ASBO NEW YORK | ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

Joint Legislative Budget Hearing Testimony - Elementary and Secondary Education

January 28, 2021

Brian Cechnicki, Executive Director

Introduction

ASBO New York, after a detailed review of one of the most complicated and convoluted state aid proposals in recent memory, has serious concerns that the FY2022 Executive Budget proposal, if enacted, would have long-term negative implications for school districts throughout the state. Through the utilization of federal funds to supplant state expenditures, continued stagnation of Foundation Aid funding, and consolidation of categorical aid categories, this proposal provides little assistance to school districts faced with increased costs as a result of the COVID-19 pandemic. Worse, it creates a fiscal cliff that has the potential to exert more dire consequences than the Gap Elimination Adjustment a decade ago.

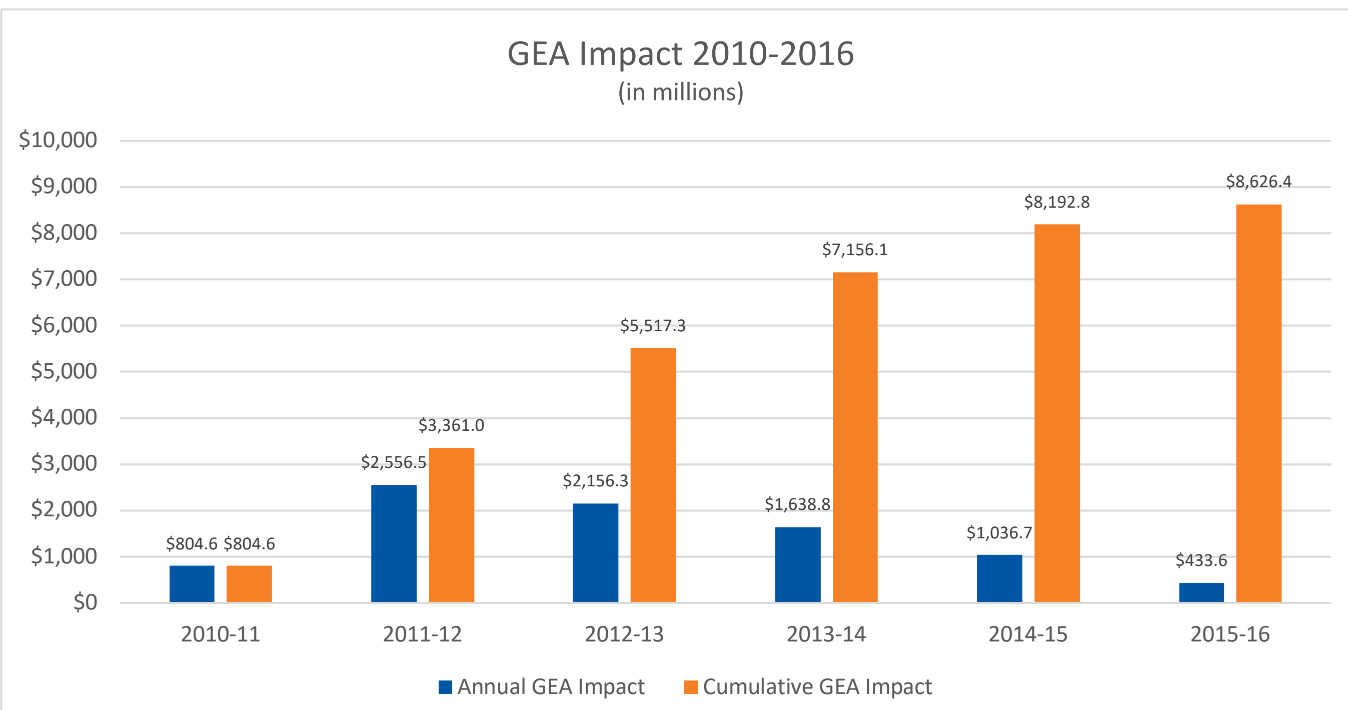
Use of Federal Funds and the Coming Fiscal Cliff

In response to nation-wide advocacy efforts, the federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law on December 27, 2020. In doing so, Congress allocated $3.8 billion to go to New York State school districts; this money is in addition to CARES Act funds, which provided $1.1 billion last spring. While we welcome these funds being made available to school districts, this proposal would use $2 billion of the new money to backfill reductions made in state education funding elsewhere. This is a continuation of policies implemented in the FY2021 Enacted Budget when the CARES Act $1.1 billion was used to backfill cuts.

The governor’s own financial plan leaves a major funding gap. In just twelve months, the projected growth in school aid over a four-year period has been cut by $10 billion; $13.6 billion when you count payments to school districts for reimbursing the STAR program. After accounting for the CARES and CRRSA funding, that still leaves an $8.7 billion fiscal cliff that school districts will be pushed over after this year, resulting in dramatic cuts to educational programs.

State Support (excluding CARES and CRRSA; including STAR)					
	2019-20 SY*	2020-21 SY	2021-22 SY	2022-23 SY	2023-24 SY
Feb 2020 Executive	$29,552	$30,550	$31,647	$32,765	$33,919
April 2020 Enacted	$29,552	$28,853	$29,897	$30,769	$31,604
Jan 2021 Executive	$29,552	$28,481	$27,876	$28,964	$29,977
Change since last year		($2,069)	($3,771)	($3,801)	($3,942)
Total lost state supported school aid					($13,583)
***From April Enacted**					

Relying on emergency federal funds to support critical education funding has been attempted before with disastrous results. Between 2009 and 2011, the state cut aid to schools and backfilled those cuts with federal American Recovery and Reinvestment Act (ARRA) funding; when those federal dollars expired, districts faced a $2.6 billion reduction in state aid that took five years to fully restore. This year's proposal is a ghost of the past that school districts are all too familiar with, as they are still dealing with the programmatic fallout from those cuts.



453 New Karner Road, Albany, New York 12205 518.434.2281 www.asbonewyork.org

In a report written in collaboration with the New York State School Boards Association entitled *A Lost Generation? The Impact of State Aid Cuts and COVID-19 on Students*, ASBO surveyed school business officials on the potential impacts of increased operating expenses due to the pandemic and state aid cuts. Our research found that multi-year state aid cuts of this magnitude could result in 38 percent of school districts experiencing either financial or educational insolvency.

COVID-19 Related Expenses

In the previously mentioned report, at the beginning of the 2020-21 school year, school districts were asked about the costs of reopening their schools, whether their district planned for a fully in-person, virtual, or hybrid model. The 181 districts that responded provide concrete data on the additional costs of operating during a global public health crisis. At the time of response, in September 2020, school districts reported COVID-19 specific expenses of around $219 per student. Extrapolating this number out statewide means school districts likely spent over $500 million reopening schools. The most frequently cited expense for school districts was acquiring and stocking PPE, which suggests that the cost of keeping schools open extends beyond the cost of reopening them.

The good news for school districts is that the federal government has provided significant funding to help with these costs over the course of multiple years. The bad news is that the FY2022 Executive Budget uses them all as a one-shot in the 2021-22 school year, with a large portion of it dedicated to backfilling state cuts rather than their intended purpose of covering these extraordinary expenses.

We also support the governor’s proposal to extend aid eligibility to the costs last spring for meal and homework delivery while schools were closed pursuant to executive order. We would like to see this proposal extended to “stand-by” costs borne by districts with self-operated transportation programs who kept their transportation employees on the payroll, consistent with guidance from the CARES Act, as well as those that maintained their transportation contracts and to remove the artificial claiming deadline from this aid eligibility.

Consolidation and Reduction of Expense-Based Aids

The FY2022 Executive Budget proposal, like in previous years, would eliminate reimbursement aids to school districts, consolidating these aids into a single block grant called “Services Aid.” This single block grant would no longer reimburse districts for costs incurred for things such as the utilization of services provided by Boards of Cooperative Educational Services (BOCES) or pupil transportation. Instead, state aid for these expenses would be capped at 2021-2022 levels less a $700 million cut backfilled for the current year with federal dollars.

The governor has long sought to end the use of expense-based aids to reimburse school districts for providing much-needed services to their students, citing the growth in these expenses. This proposal fails to address factors cost drivers of these aids. Transportation costs have increased as school districts face declines in competition for transportation contracts, a statewide bus driver shortage, and escalating costs associated with foster and homeless student transportation. We urge the legislature not to shift the burden of these costs to school districts and instead work to find policy solutions that would save both the state and individual school districts much needed financial resources.

BOCES provide critically needed educational services and programs that would be cost-prohibitive for a single district to pursue. These range from special education services to career and technical education programs. Eliminating BOCES reimbursements to school districts would decimate their ability to fund these services while failing to recognize the efficiencies achieved through the cooperation between districts.

With respect to the claiming process for reimbursement of the expense-based aids, the governor has also appropriated $41 million in capital funding for a new state aid data system. Our members work daily with the existing antiquated systems used by the State Education Department and know well how dire the upgrade needs are. We support this funding allocation.

STAR Reimbursement

The governor’s proposal includes a $1.3 billion reduction in School Tax Relief (STAR) Exemption payments to school districts. The STAR Exemption program provides relief to New Yorkers by reimbursing school districts for property tax exemptions applied to primary residents. A reduction in STAR payments to school districts represents a backdoor cut to school aid, as districts have no control over STAR tax exemptions. Any continued reduction in reimbursement from the state without additional federal funds in the future will lead to revenue shortfalls for schools.

The “local district funding adjustment” levied against STAR payments is, quite simply, the GEA 2.0.

Conclusion

The very real threat of a GEA 2.0 sends chills through education advocates across the state. This time paired with additional challenges from the pandemic, the new GEA could be even more destructive for public schools. The combined challenges of revenue restraints and additional recurring expenses leave school districts in a vulnerable state.

When the GEA first truly hit districts, the Great Recession had devastated local economies. However, districts faced no restrictions on their local levies until the Tax Cap was implemented during the 2012-2013 school year.

Small reforms to the tax cap, including eliminating negative tax caps, making the growth factor the larger of 2% or the rate of inflation, and allowing school districts to exempt COVID-19 expenses from their tax cap calculations, would provide much-needed flexibility in raising revenue and long-range planning for the coming crisis.

Like New York State as a whole, school districts faced incredible challenges over the past year. Despite facing the threat of aid withholdings, increased operating expenses, and shifts in education models, school districts demonstrated their importance to the communities of which they are apart. It is imperative that we support our schools by ensuring that they have the resources necessary to provide a high-quality education to all New Yorkers, now and in the future.