

# Testimony of Brian S. Cechnicki, Executive Director on the 2024-25 Executive Budget



Elementary and Secondary Education  
Joint Legislative Budget Hearing  
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ASBO  
NEW YORK

ASSOCIATION  
OF SCHOOL  
BUSINESS OFFICIALS

## **Introduction**

Chairs Krueger and Weinstein, distinguished members of the committees: thank you for the opportunity to share with you the thoughts and concerns of the Association of School Business Officials of New York on the 2024-25 Executive Budget proposal. ASBO New York represents nearly 3,000 individuals in nearly all school districts who work in the finance and operations of New York’s schools. As you can imagine, the budget proposal this year significantly impacts many of those districts and members.

The areas we support and are concerned about are categorized below according to our State Aid Proposal and Legislative Priorities, which can be found at [www.schoolbiz.info](http://www.schoolbiz.info) along with other analyses and tools we have developed in response to the Executive Budget.

## **Effective and Equitable School District Funding**

### ***Overall School Aid***

The overall proposed School Aid increase of \$825 million is significantly below the \$1.25 billion that current law would otherwise generate. This is further masked by the fact that while there is no actual proposed expansion of Universal Prekindergarten, the aid estimates include a nearly \$100 million increase based on the difference between current utilization of the program and the maximum grants allowed.

To fulfill the promises the State has made in recent years and to continue the incredible progress that has been made, ASBO recommends the actions be taken:

- School Aid should be provided at current law levels.
- The state should pursue separating prekindergarten from being included with the rest of the School Aid formulas, in order to avoid over-inflating increases that do not materialize.

### ***Foundation Aid***

Most concerning in this budget proposal are the significant cuts to nearly half the school districts in the state. To accomplish this, the governor has proposed two major changes to the Foundation Aid formula: 1) to reduce the inflationary growth included within the formula for years in which a Successful Schools Study has not been conducted, and 2) eliminating the current “save harmless” provisions that 50% of districts in the state rely upon.

## **Inflation**

First, with respect to the inflationary adjustment, we recognize that the governor’s proposal is reducing the amount of an estimated increase. One of the pillars of the Foundation Aid formula was meant to be its predictability to help school districts plan their budget process. Changing major factors on a whim on an annual basis undercuts that important aspect.

**Figure 1. CPI Factor Used in Calculating 2024-25 Foundation Aid**

Initial SED Estimate	Final Current Law	Executive Budget
3.8%	4.1%	2.4%

This inflationary change reduces the expected increases to school districts by \$289 million.

## **Elimination of the Save Harmless Provision**

Second, and most concerning, is the governor’s proposal to eliminate the save harmless provision and replace it with a “transition adjustment”, which creates a year-over-year cut of \$168 million to 337 districts across the state.

**Figure 2. Impact of Save Harmless Cuts by Need Resource Category**

N/RC	Foundation Aid Cut
NYC/Big 5 Cities	\$0
High Need Urban Suburban	\$6.2 Million
High Need Rural	\$27.8 Million
Average Need	\$96.5 Million
Low Need	\$37.4 Million

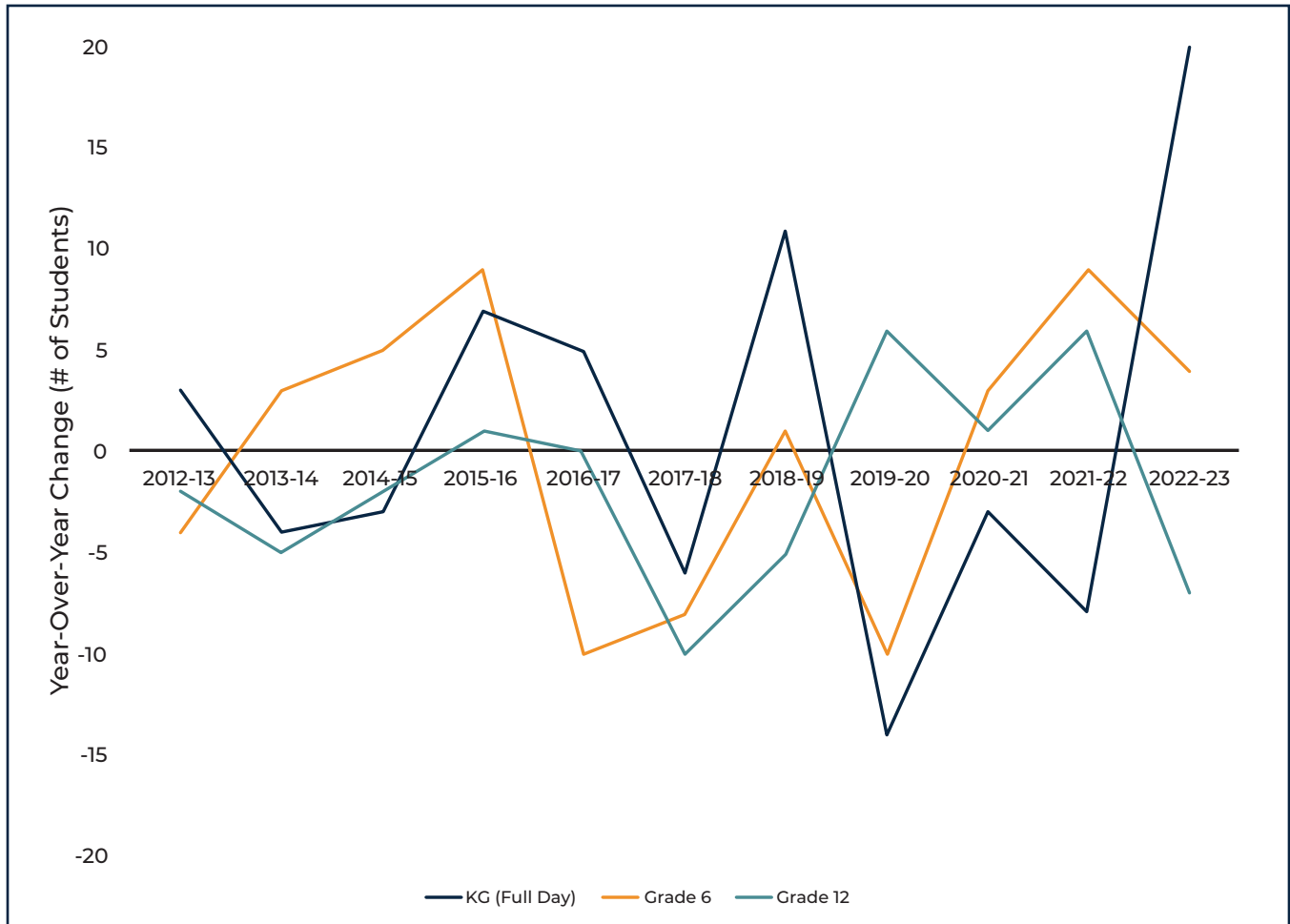
Beneath the surface, these cuts are especially devastating in many High Need Rural Schools, whose budgets are made from a significant portion of state aid. Thirty-two districts—nearly a tenth of those impacted by this cut--would see a state aid reduction equal to 5% or more of their total budget, with three districts witnessing over a 10% reduction.

## **Enrollment Declines ≠ Cost Savings**

While many school districts in New York have lost enrollment since 2012-2013, these losses have progressed moderately over time in a way that is challenging for schools to adequately respond to in any given year. Using data from SED, we analyzed the enrollment trends of the 337 districts on Save Harmless in 2023-24. Between 2012-13 and 2022-23, 35% of these districts never experienced a year-over-year decline greater than 5%. Less than 10% of these Save Harmless districts experienced four or more years of declines greater than 5%.

With the removal of the Save Harmless provision, one high-need rural Otsego County district could lose Foundation Aid equivalent to 5.8% of its estimated total general fund expenditures (TGFE). Between 2012-13 and 2022-23, this district lost 78 students - a 15% decline in enrollment. However, by analyzing the year-over-year change in each grade level’s enrollment, the difficulty of responding to these fluctuations by simply cutting spending becomes clear. Given the trends in Figure 3 below, the district would find it difficult to eliminate very many teachers. They certainly would not be able to close a school, since they only have one building. This district also provides essential services to its rural community; it just recently opened a school-based health center for enrolled students.

**Figure 3. Enrollment Trends in an Otsego County District**



Under the Executive Budget Proposal, the top-ranked twenty Save Harmless districts, according to the cut as a percent of TGFE, would lose \$19 Million in Foundation Aid in 2024-25. However, these districts collectively lost 23% of their total enrollment—which only represents 2,034 students—over a 10-year period. On average, this translates to about only 10 students per district per year. As the example above demonstrates, small, incremental declines in enrollment do not present the kinds of economies of scale opportunities that the governor’s proposed aid cuts assume are possible.

### **Declining Enrollment Already Reduces State Aid**

It is also important to note that declines in enrollment can have significant impacts on many different components of School Aid formulas, not just on the topline Foundation Aid amount. The income and property wealth measurements used in many reimbursement formulas calculate per pupil income and property values in a district compared to the rest of the state. Even if the wealth measurements remain flat, declining enrollment can lead the formulas to treat the district as having greater local fiscal capacity and reduce reimbursement rates. One district in Schoharie County has seen its Combined Wealth Ratio increase from 0.776 to 1.058 in just three years. This means that the formulas went from considering it to be 22% below the state average in income and property wealth to now being above average, with reimbursement rates reduced accordingly. For example, over the same time period, this district’s Transportation Aid reimbursement rate has dropped from 71.2% to 54.9%, and their BOCES Aid ratio has dropped from 53.4% to 51.6%. Without the governor’s proposed cut, this district was already feeling the pain of reduced state aid as a result of its declining enrollment.

All of the factors laid out above point to an important conclusion: a thorough review of the formula is needed, one that looks at all inputs and factors. Simply cherry-picking a few isolated changes that happen to reduce the state's obligation to fully fund school districts does a disservice to the hard work that has been completed over many years—including by the Governor—to achieve full funding of Foundation Aid.

### ***Prior Year Claims/Adjustments***

The School Aid calculation process is lengthy and arduous, often ending in a reconciliation long after the school year has ended. Sometimes districts find themselves with aid penalties that are ultimately forgiven by the state administratively or through legislation. When these things occur, a basic injustice is served in the final act: when the district owes the state money, the state immediately takes it back in the next aid payment; but if the state instead owes the district money, it goes into a queue to be paid at a later date subject to annual appropriation.

That queue currently stands at \$305 million, including over \$132 million to New York City. The Executive Budget once again failed to include an appropriation for this purpose, which, if enacted, would mean this would be the fourth straight year in which funding was not provided. Even if the appropriation were restored at its original \$18 million level, new claims to districts outside NYC would wait 17 years to be paid, and for NYC the wait would be 19 years.

ASBO opposes the Executive's proposed changes to the Foundation Aid Formula and asks the Legislature to reject these changes and restore funding to current law levels. Specifically, the final budget should include:

- Full funding under current law of the Foundation Aid formula, including restoration of the “save-harmless” calculation and the one-year CPI calculation.
- A due minimum increase in aid for all districts.
- Funds to support a comprehensive study of the Foundation Aid Formula to consider all inputs including student need and district wealth, not only enrollment.
- Provide funding to pay down the prior year adjustment queue (funds owed to districts from previous years).

### **Expanding Student Opportunities**

Rather than exploring ways to expand opportunities for all students in New York State, the Executive Budget would close doors—literally and figuratively—to many students at a time when enriched education has never been more important.

Districts have needs beyond the general operating support that Foundation Aid provides. From early childhood learning through prekindergarten programs, to career and technical education opportunities in high school, to providing special education services to eligible individuals for the entirety of their school career, educational opportunities must extend beyond simply basic instruction in core courses.

To ensure that all students have access to the programs and services they need and deserve, ASBO recommends the following items be funded in the final budget:

- Increase BOCES aid rates to allow the first \$60,000 in CTE teacher salary to be aidable, rather than the currently allowable first \$30,000.
- Amend state law to allow state aid to be paid to districts to support special education students through the end of the school year in which they turn 22 (“FAPE 22”).
- Support the Executive proposal to update the supplement vs. supplant requirements for state aid for prekindergarten programs.

## **Strengthening the School Operations Workforce**

In order to truly be the driving force of children's education, schools and school districts require a capable and motivated workforce, from the teachers who are providing the actual education to all the finance and operations staff who support the creation of successful educational spaces and programs.

School districts and school district business offices are suffering from the impacts of the workforce shortages that other employers are experiencing. Districts are doing all they can locally to recruit and retain staff. However, districts need some support to maintain current staffing.

To assist with these needs, ASBO recommends the final budget include the following:

- Extension of the authority for public sector retirees to return to school district or BOCES service without a pension penalty.
- Accept the Executive's proposed repeal of the COVID-19 sick leave provision.

## **Investing in School Infrastructure**

The state-mandated transition to zero-emission buses will be a significant financial and operational challenge for school districts around the state. Districts are doing their part to meet the 2027 deadline to purchase only zero-emission buses. However, districts cannot make this transition alone. The State, municipalities, energy producers, manufacturers, contractors, and others will all have to do their part to make this an achievable goal.

To continue progressing, ASBO recommends the following be included in the final budget:

- Support the Executive proposal to enhance Transportation Aid when grants or vouchers have been awarded for zero-emission vehicles.
- Require NYSERDA to update guidance to school districts annually.
- Establish statewide policy and procedures addressing next steps in the event of a failed bond vote.

## **Promoting Sound Financial Practices**

School districts do not control the timing of incoming revenue. They are depending on a State-dictated aid payment schedule, and municipal tax payment schedules. Unfortunately, these schedules do not always align with required payment schedules for payroll, transportation costs, and special education tuition, and as such, districts are forced to borrow money to meet these obligations, resulting in fees and interest charges.

To reduce these costs to taxpayers, ASBO recommends the final budget include the following:

- Authorize districts to borrow from designated reserve funds for short-term borrowing.

## Conclusion

Many school districts around the state were already facing significant challenges in the coming years prior to the release of the governor’s Executive Budget, which would actually cut, on a year-to-year basis, state aid to half the schools in New York State. In the time since the proposal was unveiled, much has been made about whether these cuts are real and necessary, or if they are simply a part of the “budget dance” that occurs every year in order to keep state spending growth as low as is practically and politically possible. While there are real conversations to be had about declining enrollment in many districts across the state, the starting point is a review of the Foundation Aid formula, and not an indiscriminate cut that cherry-picks which factors to employ in service to saving the state money. We are happy to participate in those discussions, but we are troubled not only by the process and mechanism by which these cuts have been proposed, but also by the financial difficulty these cuts will cause districts given they must complete their own local budgets in only a few month’s time.

If I may take a brief moment of personal privilege in closing, in addition to representing the statewide interests of school business officials, including many in districts impacted by these proposed cuts, I am also a product of one of these rural communities. I have witnessed firsthand the slow hollowing out of some wonderful places in this state, as leaders in these communities struggle to provide the same opportunities I and others were afforded. On a two-mile stretch of the road that I grew up on, where once thirteen children attended local schools, now none do, as they have grown up and moved away while their parents have remained.

I was heartened by the governor’s focus on this very dynamic in her State of the State Address this year, glad to hear a statewide leader shine a spotlight on this disturbing trend, and commit the financial and policymaking might of the state to help restore these communities to what they once were. I stand ready to support that effort. But cutting aid to these communities and pulling the rug out from under them is not the way.

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