax cap is having a negative impact on programs and services is growing among superintendents who cite the cap as the greater revenue concern for their districts – from 56 percent in 2012, to 67 percent in 2013. Perceptions of the cap's impact are essentially stable among other superintendents.

Perception is growing that the tax cap is negatively affecting programs for districts citing the tax cap as the greater revenue concern

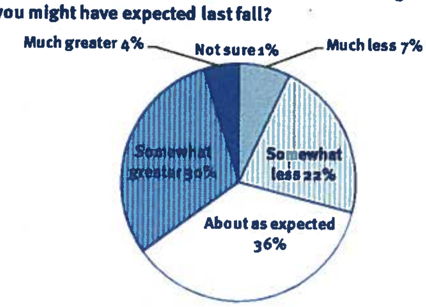


State aid expectations

As explained in the introduction, School Aid funding in Governor Cuomo's proposed 2013-14 Executive Budget exceeded the expectations of Council staff, as did that in the final state budget. We asked superintendents how the enacted state aid level for their district matched what they might have expected last fall.

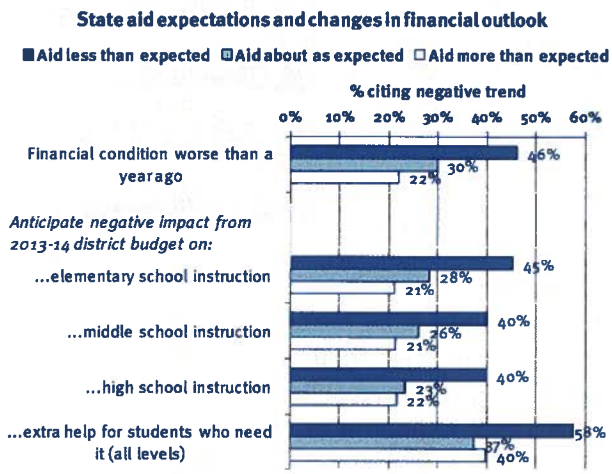
Across all districts, 29 percent of superintendents said state aid for their district was *less* than they would have expected and 34 percent said it was *more* than they would have expected. We anticipated that enacted state aid would have exceeded expectations for more superintendents.

Which statement comes closest to expressing your view of the state aid level provided for your district in the enacted state budget compared to what you might have expected last fall?



Superintendents who said state aid did not meet expectations were much more likely to report deterioration in their districts' financial circumstances.

For example, among superintendents who said state aid was somewhat or significantly less than expected, 46 percent reported their districts' financial condition has grown worse over the past year, compared to only 22 percent among superintendents who said aid exceeded expectations. These superintendents were also roughly twice as likely to say their district's current budget will negatively affect instruction and other services.



Results by region and district type (city, suburb or rural are presented in the appendices.

In their own words: Overall Fiscal Condition...

A major concern is our dependence upon state aid. Given the tax cap, if the percent of state aid that we receive were to decline, we would be required to make significant cuts to our instructional program. ((Long Island Suburb)

We are a small, rural high-needs district. Three years ago we eliminated 18 positions total or 15% of our staff. ... Since we eliminated core subject teachers, it has become challenging to adequately meet academic intervention services needs of students and all the new Regents Reform components... We cannot afford to cut any more staff. Should we be forced to it would severely compromise the quality of the educational program and the safety of the school. At the same time, the funding for our SRO has disappeared. We had shared an SRO with a neighboring district. That "luxury" is now gone. (Mid-Hudson Valley Rural)

Though we ended the year better than expected by not using as much designated fund balance, I remain concerned about the future. Pension costs and health insurance increase close to $1 million last year and we have little control over these areas. This is not sustainable in the long term. Over the past 4 years we have cut over 40 positions and are sharing as much as we can with other districts to drive expenditures down. Now we are looking at a feasibility study with another district for possible merger. (North Country Rural)

The tax cap & Gap Elimination Adjustment, in combination with inequities in state aid distribution & out of control benefits costs will soon lead to both educational & financial insolvency. (Capital Region City)

We may be able to fund mandates, but we have had to cut everything else. Our students deserve enrichment and multiple options as far as electives and extracurricular opportunities. (Finger Lakes Rural)

Benefit costs will continue to outpace growth in aid and tax cap limits. We will suffer a slow death unless there is some way to deal with this. (Finger Lakes Rural)

Students have fewer opportunities inside and outside of the classroom. (Long Island Suburb)

...I do not believe it is possible to exceed the tax cap in the current economic environment - even with solid rationale and a high quality school district. The tax cap has instituted an artificial ceiling on local revenue and it has made state aid much more important for the future. (Western New York Suburb) *The inequitable distribution of NYS aid is debilitating my district. Our tax base is so low, we cannot possibly make up for the loss of state aid w/ or w/o a tax cap, unless we completely break the backs of taxpayers!* (Capital Region City)

Our state aid has not returned to 2009-10 level. All of our expenses have gone up. The result, we have begun cutting programs and staff. All the fat has been trimmed we are looking at flesh and bone. (Finger Lakes Rural)

Our community could not afford a tax levy increase of more that 2-3 %, [we have] a self imposed tax cap...(Finger Lakes Rural)

Charter school costs and the lack of support from SED to help us contain them will put us out of business before the tax cap does. (Capital Region City)

Being a district who receives less than 10% of the operating budget in state aid, the property tax cap will have a significantly arresting impact on the district. Having such a large amount of the budget coming from the tax levy means that such a large portion of the program, and its expansions or reduction, are constrained by the formula for our cap. (Long Island Suburb)

The tax cap and state aid levels are interconnected due to the pension rates and health insurance increases. (Finger Lakes Suburb)

The damage has been already been done in our area. Despite how much you explain the nuances of the cap everyone in this area looks at it as a 2% cap. (Southern Tier Rural)

Being in a high needs, rural school district, we are utterly dependent on state aid. If our state aid is cut in the future, our years to insolvency will be lessened. The fact that we only receive about $80g for a 1% tax levy increase, makes the issue of the tax cap almost a moot point. (Western New York Rural)

When is this revenue problem going to stop bring masked as an expenditure problem at the local level? When will the attack on public education relent? (Western New York Suburb)

Small schools have a right to survive. (Capital Region Rural)

II. BUDGETING CHOICES

The largest section of THE COUNCIL's survey is an exploration of the budgeting choices school district leaders and their voters have been making.

We list a total 56 possible budget actions grouped under five categories and ask superintendents to identify any their districts adopted in any of the last three years due to financial considerations. Because of turnover in superintendent positions, it is probable that the reported prevalence of actions in earlier years is understated.

We began surveying superintendents on financial matters in 2011, in the aftermath of the largest total dollar reduction in state aid ever enacted. Consequently, all the budgeting actions we listed in the first survey were negative in character, presuming a need to reduce costs.

We have continued with our original thrust for now, not adding possible positive budgeting actions, chiefly to avoid extending the survey to an intolerable length. We do, however, ask superintendents to appraise the overall impact of their current year budgets – positive or negative – on specific functions. We also presume that positive financial trends will translate into diminishing reliance on the negative actions about which we inquire.

General observations about school budgets

As in prior reports, we stress three points before presenting the survey's findings on the specific actions districts took in putting together budgets.

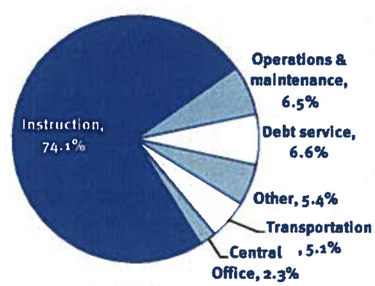
First, "You can't cut what you don't have." Poor districts are less likely to report that they eliminated advanced classes because they are less likely to have them in the first place. A district conducting all classes in a single building will not report that it closed a school, unless it takes the extreme step of "tuitioning out" all its students to a neighbor.

Related, "You cannot cut what you have already eliminated (or decimated)." In 2011 survey (our first), for *every* specific budget action we identified, the proportion of superintendents saying their district had used it had increased over each year. That is not true in this survey; smaller percentages of districts exercised a majority of options this year than in the year before. This could happen if a district's financial condition has improved. But another explanation could be that a district has already cut the function as much as prudent, or as much as law allows m—our next point.

Second, some items cannot be cut because they are mandated by Albany or Washington. For example, the operation of special education services is heavily prescribed by state and federal mandates and over multiple years, special education is seen as less negatively affected by budget decisions than any other service. In the same vein, the demands of the state's new teacher evaluation requirements have raised concerns about maintaining the administrative capacity necessary to comply.

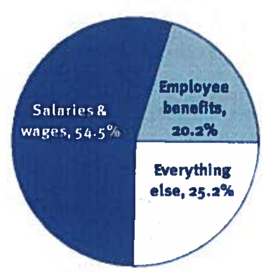
Third, understanding where schools can cut requires recognizing where their spending goes to start. One way to break down school spending is by the commodities it buys; another is by the purposes it serves. Personnel – salaries and benefits – comprises about three quarters of school spending by commodity. Instruction consumes a comparable share by purpose.

Where school spending goes -- by purpose



Source: Council analysis of NYSED School District Fiscal Profile data (2009-10); Big 5 Cities not included

Where school spending goes -- by commodity



Source: Council analysis of US Census Bureau data (2009-10); Big 5 Cities not included

Personnel

As noted, 70 to 80 percent of spending in a typical district is devoted to personnel. An implication of this is that 70 to 80 percent of any cuts needed to achieve a balanced budget are likely to come from personnel. Although the impulse of school leaders and voters may be to "cut things before people," that becomes harder and harder if a series of lean years has exhausted less painful options.

There are two ways to reduce personnel costs: employ fewer people, or spend less per employee. Like it or not, districts have more latitude to exercise the former option than the latter – salaries and many benefits are locked-in by contracts, and pension contributions are prescribed by state law and retirement system calculations. Nonetheless, THE COUNCIL's survey found districts using both approaches.

PERSONNEL	2013-14	2012-13	2011-12	At least once in past 3 years
Salary freeze or other cost reduction in salary or benefits for superintendent	39%	52%	57%	80%
Cost-reduction concession in salaries or benefits for other central office administrators	30%	40%	43%	68%
Cost-reduction concession in salaries or benefits for building level administrators	30%	39%	40%	68%
Cost-reduction concession in salaries or benefits agreed to by teacher union	31%	36%	32%	58%
Cost-reduction concession in salaries or benefits agreed to by any other union (other than teachers or administrators)	30%	30%	27%	53%
Reduction in central office administration positions	19%	24%	27%	47%
Reduction in building-level administration positions	13%	19%	23%	38%
Reduction in classroom teaching positions	49%	57%	65%	79%
Reduction in teaching assistant/teacher aide positions	37%	43%	51%	67%
Reduction in other instructional support positions	28%	33%	37%	55%
Reduction in school social worker, school pyschologist or counseling positions	15%	20%	23%	40%
Reduction in other positions (clerical, maintenance, transportation, food service, etc.)	37%	45%	49%	72%
Other reduction in personnel costs	30%	30%	32%	45%

Position reductions: Teacher compensation is the largest single item in virtually every district's budget. Despite signs of modest improvement in overall fiscal outlook, 49 percent of superintendents still report their districts eliminated classroom teaching positions in their 2013-14 budgets, down from 57 percent a year ago. It is the most widely used budget action of all the 56 options we inquired about, followed closely by reducing or eliminating undesignated reserves (48 percent).

We estimate that districts reduced total staffing by a net percentage of 2.3 percent. In our prior surveys, districts reported reducing staffing by an average of 4.9 percent in 2011-12 and 3.9 percent in 2012-13.

In this year's survey, for the first time we expressly asked superintendents if their districts had *added positions*. This year's net change consists of layoffs averaging 1.7 percent, attrition reductions averaging 0.9 percent, and additions averaging 0.4 percent.

The table below summarizes statewide staffing changes by position category. As in past years, the steepest reductions were taken in other instructional and student support, a net reduction of 3.5 percent.

Estimated % change in positions by category, 2013-14

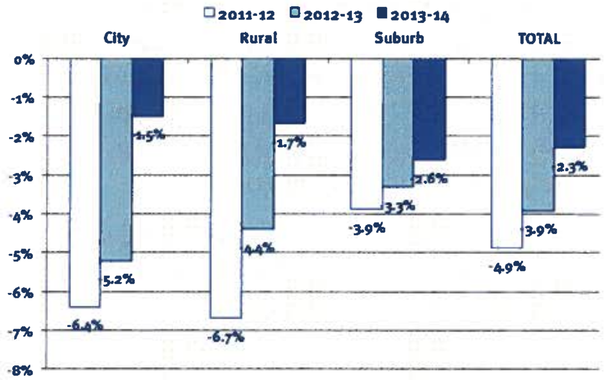
	Layoffs	Attrition	Added positions	Net Change
Classroom teachers	-1.5%	-1.0%	0.4%	-2.1%
Other instruction and student support	-2.8%	-1.0%	0.3%	-3.5%
Administrators	-1.7%	-1.2%	0.8%	-2.1%
Other employees	-1.1%	-0.7%	0.2%	-1.6%
TOTAL	-1.7%	-0.9%	0.4%	-2.3%

Layoffs and attrition reductions were greater among administrative positions than teaching jobs, as in our first two surveys. Districts also added positions in administration at a higher percentage than other categories (0.8 percent), to result in a net average reduction of 2.1 percent.

School administration is a popular target for criticism. But state government counts on school administrators to execute its mandates. The new teacher and principal evaluation requirements are a prime example.

In a surprising reversal from our first two surveys, position reductions were steeper on average this year in suburban school systems than city and rural districts. In every position category, reductions were steepest on average in the suburban districts.

Net change in total positions by district type, 2011-12 to 2013-14



Other personnel cost actions: As in our prior surveys, superintendents led other categories of employees in accepting salary freezes or agreeing to other compensation changes to save money for their districts: 39 percent of superintendents report taking such steps in 2013-14, and 80 percent said they had done so at least once in the past three years.[2] Over the entire three-year span, none of the other 55 budgeting options we identified was used as frequently.

We did not inquire specifically about adoption of shared superintendent arrangements. But we presume these are reflected in the figures cited above. At this time, Council staff are aware of five shared superintendent arrangements, up from two typically in operation in years past.

Majorities of superintendents now report that each category of employees have participated in some cost saving action for their district at least once in the past three years.

Instruction

Personnel is the largest area of school spending measured by commodity. Instruction is the greatest expense area measured by purpose, accounting for 74.7 percent of total spending according to the State Education Department's School District Fiscal Profiles. Accordingly, when cuts are necessary, it is hard for schools to spare either of these large areas.

Consistent with the continuing elimination of classroom teaching positions, increasing class sizes was the most frequently reported budget action in the instruction area. Forty-two percent of superintendents reported their districts increased class sizes in 2013-14, down only slightly from last year's 45 percent.

The next most frequently cited budget actions affecting instruction were reducing or deferring purchase of instructional technology (27 percent) and reducing summer school (26 percent).

INSTRUCTION	2013-14	2012-13	2011-12	At least once in past 3 years
Increased class size	42%	45%	39%	61%
Reduced non-mandated art classes	15%	14%	18%	33%
Reduced non-mandated music classes	14%	14%	16%	33%
Reduced advanced or honors classes	12%	14%	12%	22%
Reduced summer school	26%	25%	25%	38%
Reduced extra help for students during the regular school day or year	20%	24%	20%	32%
Reduced student enrollment in career and technical education programs	13%	13%	13%	24%
Reduced availability of second language instruction at the middle or high school level	19%	15%	14%	31%
Reduced/deferred purchase of instructional technology	27%	31%	26%	40%
Reduced/deferred purchase of textbooks	16%	16%	12%	21%
Reduced/deferred purchase of library materials	18%	18%	16%	23%
Eliminated prekindergarten	0%	1%	0%	1%
Reduced prekindergarten	3%	3%	3%	6%
Eliminated kindergarten	0%	0%	0%	0%
Moved from full-day to half-day kindergarten	0%	0%	1%	1%
Other reduction in kindergarten	2%	1%	1%	2%
Combined two grade levels in a single classroom	3%	3%	3%	6%
Other reduction in instruction	21%	19%	20%	30%

Compared to a year ago, most actions affecting instruction were adopted with roughly the same or lower frequency. One exception: the share of superintendents reporting their districts reduced

[2] According to administrative compensation data reported to the State Education Department, the statewide average superintendent salary has been roughly flat for the past four years – $165,577 in 2010-11,$165,464 in 2011-12, $165,953 in 2013-13, and $166,550 in 2013-14.

availability of second language instruction rose by nearly a third, from 15 percent to 19 percent.

Reports that fiscal calamity was forcing districts to contemplate cutting kindergarten gained circulation about two years ago. Our survey indicates, however, that few districts have actually done so – yet. No districts report having eliminated kindergarten in the past three years, while 1 percent report moving from full-day to half-day and 2 percent report having reduced kindergarten in some other way over that period.

Cuts to prekindergarten have been more common: 1 percent of superintendents report eliminating the program in the last three years, while 6 percent report reductions over that period.

Other direct student services

Cuts to interscholastic sports and other extra-curricular activities appear to have declined significantly over the past year – from over 30 percent for each to 20 percent and 23 percent respectively.

The percentage of superintendents reporting changes in special education to reduce costs has reached 31 percent. Special education is heavily governed by mandates, more so in New York than many other states. Our sense is that districts have become more resourceful in seeking ways to manage special education costs.

OTHER DIRECT STUDENT SERVICES	2013-14	2012-13	2011-12	At least once in past 3 years
Reduced interscholastic sports	20%	32%	38%	38%
Reduced other extracurricular activities (other than interscholastic sports)	23%	31%	31%	31%
Changes in special education which reduced costs	31%	29%	25%	25%
Reduction in school social work, counseling, mental health or similar services	14%	15%	19%	19%
Reduced pupil transportation	19%	19%	20%	20%
Other reduction in student services costs	16%	15%	14%	14%

Operations, maintenance and construction

Operations and maintenance costs comprise only 6.5 percent of total school spending on average, but in striving to "cut things rather than people," districts have continued to be aggressive in seeking savings from this area.

Comparatively high percentages of superintendents continue to report that their districts deferred maintenance or implemented some form of energy conservation this year.

An apparently small proportion of districts anticipate deferring a capital project this year (16 percent). But not all districts need to take on a capital project in any given year.

OPERATIONS, MAINTENANCE AND CONSTRUCTION	2013-14	2012-13	2011-12	At least once in past 3 years
Deferred maintenance	39%	44%	39%	53%
Any form of energy conservation	42%	44%	35%	53%
Delayed a capital project	16%	18%	12%	24%
Outsourced custodial/ maintenance work	2%	3%	3%	5%
Reducing or deferring purchases of supplies, other than those related to instruction	32%	32%	31%	43%
Other reduction in operation, maintenance or construction costs	36%	37%	33%	47%

Other actions

Our survey also allowed superintendents to check-off an assortment of miscellaneous budget-cutting strategies.

Access to professional development: Schools faced at least two exceptional state-mandated implementation challenges this year, on top managing their financial demands:

- develop and negotiate new plans for teacher and principal evaluations with local unions, then gain State Education Department approval, and then do the evaluations; and
- adapt instruction to align with the new Common Core Learning Standards and prepare students for state assessments based on those standards.

Despite the need to prepare school professionals to carry out these major reform assignments from state government, large percentages of districts have found it necessary to reduce participation by administrators and teachers in professional development. In 2012-13, 36 percent reported doing so for administrators and 34 percent did so for teachers. Shares cutting professional development for the current year declined only slightly, to 33 percent for administrators, and 29 percent for teachers.

OTHER ACTIONS	2013-14	2012-13	2011-12	At least once in past 3 years
Closed a school building	3%	4%	6%	12%
Change in school schedule for the purpose of reducing costs (e.g., discontinuing block scheduling)	10%	11%	5%	16%
Reduced funding for staff travel	35%	38%	34%	47%
Reduced participation in professional development by administrators	33%	36%	33%	46%
Reduced participation in professional development by teachers	29%	34%	32%	43%
Reduced participation in professional development by other staff (other than teachers and administrators)	26%	27%	25%	34%
Reduced participation in BOCES services	28%	26%	23%	39%
Increased participation in BOCES services	31%	29%	18%	36%
Increased participation in other shared services arrangements (not through BOCES)	30%	26%	16%	36%
Reduced or eliminated undesignated reserves	48%	45%	38%	54%
Reduced or eliminated designated reserves	44%	41%	35%	52%
Changed purchasing practices	31%	28%	22%	38%
Other	12%	11%	10%	13%

Sharing services: Nearly equal percentages of superintendents report this year that their districts increased use of BOCES services, reduced use of BOCES services, or increased participation in shared service arrangements outside of BOCES. Percentages reporting each option have risen for all three options in each year covered by the survey.

Some superintendents indicated their districts both increased *and* reduced use of BOCES this year A possibility is that they may have moved students from BOCES to district special education programs while also making more use of shared administrative services operated by BOCES.

Forthcoming research by Cornell's John Sipple will shed more light on shared service arrangements in use by schools and municipalities.[3]

Closing school buildings: Twelve percent of superintendents report their district closed at least one school building in the last three years. As one would expect the strategy is more common among larger districts: Fewer than 3 percent of districts with enrollments under 1,000 report shutting down a school building, while 18 percent of the districts above that size have closed a school at least once. Of districts with over 5,000 students 7.5 have closed more than one school building.

Drawing down reserves: Forty-eight percent of superintendents report their districts reduced or eliminated unrestricted reserves (so-called "rainy day" funds); 44 percent said their districts did so with designated reserves (those whose use is restricted to specific purposes such as capital repairs, equipment purchases, or accrued employee benefits).

As noted in the Overall Fiscal Outlook chapter, concern about reliance on reserves has shown-up as a nearly universal concern in each of our three annual finance surveys. Each year, over 80 percent of superintendents have said they were somewhat or very concerned about their districts' reliance on reserves to pay recurring costs.

At the same time, the State Education Department reports that undesignated fund balances statewide have declined by more than half since 2009-10 – from $2.76 billion, to $1.26 billion this year.[4]

To illustrate why reliance on reserves is such a widely and deeply held concern, we compare the amount of assigned fund balance used by districts this year with their total budgeted tax levy and spending levels. This gives a sense of how budgets would need to change if reserves run out.

Without the use of assigned fund balance (reserves appropriated to their proposed budgets), districts statewide would have needed to increase proposed tax levy by 6.3 percent more than they actually proposed last May (9.4 percent instead of 3.1 percent), or reduced spending by 3.8 percent from what they proposed.

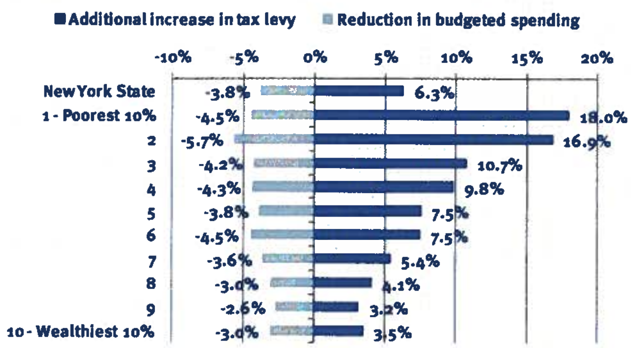
Poorer districts are especially dependent on appropriated fund balance. The poorest 10 percent of

[3] See Sipple, John W., Ph. D. *Presentation: Linking School and Community Vitality*. New York State Center for Rural Schools/Community and Regional Development Institute, Cornell University, 15 July 2013. Web. 01 Sept. 2013.

[4] New York State Education Department, Presentation to the Board of Regents: *2013-14 Property Tax Report Card and Budget Votes – Analysis of Statewide Results*, June 17, 2013.

districts would have needed additional tax increases averaging 18.0 percent. Variation in the spending reductions that would be needed is less pronounced, but poorer districts typically spend less – they have less to cut.

How 2013-14 school district budgets would have needed to change if districts used no appropriated fund balance (districts grouped by property wealth per pupil)



SOURCE: Council analysis of NYSED 2013-14 Property Tax Report Card data; Big 5 city districts not included.

Structural budgeting changes

State Comptroller Thomas DiNapoli and the State Education Department have both encouraged school districts to adopt multi-year financial planning practices and other structural budgeting changes.

To begin to gauge the extent that districts are applying these practices, our survey invited superintendents to provide open-ended descriptions of steps taken by their districts so far.

Sixty superintendents responded. About half expressly described efforts to project district finances in three to five year cycles. Some of these superintendents also outlined steps taken to promote wider understanding of their school systems' fiscal prospects. Several identified a specific goal of restraining expenditures in line with revenue growth allowed by the tax cap. A few observed that multi-year planning is complicated by uncertainties over state aid, pension costs and the tax levy cap.

Making greater use of shared services was commonly cited as a strategy for restructuring district costs. A few superintendents also said they had reconfigured grade levels or school schedules, revised staffing patterns. Several also said they had re-examined pupil transportation practices.

How superintendents assessed the overall financial condition of their districts did not differ much between those who volunteered examples of structural budgeting changes and those who did not.

Impact of 2013-14 budget decisions – trends

In each of our finance surveys, we have asked superintendents to evaluate the impact of their districts' adopted budget for that year on an array of programs and services. The statewide results from each survey are summarized in the table below.

In nearly every category of programs and services, the share of superintendents anticipating a negative impact from their districts' adopted budget this year is down from prior years, in some categories by as much as half. Averaging results across all categories each year, the share anticipating negative impacts is down from 52 percent in our first survey, covering 2011-12, to 30 percent this year.

There were also more increases in the frequency in which superintendents anticipated positive effects – from an average of 2 percent across all categories in 2011-12, to 8 percent this year.

A key point, however, is that anticipated negative impacts are not randomly distributed across districts each year. More probably, the 30 percent or so of districts anticipating negative impacts from this year's budget also experienced negative effects in one or both of the prior years.

"Core" instruction: In the 2011 survey, we asked superintendents to assess the effect of their 2011-12 district budgets on instruction in English, math, social studies, and science in general; 52 percent foresaw negative consequences. In the succeeding years, we inquired about impact by school level. This year, negative impacts on "core" instruction are anticipated as follows:

- High school: 27 percent;
- Middle level grades : 29 percent; and
- Elementary grades 31 percent of districts.

Nineteen percent of superintendents said they believe their district budgets will have positive effects on elementary instruction.

Extra help for struggling students: In each of our surveys, the capacity to deliver extra help for struggling students emerged as the leading concern for the greatest number of superintendents. Each year, it has drawn the highest negative impact percentage of any of the instructional categories, declining from 59 percent in 2011-12 to 45 percent this year.

Other programs and services: Administration and operations and maintenance are other categories which at least 40 percent of superintendents foresaw negative impacts from the district budgets *in each of the last three years*.

Over 30 percent of superintendents expected negative impacts in each of the last three years on advanced classes, athletics, and other extracurricular activities.

Statewide anticipated impact of adopted budgets on selected school programs and services, 2011-12 through 2013-14

"Core" instruction	Negative or very negative	No impact	Positive or very positive
2011: Instruction in English, mathematics, science, and social studies	56%	41%	3%
2012: Core instruction in elementary grades	41%	46%	13%
2013: Core instruction in elementary grades	31%	50%	19%
2012: Instruction in English, math, science, &social studies in the middle level grades	33%	56%	11%
2013: Instruction in English, math, science, & social studies in the middle level grades	29%	56%	16%
2012: Instruction in English, math, science, and social studies in high school	37%	53%	10%
2013: Instruction in English, math, science, and social studies in high school	27%	60%	13%
Instruction in art, any level			
2011	39%	59%	2%
2012	26%	72%	3%
2013	25%	72%	5%
Instruction in music, any level			
2011	42%	57%	2%
2012	33%	65%	3%
2013	24%	71%	5%
Extra help for students who need it, any level			
2011	59%	39%	2%
2012	48%	42%	9%
2013	45%	40%	16%
Advanced or enrichment classes			
2011	41%	56%	3%
2012	35%	57%	8%
2013	35%	56%	9%
Special education			
2011	30%	63%	7%
2012	20%	70%	10%
2013	19%	70%	11%
Athletics			
2011	58%	42%	0%
2012	45%	51%	4%
2013	32%	63%	5%
Other extracurricular activities			
2011	63%	36%	0%
2012	49%	47%	4%
2013	38%	58%	3%
Student transportation			
2011	43%	57%	0%
2012	27%	68%	5%
2013	21%	76%	3%
Other student services			
2011	56%	43%	1%
2012	34%	64%	2%
2013	27%	70%	2%
Operations and maintenance			
2011	68%	30%	2%
2012	50%	47%	4%
2013	44%	50%	6%
Administration			
2011	58%	41%	0%
2012	45%	52%	3%
2013	40%	56%	5%
Programs & services 1st inquired about in 2013			
Career and technical education	28%	67%	5%
Second language instruction at the middle or high school levels	25%	69%	8%
Student counseling, social work, mental health or similar support services	30%	65%	6%
School safety/security	19%	60%	22%

IN THEIR OWN WORDS: BUDGETING CHOICES...

The last minute increase in aid by the legislature rescued us from going into educational insolvency next year. (North Country Rural)

We restructured, shared services, and reduced staffing by approximately 8%. While a small amount of the GEA was restored it was not nearly enough to keep from cutting critical programming. (Capital Region Suburb)

We closed a building this school year to get all students to one campus. This pushed any issues with insolvency off a couple years or the projected timeline would be considerably shorter. (Southern Tier Rural)

Things are "better" this year simply because State Aid increased over the previous year. That said, our 2013-14 State Aid is in line with where we were in 2010-11 and nowhere near what we received from 2007-2010... If State Aid continues to increase, and/or more Aid is allocated to districts that rely on State Aid more, and/or the Gap Elimination Adjustment is phased-out - we may be able to avoid insolvency. My district relies on 65% of our revenue from State Aid and our ability to levy local taxes is limited. (Finger Lakes Rural)

We were fortunate to have received about $900,000 more in state this year which helped save our programs. (Long Island Suburb)

The additional state aid was very helpful to us and for the first time in 3 years, we did not have to cut staff to balance the budget. Unfortunately, we are not able to meet budget without using reserves and reserve funds are not a long term solution to funding public education. They will run out. (Finger Lakes Suburb)

We are in a better position than last year, but that is a temporary condition. A rich teacher retirement incentive led to approximately 10% of the staff retiring. Salary breakage made this year's budget work, but will create a hole to fill in next year's budget and saddle the district with long-term medical insurance liabilities that will impact our long-term fiscal health. (Mid-Hudson Valley Rural)

Even, with the increase in state aid this year, we are concerned about the long term viability of the district. Between the tax levy limit and the capacity of the community, we do not see a long range ability to sustain even the current levels. (Southern Tier Suburb)

Our contracts have all been recently settled and the average salary increase in the district for 2013-2014 is just under 2% and we received major health insurance changes. State aid levels are the greatest concern as we can only raise about $40,000 with a 1% increase on our tax levy. (Southern Tier Rural)

Even with an increase in state aid, we are not where we were in 2008-2009! (Lower Hudson Valley Suburb)

State aid attached to APPR process was inappropriate. The process was not thought out enough. There were not resources available--time, money, labor--for this. (North Country Rural)

Coupled with the increase in mandates embedded in the RTTT reform agenda and the huge costs that come with them, we are struggling to sustain the programs that our community cares about, especially if they are not linked directly to the reform agenda (art, music, enrichment, support services for students). (Capital Region Suburb)

I have cut every single after school program from K-12 as well as all of my modified teams. Students do not have a single thing to do after school until they enter high school. (Capital Region City)

This district is administratively lean and many administrative reductions were taken prior to the last three years. (Long Island Suburb)

TRS increases forced us to make instructional choices that eliminate opportunity for some students. This will be the "tightest" budget we have operated under & are hopeful that we do not see any unexpected expenses. PARCC exams, at almost $30 per students would not "fit" in this budget. We have estimated costs for "Obama-care"; however, it may not be enough. Substitute costs almost doubled with our need for accommodations for so many tests. (Mid-Hudson Valley Suburb)

The 2013-14 budget does not reflect many of the previous positions the district has eliminated either through attrition or lay-offs. It does represent the end of what we can reasonably eliminate before our students would be unable to graduate within four years. (North Country Rural)

We closed a building this school year to get all students to one campus. This pushed any issues with insolvency off a couple years or the projected timeline would be considerably shorter. (Southern Tier Rural)

III. IMPLEMENTING THE COMMON CORE

Discord over the direction of state education policy has reached previously unseen levels. Parents and educators criticize the volume of student testing and the emphasis on testing in the schools, the pace and quality of State Education Department implementation efforts, the complexity and soundness of new educator evaluation requirements, and other aspects of the state's reform agenda.

For many outside the education profession, the only name they have to attach to all their frustrations is "Common Core." This conflates and confuses disparate elements.

The Common Core Learning Standards should be seen as the foundation for the state's reform strategy, defining what students are expected to learn and schools to teach. Assessments, curriculum modules, evaluation procedures and data systems are tools for delivering and evaluating instruction based upon the standards.

A leader from a (Lower Hudson Valley Suburb)an district wrote, "The Common Core Standards could be valuable," noting the favorable views of subject matter teacher groups, and added that they, "... need to be separated in all the rhetoric from excessive testing and high stakes testing."

Survey after survey has found widespread support for the standards themselves among educators nationwide. So does ours.

Widespread support for the standards

We asked, "How will the Common Core Standards affect the quality of education in your district?" Seventy-five percent of superintendents statewide answered "Improve," 22 percent said "No effect," and only 3 percent said "Decrease."

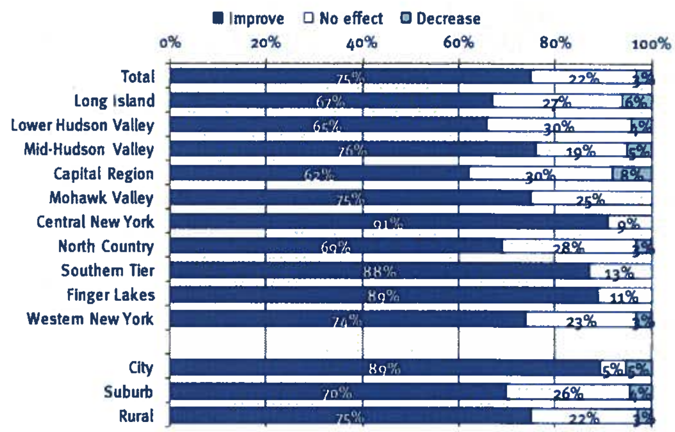
In every region, more than 60 percent of superintendents said the Common Core will improve the quality of education, from a low of 62 percent in the Capital Region, to a high of 91 percent in Central New York.

Positive reviews of the standards were greatest among city superintendents (89 percent) and lowest among suburban leaders (70 percent).

THE COUNCIL's findings are similar to those of national surveys of teachers:

- An American Federation of Teachers survey found 75 percent of teachers approved of the Common Core, 22 percent disapproved. [5]
- A National Education Association survey reported 76 percent of teachers said they support the Common Core Standards, either wholeheartedly or with some reservations.[6]
- In a survey of 20,000 teachers for Scholastic Inc., 77 percent of teachers said they believe the Common Core Standards will have a positive impact on students' ability to think critically and use reasoning skills.[7]

How will the Common Core Standards affect the quality of education in your district's schools?



Some superintendents and other educators do raise concerns about whether the standards are developmentally appropriate at all grade levels. Criticisms of state tests and curriculum modules related to the standards are widespread. But the

[5] Hart Research Associates. *Teachers Assess Implementation of the Common Core: Survey Among K-12 Teachers Conducted for the American Federation of Teachers*. May 2013.

[6] National Education Association. *NEA Poll: Majority of Educators Support the Common Core State Standards.* September 12, 2013.

[7] Scholastic. *20,000 Teachers Share Their Views on the Common Core State Standards in Advance Findings from Primary Sources*. October 4, 2013.

consensus is that the new standards are promising. Many skeptics concede that returning to prior standards is not a viable "plan B."

Resources and Implementation Concerns

But there are emerging concerns that support for the standards could be eroded by frustrations with other aspects of the reform agenda, including testing, teacher evaluation requirements, and general "implementation overload."

A common view of the standards among superintendents was expressed by one Capital Region leader:

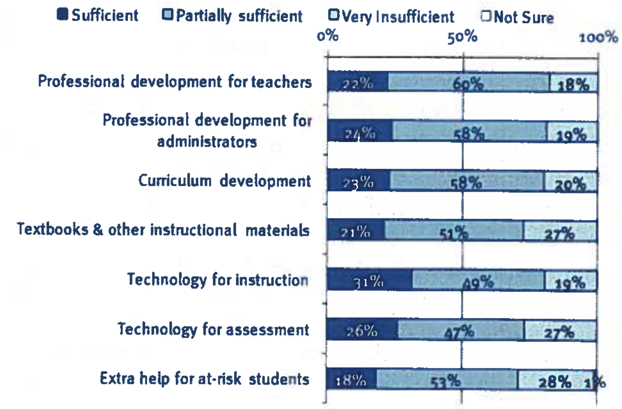
I think the Common Core Standards over time will improve the quality of education in my district and across the state. However, the implementation has been rushed and inadequately supported. Resources have not been made available in a timely manner and the funding to purchase these new resources is inadequate.

Resource limitations pose an additional threat to support for the standards, and to their successful implementation. These concerns are especially acute in low wealth, high student need school districts. For example, the superintendent of a Southern Tier city wrote,

The concept of commonality of curriculum is noble and can only help if implemented. The process by which this is being deployed puts that implementation at risk. We are forced to shift resources from those that would normally be allocated to already existing programs or personnel to do many of the tasks that a better organized roll-out would have done... This gamble is not fair to a cohort of parents, students, principals and teachers who are experiencing the evolution on the front lines.

Our survey asked superintendents, "To what extent does your district have sufficient resources to enable students to meet the Common Core Standards. In most of the seven categories we asked about, only 20 to 25 percent of superintendents said their districts possess sufficient resources, with a high of 31 percent for instructional technology and a low of 18 percent for extra help for students at-risk of not meeting standards.

To what extent does your district have sufficeint resources to enable students to meet the Common Core Standards?



Resource concerns are generally greatest in the North Country and lowest in the Mid-Hudson Valley. For example, 43 percent of Mid-Hudson Valley superintendents say their districts have sufficient textbooks and other instructional materials aligned with the Common Core. Only 8 percent of North Country superintendents do.

City superintendents were more likely than their rural and suburban counterparts to say their districts have sufficient Common Core-related resources. A major exception is in the area of extra help for at-risk students: 44 percent of city school district leaders said their districts' extra help capacity is "*very* insufficient."

The survey does provide evidence that resource constraints could undermine support for the Common Core. Superintendents who answered that the standards will decrease the quality of education in their schools were also less than half as likely as others to believe that their districts have sufficient resources in most categories.

Only 10 percent of superintendents predicting a decrease in quality due to the standards felt their districts have sufficient resources in professional development, curriculum development, and textbooks and other instructional materials aligned with the Common Core. None of these superintendents believed their districts have adequate capacity to provide extra help for students at-risk of not meeting the standards.

IN THEIR OWN WORDS: THE COMMON CORE

To implement Common Core with quality and fidelity, there is a need for time, as well as for money. We are rushing the implementation. ...[S]tudent learning and performance on tests will be unfairly affected by the lack of sufficient time. The impatience of those wanting to make change has the potential of creating a lack of confidence in what might be an improvement in curriculum...
~(Lower Hudson Valley Suburb) *(No effect)*

I am a supporter of the CCSS, but not the method used to implement. It has created dissention with staff, fear, frustration, and climate problems. The lack of support and information from SED was a key factor.
~(Capital Region Suburb) *(Improve)*

The good of the Common Core has been lost in the poor planning and roll-out by SED. Their lack of experience with the rhythm of a school year, (release of module schedules) and the constraints we face with instruct-tional vs. staff development time, has put a larger focus on these items and taken away to potential good of the Common Core. They made the mountain higher....
~(Mid-Hudson Valley Suburb) *(Improve)*

The modules and domains have benefited greatly at implementing the CCLS. The problem is the costs of the books/texts and support staff for struggling students.
~(Long Island Suburb) *(Improve)*

I am very pleased that NYS will finally have a consistent approach to curriculum with specific guidelines for teachers. The resources provided by NYSED and the EngageNY site have been very helpful.
~(North Country Rural) *(Improve)*

Time will tell whether the changes result in increased student learning and achievement. The changes have merit but were pushed through too quickly. Administrators are feeling stress and fatigue after this past year's pace trying to implement so many significant changes. On the positive side, the new APPR has contributed to more collaboration and professional dialog between administrators and teachers on instructional leadership, teacher practice and student needs.
~(Mid-Hudson Valley Rural) *(Improve)*

My teachers are excited about the Standards. However, they do not feel they have had sufficient time to work with the CCLS. There is also frustration regarding NYS's slow response in putting information...
~(Finger Lakes Rural) *(Improve)*

There is buy-in to the shifts, but insufficient time and resources to best prepare for implementation. There will also be a significant challenge in purchasing materials and texts that align with modules the state is producing.
~(Southern Tier Suburb) *(Improve)*

We have seen students engage in higher level of learning as we teach the common core. It has had a very positive impact on classroom instruction.
~(Finger Lakes Suburb) *(Improve)*

The Common Core Standards may be fine, but we won't know that for years. So far what has been presented on the EngageNY portal as resources for curriculum modules are horrific – totally inappropriate developmentally, cognitively, conceptually, and practically. The texts are unreachable for the vast majority of learners. The curriculum practices are scripted and terribly didactic. There is no nurturance of curiosity or inquiry, just repeat, repeat, repeat.
~(Capital Region Suburb) *(Decrease)*

The hardest part about implementation is that the state does not have its act together, it misses timelines. The state is unable to meet its delivery dates for the modules. This makes it hard to sell to state and community. We mention state ed and everyone rolls their eyes because they are unreliable. It is the right work but they are doing a poor job of rolling it out. Hard to get buy-in.
~(Finger Lakes Rural) *(Improve)*

Common Core alignment will strengthen our programs and ensure consistency. This is a noble goal. I am concerned about the pace that is being demanded in moving to the assessments.
~(Long Island Suburb) *(Improve)*

Standards are fine, timeline for implementation is poor.
~(North Country Rural) *(No effect)*

Implementing Common Core Standards is not the problem. The short time-frame provided ... and the lack of resources available to our district are the problems.
~(Western New York Rural) *(Improve)*

The convergence of all of the moving parts ... is the main area that we have struggled with. We believe in this process, just the capacity to roll it all out is utilizing what little human capital we have as a district and stressing them to the maximum. I am concerned about burn-out and people prematurely leaving the profession.
~(North Country Rural) *(Improve)*

IV. LOOKING AHEAD

Mandate Relief

When the tax cap was being debated, the Council's position needed only 10 words to express: *Tax caps will hurt our schools. There are better options.*

Our better options called for the state to be a reliable partner in funding schools, to enact mandate relief and take other significant actions to help districts manage and control costs, and to adopt a circuit-breaker to target meaningful help to the most burdened property taxpayers through a credit in the personal income tax.

Those better options remain on the table. Governor Cuomo has proposed a circuit-breaker. The last two state budgets have increased School Aid by more than the inflation rate, but over 70 percent of school systems are receiving less help from the state than in 2008-09. Outside the area of pensions, mandate relief has been limited.

In our survey we asked superintendents for their positions on 25 possible actions the state could take to help schools reduce and control costs.

"No new unfunded mandates" drew the strongest support, with 96 percent of superintendents saying they strongly favored the position. The option is popular with politicians as well. But a law to prohibit unfunded mandates can be circumvented simply by passing a new law and a constitutional amendment could incite endless litigation over whether an action qualifies as a mandate or the extent to which it is unfunded. There is a simple solution though: state officials could stop unfunded mandates by pledging to neither propose nor approve any new ones.

Over 90 percent of superintendents supported two other items – amending the "Triborough Law" to eliminate automatic salary "step increases" after a collective bargaining agreement expires and streamlining procedures for disciplining and removing tenured teachers.

A total of 14 items won support from 80 percent or more of superintendents. Several would address aspects of special education, including revising class size requirements and procedures for resolving disputes between parents and districts.

Some of the most popular mandate relief actions would free an even more finite resource than money – student time. These include allowing students to satisfy graduation requirements through career and technical education courses, reducing reliance on seat-time requirements in high school, and revising Academic Intervention Services (procedures for identifying and serving students needing extra academic help).

Two proposals drew more opposition than support from superintendents – requiring districts below a certain enrollment to share some administrative functions and authorizing the State Education Department to "order school district mergers without voter approval, based on criteria including local fiscal capacity and inability to maintain comprehensive educational services following a review with local input." Still, both these options were supported by more than a third of all superintendents. Fifty-nine percent of superintendents did support streamlining procedures for voluntary consolidation.

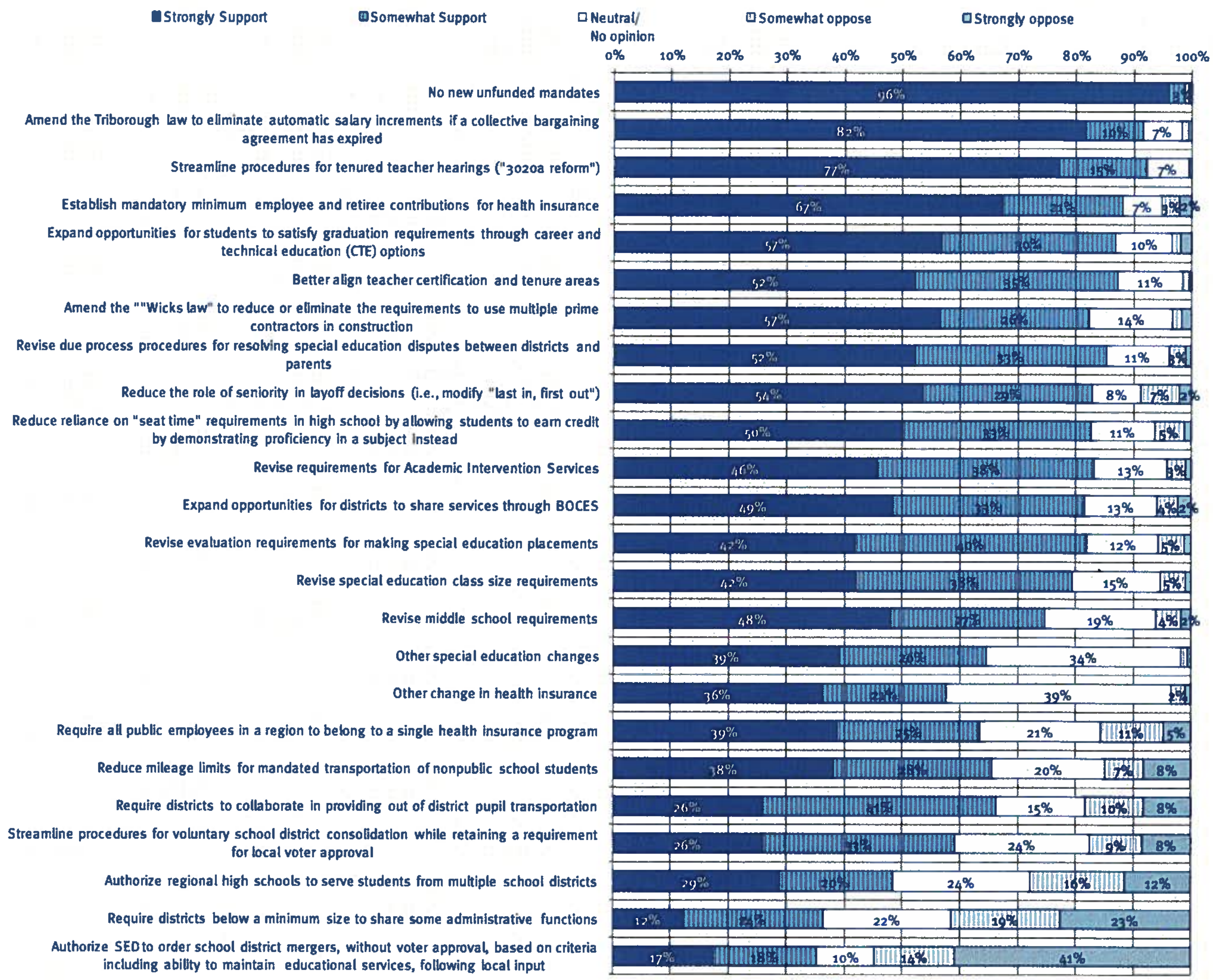
New York does spend more per pupil on public education than any other state.[8] One reason could be that New York has laws no other state has. While several states have laws protecting employee benefits when a collective bargaining agreement has expired, we have found none which also guarantees salary step increases, as New York's Triborough Law does. No other state has a Wicks Law, requiring the use of multiple prime contractors on public construction projects. Few states have as intricate and demanding special education mandates as New York.

Reducing the number of school districts is cited as a key in lowering taxpayer costs. But 29 states have more districts relative to enrollment than New York[9], including Illinois, New Jersey and Wisconsin. New York superintendents have supported both local efforts at consolidation and state policy changes to streamline the process. But the number of districts we have does not explain our spending level.

[8] U.S. Census Bureau. "Per Student Public Education Spending Decreases in 2011 for First Time in Nearly Four Decades, Census Bureau Reports." May 21, 2013.

[9] Excluding New York City, to avoid inflating the state's average enrollment.

Mandate Relief Options



Pension costs

Pension costs have been a dominating consideration in school district budgeting for most of the past five years. They are difficult to control at either the local or state levels, however School districts have no choice but to pay the prescribed employer contribution rate; they can reduce pension costs only by eliminating positions. The state can reduce benefits only prospectively, for new hires, because of the state constitution's prohibition against diminishing or impairing benefits for people who are already in a public retirement system.

In his Executive Budget a year ago, Governor Cuomo proposed legislation to give school districts and local governments an option to lock-in a stable pension contribution rate for a period of years. A modified version of the plan was enacted. It allowed districts to lock in an employer contribution rate for Teachers Retirement System payments which would start at 14 percent and would not be allowed to rise above 18 percent over a seven period. Other districts were required to make TRS payments based on a contribution rate of 16.25 percent.

THE COUNCIL and other education organizations strongly supported efforts of the Governor, Legislature and retirement system officials to develop an option for districts to manage their pension costs while protecting the financial soundness of the systems.

Only one school district (Yonkers) has elected to use the Stable Contribution Option for its TRS obligations.

School districts can still elect to use the option. They may opt-in to the TRS plan until June 30, 2014 and the ERS plan until February 1, 2014.[10] Again, however, few superintendents expect their districts will do so. Only 3 percent of superintendents said it was likely or very likely their districts would elect the option for TRS, and only 2 percent did so for ERS.

Likelihood that districts will adopt Stable Contribution Option

	Already opted-in	Very likely	Somewhat likely	Don't know/ unsure	Somewhat unlikely	Very unlikely
TRS	3%	2%	1%	3%	7%	84%
ERS	3%	1%	1%	5%	7%	83%

Although we strongly supported providing the option, we are not surprised relatively few districts expect to use it.

First, there is no free lunch: districts using the option pay less over the near term but more over the longer term. Second, districts may be waiting to see what happens to future contribution rates, anticipating improved investment performance will stabilize and eventually reduce costs. Finally, we speculated that stronger than expected School Aid funding might have led some districts which might have otherwise elected the stable rate option to defer. Our survey provides some support for this speculation: superintendents who said state aid fell short of their expectations were three times more likely to use the stable rate option than those who said state aid had met or exceeded their expectations (10 percent vs. 3 percent).

Priorities for new funding

We closed our survey with a hopeful question, asking superintendents what they would prioritize, "...if your district were to receive an increase in funding beyond what would be needed to fund state mandates and your current level of services?" They were invited to name three top priorities.

As with the 2011 and 2012 surveys, increasing extra help for struggling students was the top choice by a wide-margin, drawing nearly as many top priority votes as the next three options combined. The value attached this priority aligns with our finding that the highest percentage of superintendents cited extra help as a function negatively affected by current year budget actions.

Reducing the local tax levy came in second, but with declining numbers of superintendents citing it as a priority, presumably reflecting the impact of the tax levy cap.

In this year's survey we added some additional options for superintendents to choose as priorities. One drew notable support: 22 percent of superintendents chose increasing counseling, social work, mental health or similar services for students as one of their three priorities for funding. In the aftermath of the Newtown tragedy, it was striking how often superintendents volunteered concerns over the impact of budget cuts on mental health services.

If your district were to receive an increase in funding beyond what would be needed to fund state mandates and your current level of services, what would be your top three priorities for the use of that funding?

	% of superintendents choosing as a priority 2011	2012	2013
Increase extra help for struggling students	64%	66%	53%
Reduce property tax levy	57%	38%	30%
Expand professional development	28%	28%	30%
Increase enrichment/advanced classes	23%	37%	27%
Purchase technology	12%	16%	26%
Increase counseling, social work, or mental health or similar services for students	NA	NA	22%
Increase funding of reserves	29%	27%	22%
Reduce class sizes	30%	26%	20%
Improve facilities	NA	NA	12%
Purchase instruction-related materials	10%	7%	12%
Strengthen administration (district or building level)	9%	17%	9%
Increase other student support services	24%	21%	9%
Increase career and technical education opportunities	NA	NA	8%
Improve school security	NA	NA	6%
Increase/restore second language instruction	NA	NA	5%
Improve maintenance of facilities	10%	8%	4%
Expand extracurricular activities or athletics	3%	5%	3%
Other	2%	3%	2%
Purchase other equipment	0%	2%	0%

[10] School employees with professional certificates issued by the State Education Department are members of TRS. Other pension-eligible employees are members of ERS – the State and Local Employees Retirement System administered by the State Comptroller. Approximately 80 percent of school district employees are in TRS, 20 percent are in ERS.

In their own words: Looking Ahead

We are "looking the other way" at some of our mandates currently in order to stay solvent. We have reduced our budget for the fourth consecutive year, and are currently receiving less total state aid than we received 10 years ago. (Capital Region Suburb)

The key is to hold labor contracts at a level that will allow revenue to fund program. (Long Island Suburb)

When employee fixed costs exceed the amount that can be raised by the levy cap legislation, there can be no other path than to lose programs and people. (Mid-Hudson Valley Suburb)

The 2% cap, while really not 2%, provides a voter psychological fix that anything above two percent is too high. This financial outlook is unfortunately and affected the use of reserve funds to remain below our allowed 3.07% top tax levy. We used additional reserves to stay closer to 2%. (Long Island Rural)

We probably can last a little longer if we offered only mandated services, but educational insolvency would be in the lack of a meaningful, well-rounded school experience – the "non-mandated" programs such as art, music and athletics etc. If Legislators eliminate the GEA, we would return to more stable financial footing sooner than later. (Southern Tier Suburb)

Failure to reign in pension & health insurance costs, combined with continuation of the Gap Elimination Adjustment is leading towards financial insolvency. (Capital Region City)

The APPR requirements and the PARRC testing with only computers will bankrupt the district. (Lower Hudson Valley Suburb)

We have done things by the book. But still face unreasonable financial difficulties. In the North Country, the geography prohibits some of the suggested service sharing that might be available in more densely populated areas. Health insurance has to be part of the conversation when talking about significant changes in the past several years. Without some kind of a cap on a district's contribution issued by legislation, the funding problems will never cease to exist. (North Country Rural)

Our district is in an active merger process with a neighboring district. If the merger fails, we will be facing a very uncertain future... Even if the merger happens, our combined district may be facing fiscal & educational insolvency within 5 or 6 years. (Finger Lakes Rural)

We are finding it difficult to do meaningful long term fiscal planning. We are very dependent upon state aid, so between considerations of TRS [pension] increases and tax levy limit calculations and unknown aid projections, we hesitate to plan too far in advance. (Western New York Rural)

If those making laws and approving costly mandates would recognize these as the root cause of increased taxes, and be willing to amend legislation in order to control and/or roll-back, we would not need a tax cap. Best examples of their own rules, laws and regulations that drive budgets ... Triborough costs, pension increases, special education, homeless student costs and out-of-control rules, APPR staggering new costs... (Mid-Hudson Valley Suburb)

If you want to reform education you can't impose things like APPR and state testing costs AND reduce state aid and have a tax cap. They just don't work together. More than 1% of this year's budget was spent on APPR and state testing. (North Country Rural)

The tax cap is in its infancy and in my opinion will have a far more dramatic effect in years to come as districts use their reserve funds and cannot replenish them. (Central New York Suburb)

Three words added to the Triborough Amendment - no salary increases - that's what we need most. If this modification had been made to Triborough, our district would not be entering its third year without a teachers' contract; 6.4 teaching positions would not have been eliminated this year and 13 last year. Instead, our teachers would have negotiated with us for a reasonable agreement, and we could move forward without the huge class size increases we now have. We would have used fewer reserves, and we would have been able to push the fiscal cliff even further into the future. (Long Island Suburb)

It seems that there will never be mandate relief. I honestly struggle to point to anything in the last five years except tiers five and six that have helped school districts. Triborough is a non-starter so let's stop talking about it. How about the ability to advertise more on school websites and/or certain facilities? How about flexibility with how we spend textbook aid and other aid categories? Let's get new revenue streams and more ability to use our revenues however we want. (Western New York Suburb)

APPENDIX A – Results by Region

REGIONS:

Long Island: Nassau and Suffolk Counties

New York City: not included in survey

Lower Hudson Valley: Putnam, Rockland, Westchester; excluding Yonkers

Mid-Hudson Valley: Dutchess, Orange, Sullivan, Ulster

Capital Region: Albany, Columbia, Greene, Rensselaer, Saratoga, Schenectady, Warren, Washington

Mohawk Valley: Fulton, Herkimer, Montgomery, Oneida, Schoharie

Central New York: Cayuga, Cortland, Madison, Onondaga, Oswego, Tompkins; excluding Syracuse

North Country: Clinton, Essex, Franklin, Hamilton, Jefferson, Lewis, St. Lawrence

Southern Tier: Broome, Chemung, Chenango, Delaware, Otsego, Schuyler, Steuben, Tioga

Finger Lakes: Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne, Wyoming, Yates; excluding Rochester

Western New York: Allegany, Cattaraugus, Chautauqua, Erie, Niagara; excluding Buffalo

Concerns about FINANCIAL insolvency by region (bold indicates improvement over prior year)

	% of districts foreseeing financial insolvency WITHIN 2 YEARS		% of districts NOT foreseeing financial at any point	
Region	2012	2013	2012	2013
Total	8%	6%	15%	19%
Long Island	0%	4%	23%	32%
Lower Hudson Valley	6%	12%	44%	31%
Mid-Hudson Valley	0%	4%	7%	9%
Capital Region	15%	2%	11%	16%
Mohawk Valley	7%	0%	14%	23%
Central New York	0%	4%	19%	22%
North Country	25%	11%	7%	13%
Southern Tier	8%	8%	8%	8%
Finger Lakes	6%	2%	12%	13%
Western New York	12%	11%	6%	10%

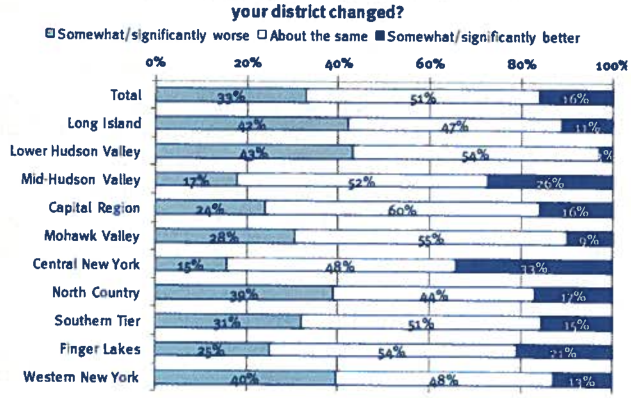
Concerns about EDUCATIONAL insolvency by region (bold indicates improvement over prior year)

	% of districts foreseeing educational insolvency WITHIN 2 YEARS		% of districts NOT foreseeing educational insolvency at any point	
Region	2012	2013	2012	2013
Total	19%	13%	12%	15%
Long Island	11%	8%	21%	28%
Lower Hudson Valley	17%	12%	22%	20%
Mid-Hudson Valley	14%	4%	0%	4%
Capital Region	22%	14%	19%	7%
Mohawk Valley	14%	14%	14%	14%
Central New York	6%	4%	13%	26%
North Country	50%	24%	4%	12%
Southern Tier	8%	13%	8%	5%
Finger Lakes	16%	16%	9%	15%
Western New York	21%	15%	6%	5%

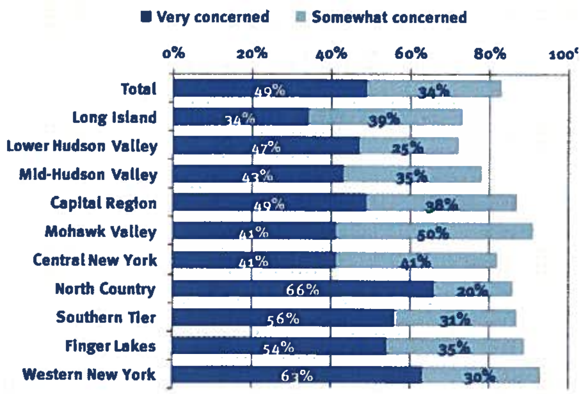
Assessment of overall district financial condition, 2011 - 2013 (Bold indicates improvement over prior year)

	% Poor or very poor			% Strong or very strong		
Region	2011	2012	2013	2011	2012	2013
Total	17%	17%	13%	33%	30%	39%
Long Island	9%	2%	5%	41%	59%	62%
Lower Hudson Valley	9%	13%	14%	43%	57%	50%
Mid-Hudson Valley	15%	7%	4%	23%	33%	56%
Capital Region	20%	26%	20%	33%	26%	26%
Mohawk Valley	21%	18%	14%	31%	35%	37%
Central New York	17%	20%	8%	38%	25%	61%
North Country	16%	39%	20%	25%	24%	23%
Southern Tier	26%	28%	18%	30%	7%	15%
Finger Lakes	19%	6%	12%	22%	19%	35%
Western New York	19%	17%	15%	35%	17%	23%

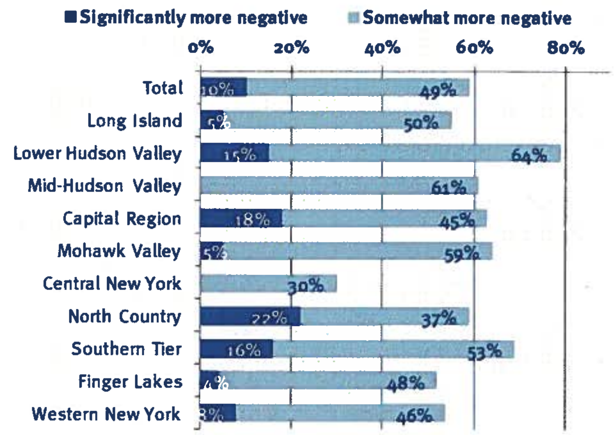
Compared to one year ago, how has the financial condition of your district changed?



% of superintendents saying they are concerned or very concerned by relaince on reserves to pay recurring costs



Perceived impact of tax cap on programs & services



Comparing reliance on local tax levy and which is the greater concern -- tax cap or state aid

Region	% of 2013-14 proposed budget supported by proposed local tax levy	Which is of greater concern -- the property tax cap, or possible future state aid levels? Property Tax Cap	Equal Concern	State Aid
Total	60%	12%	44%	45%
Long Island	71%	31%	57%	12%
Lower Hudson Valley	79%	36%	48%	15%
Mid-Hudson Valley	60%	4%	70%	26%
Capital Region	55%	4%	38%	58%
Mohawk Valley	35%	5%	55%	41%
Central New York	47%	0%	30%	70%
North Country	34%	10%	37%	54%
Southern Tier	38%	0%	34%	66%
Finger Lakes	49%	0%	31%	69%
Western New York	43%	5%	44%	51%

SOURCE: Council survey and Council analysis of 2013-14 NYSED Property Tax Report Card data

How did state aid for your district match your expectations?

	Much less	Somewhat less	TOTAL LESS	ABOUT EXPECTED	TOTAL MORE	Somewhat greater	Much greater
Total	7%	22%	29%	36%	34%	30%	4%
Long Island	7%	24%	31%	41%	28%	24%	4%
Lower Hudson Valley	3%	15%	18%	55%	24%	21%	3%
Mid-Hudson Valley	5%	18%	23%	27%	50%	36%	14%
Capital Region	9%	33%	42%	27%	31%	29%	2%
Mohawk Valley	9%	18%	27%	50%	23%	23%	0%
Central New York	4%	26%	30%	26%	45%	41%	4%
North Country	7%	27%	34%	39%	25%	20%	5%
Southern Tier	13%	11%	24%	26%	44%	39%	5%
Finger Lakes	8%	18%	26%	36%	38%	36%	2%
Western New York	8%	21%	29%	33%	38%	38%	0%

Percentage of superintendents by indicating their district has sufficient resources for successful Common Core implementation, by region, district type and resource category

	Professional development for teachers	Professional development for administrators	Curriculum development	Textbooks & other instructional materials	Technology for instruction	Technology for assessment	Extra help for at-risk students
Total	22%	24%	23%	21%	31%	26%	18%
Region							
Long Island	29%	31%	31%	25%	36%	27%	25%
Lower Hudson Valley	22%	30%	22%	17%	30%	17%	13%
Mid-Hudson Valley	38%	34%	40%	43%	29%	24%	19%
Capital Region	20%	20%	14%	25%	22%	25%	28%
Mohawk Valley	19%	25%	25%	31%	37%	38%	26%
Central New York	22%	22%	30%	22%	35%	35%	17%
North Country	16%	16%	11%	8%	36%	25%	14%
Southern Tier	19%	22%	16%	19%	34%	32%	13%
Finger Lakes	18%	18%	15%	16%	25%	15%	7%
Western New York	19%	22%	25%	19%	28%	28%	16%

Percentages of superintendents anticipating positive and negative impacts on selected programs and services from their 2013-14 district budget, by region

Category	Impact P/N	Total	Long Island	Lower Hudson Valley	Mid-Hudson Valley	Capital Region	Mohawk Valley	Central New York	North Country	Southern Tier	Finger Lakes	Western New York
Core instruction in elementary grades	P	19%	14%	15%	14%	16%	26%	41%	17%	18%	23%	16%
	N	31%	16%	25%	18%	38%	26%	19%	58%	44%	27%	38%
Instruction in English, math, science, and social studies in the middle level grades	P	16%	9%	15%	9%	15%	21%	37%	12%	12%	19%	17%
	N	29%	25%	25%	18%	18%	21%	11%	46%	53%	27%	33%
Instruction in English, math, science, and social studies in high school	P	13%	8%	9%	9%	8%	16%	37%	12%	9%	19%	12%
	N	28%	18%	22%	14%	26%	21%	7%	54%	53%	15%	43%
Extra help for students who need it -- any level	P	16%	13%	13%	23%	18%	16%	30%	2%	21%	23%	14%
	N	45%	39%	37%	41%	48%	42%	22%	59%	59%	39%	51%
Instruction in art -- any level	P	5%	0%	3%	0%	5%	5%	22%	5%	0%	6%	3%
	N	25%	22%	22%	23%	31%	16%	7%	31%	41%	19%	22%
Instruction in music -- any level	P	5%	0%	3%	0%	5%	0%	18%	5%	0%	8%	5%
	N	24%	27%	19%	18%	29%	21%	4%	36%	38%	19%	22%
Advanced or enrichment classes	P	9%	8%	3%	10%	13%	21%	14%	7%	6%	11%	8%
	N	35%	24%	31%	29%	41%	27%	15%	61%	53%	36%	28%
Career and technical education	P	5%	5%	0%	0%	5%	5%	22%	6%	0%	9%	3%
	N	28%	27%	20%	41%	30%	11%	11%	43%	38%	26%	19%
Second language instruction at the middle or high school levels	P	8%	7%	9%	0%	5%	5%	19%	12%	9%	4%	3%
	N	25%	20%	16%	28%	38%	21%	11%	37%	27%	19%	25%
Special education	P	11%	10%	6%	9%	10%	11%	33%	7%	9%	8%	14%
	N	19%	10%	25%	14%	21%	5%	19%	37%	21%	19%	22%
Athletics	P	6%	0%	0%	5%	5%	5%	20%	0%	12%	6%	6%
	N	32%	21%	41%	19%	40%	21%	20%	43%	48%	35%	26%
Other extracurricular activities	P	3%	4%	0%	9%	0%	5%	8%	0%	6%	4%	0%
	N	38%	38%	53%	27%	53%	31%	7%	50%	47%	33%	29%
Student counseling, social work, mental health or similar support services	P	6%	3%	3%	14%	8%	5%	26%	0%	0%	6%	3%
	N	30%	23%	34%	19%	33%	21%	7%	47%	50%	27%	25%
Student transportation	P	3%	0%	3%	5%	3%	0%	15%	0%	9%	4%	3%
	N	21%	19%	25%	19%	28%	21%	4%	39%	21%	13%	17%
Operations and maintenance	P	7%	4%	3%	5%	13%	5%	19%	3%	3%	8%	0%
	N	43%	39%	47%	28%	58%	47%	22%	54%	53%	33%	52%
Administration	P	5%	3%	0%	0%	5%	11%	26%	3%	9%	0%	0%
	N	41%	31%	44%	32%	53%	26%	23%	45%	41%	48%	48%
School safety/security	P	22%	24%	45%	23%	10%	26%	26%	12%	15%	27%	14%
	N	19%	12%	19%	28%	18%	11%	7%	29%	21%	21%	25%

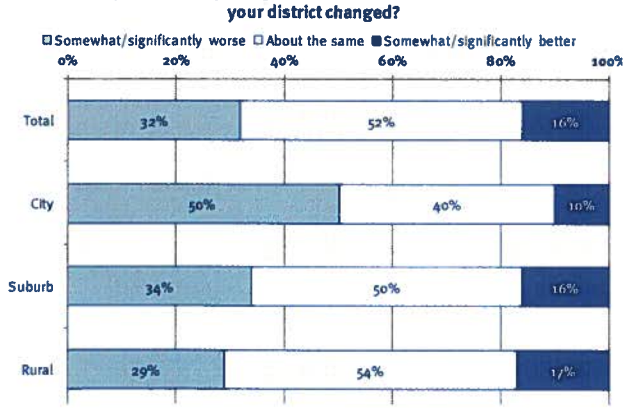
APPENDIX B – Results by District Type

Concerns about FINANCIAL insolvency by district type	% of districts foreseeing financial insolvency WITHIN 2 YEARS		% of districts NOT foreseeing financial at any point	
	2012	2013	2012	2013
Total	8%	6%	15%	19%
City	7%	20%	7%	20%
Suburb	4%	4%	19%	26%
Rural	11%	5%	12%	13%

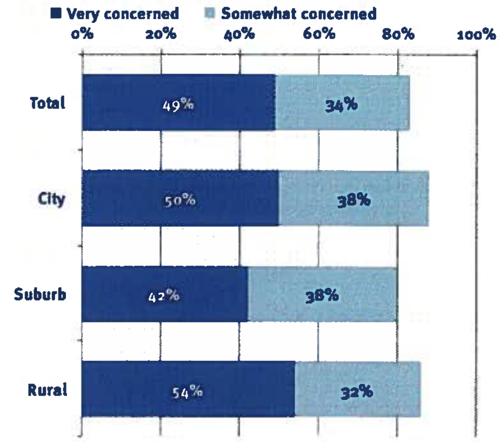
Concerns about EDUCATIONAL insolvency by district type	% of districts foreseeing educational insolvency WITHIN 2 YEARS		% of districts NOT foreseeing educational insolvency at any point	
	2012	2013	2012	2013
Total	19%	13%	12%	15%
City	14%	15%	13%	0%
Suburb	18%	13%	15%	20%
Rural	21%	12%	9%	11%

Assessment of overall district financial condition, 2011 - 2013	% Poor or very poor			% Strong or very strong		
Region	2011	2012	2013	2011	2012	2013
Total	17%	17%	13%	33%	30%	39%
City	24%	43%	25%	18%	19%	20%
Suburb	12%	10%	10%	45%	44%	45%
Rural	20%	18%	13%	24%	10%	28%

Compared to one year ago, how has the financial condition of your district changed?



% of superintendents saying they are concerned or very concerned by relaince on reserves to pay recurring costs



Thinking about the future financial prospects of your district, which is of greater concern to you – the property tax cap, or possible future state aid levels?			
Region	Property Tax Cap	Equal Concern	State Aid
Total	12%	44%	45%
City	0%	40%	60%
Suburb	20%	52%	28%
Rural	7%	39%	54%

Percentages of superintendents anticipating positive and negative impacts on selected programs and services from their 2013-14 district budget, by type

Category	Impact P/N	Total	City	Rural	Suburb
Core instruction in elementary grades	+	19%	21%	19%	18%
	-	31%	53%	32%	25%
Instruction in English, math, science, and social studies in the middle level grades	+	16%	16%	16%	14%
	-	28%	37%	29%	27%
Instruction in English, math, science, and social studies in high school	+	13%	11%	15%	10%
	-	28%	42%	28%	24%
Extra help for students who need it -- any level	+	16%	21%	15%	18%
	-	44%	53%	45%	40%
Instruction in art -- any level	+	5%	5%	5%	4%
	-	24%	32%	22%	27%
Instruction in music -- any level	+	5%	5%	5%	4%
	-	25%	47%	22%	25%
Advanced or enrichment classes	+	9%	0%	11%	8%
	-	35%	47%	38%	30%
Career and technical education	+	6%	6%	5%	6%
	-	28%	44%	27%	26%
Second language instruction at the middle or high school levels	+	7%	0%	7%	8%
	-	24%	35%	25%	22%
Special education	+	11%	26%	10%	12%
	-	19%	21%	19%	18%
Athletics	+	5%	6%	6%	4%
	-	33%	35%	33%	32%
Other extracurricular activities	+	3%	0%	4%	3%
	-	38%	39%	38%	39%
Student counseling, social work, mental health or similar support services	+	6%	11%	5%	7%
	-	29%	37%	30%	25%
Student transportation	+	4%	5%	5%	1%
	-	21%	21%	22%	20%
Operations and maintenance	+	6%	11%	6%	5%
	-	44%	53%	44%	43%
Administration	+	5%	11%	5%	3%
	-	40%	53%	39%	39%
School safety/security	+	22%	16%	17%	29%
	-	18%	32%	18%	15%

Percentage of superintendents by indicating their district has sufficient resources for successful Common Core implementation, by district type

	City	Rural	Suburban	Total
Professional development for teachers	28%	23%	21%	22%
Professional development for administrators	33%	26%	21%	24%
Curriculum development	33%	26%	19%	23%
Textbooks & other instructional materials	39%	23%	19%	21%
Technology for instruction	33%	28%	33%	31%
Technology for assessment	33%	20%	31%	26%
Extra help for at-risk students	17%	18%	19%	18%

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