

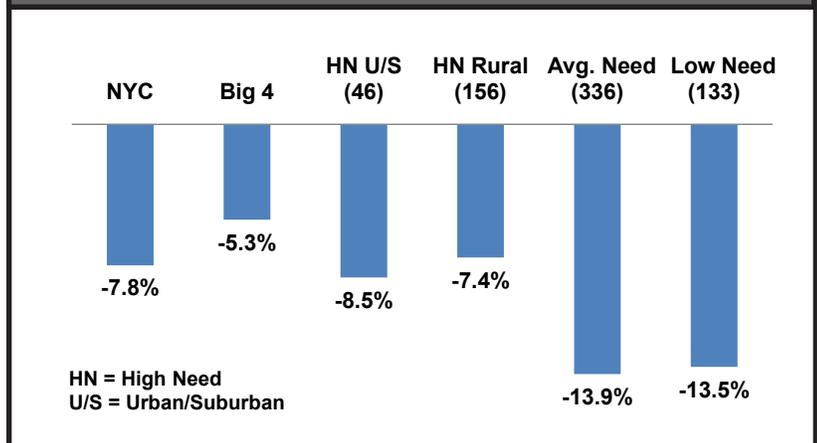


Fiscal Impact of Proposed School Aid Cuts

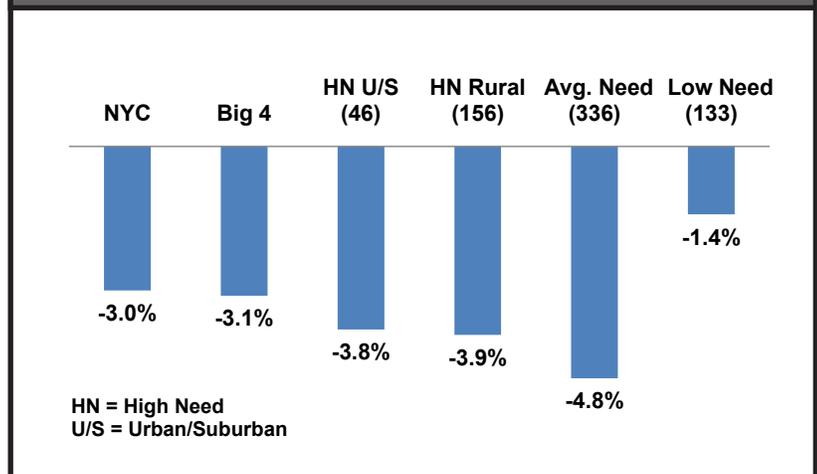
Size of Proposed Reductions

- The 2011-12 Executive Budget proposes a \$1.5 billion net cut in State aid to schools, which would result in a 7.3 percent decrease in aid to districts statewide, translating to a 2.9 percent reduction to total general fund budgets. This net cut is the result of maintaining certain aid programs at the prior year's level, allowing growth in several other aid programs, and imposing a \$2.8 billion "gap elimination adjustment" (GEA) on all but the building and universal pre-kindergarten aid programs.¹ The Governor has proposed keeping future aid growth to "sustainable levels" through GEAs as well.²
- If building aid is excluded (since it cannot be used toward operating budgets), the actual operating aid reduction is slightly higher—\$1.7 billion (\$566 million in New York City; \$1.1 billion for all other districts).
- This would result in a median operating aid cut of 12.5 percent, with eight school districts experiencing cuts of over 20 percent. While most districts would experience double-digit decreases in State funding, low- and average-need districts would have the largest cuts.
- As a percentage of district budgets, the reduction would result in a median cut of 3.7 percent. Again, the greatest impact would be on average-need districts. The impact on low-need districts' budgets would be relatively modest, since State aid represents a small percentage of their total revenue.

Average Proposed Percentage Change in Operating Aid, 2010-11 to 2011-12, by Type of District



Average Proposed Change in Operating Aid as a Percentage of 2010-11 General Fund Budgets, by Type of District



¹ The GEA is a school aid reduction, but instead of being calculated into the base of individual aids, it is imposed on the total of all formula aids other than building and universal prekindergarten aids after these are projected. The total reduction is calculated according to a separate formula, which takes into account various factors, including the wealth of the district and needs of its students.

² All figures referenced in this report are on a school year basis.

Local Government Snapshot

Use of Reserves to Offset Aid Cuts

- To help mitigate the proposed reductions, the Governor has proposed that school districts use existing undesignated reserves and the unspent portion of monies from the federal Education Jobs Fund (Ed Jobs) program as a way to fill the gap. Additionally, he has proposed allowing districts to use excess funds in their Employee Benefit Accrued Liability Reserve (EBALR) fund to maintain educational programming during the 2011-12 school year that would otherwise be reduced as a result of the GEA.
- According to information reported to the Office of the State Comptroller (OSC), as of the beginning of the 2010-11 school year, schools (outside of New York City) reported \$1.77 billion in undesignated reserves and \$306 million in excess EBALR reserves. As of January 2011, districts also reported having \$354 million in Ed Jobs funds still available for school year 2011-12.
- The reserve figures above represent the best information available at this time, but they are only estimates. The undesignated fund balances available at the end of 2010-11 will determine how much can be appropriated in 2011-12. The self-reported EBALR estimates are currently under review and subject to change.
- According to the figures OSC has at this point, however, most districts would be able to cover aid cuts by spending down reserves, although about 100 districts would not. However, since costs tend to rise from year to year, districts that cover only aid cuts could still need to make operating reductions. If districts also had to cover a moderate cost increase of 3 percent out of their reserve funds, about twice as many would be unable to do so.

Proposed Operating Cuts vs. Available Reserves (in millions, excluding NYC)

Operating cuts proposed for 2011-12	(\$1,143)
Undesignated reserves as of beginning of 2010-11	\$1,769
Estimated EBALR reserves as of beginning of 2010-11*	\$306
Ed Jobs funds reserved for 2011-12	\$354
*NOTE: OSC is currently in the process of collecting updated information; this figure is subject to change	

Deficit After Use of Proposed Reserves (excluding NYC)

	To Cover Cuts			
	Number of Districts		Millions of Dollars	
	Flat	3%	Flat	3%
Available Under Current Law (Undesignated Reserves and Ed Jobs)	117	209	(\$68)	(\$171)
All Suggested Reserves (including est. EBALR)*	94	171	(\$55)	(\$144)

*NOTE: OSC is currently in the process of collecting updated information; this figure is subject to change

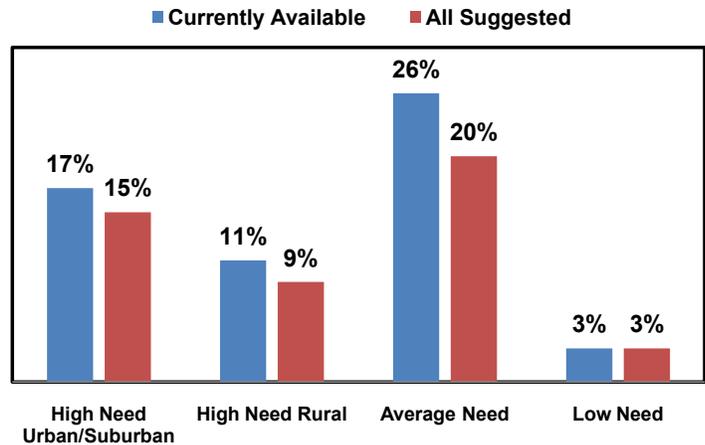
Local Government Snapshot

- Although the budget proposes cuts of similar sizes for low- and average-need districts, average-need districts are much less likely to be able to make up for aid cuts with reserves – less likely, even, than high-need districts, since the higher need districts had lower aid cuts. Almost all low-need districts would be able to cover the difference.
- Regionally, districts in Central New York and the Finger Lakes appear to have the least ability to tap reserves to mitigate the proposed school aid cuts, and would have the greatest dependence on accessing excess EBALR funds in order to do so.

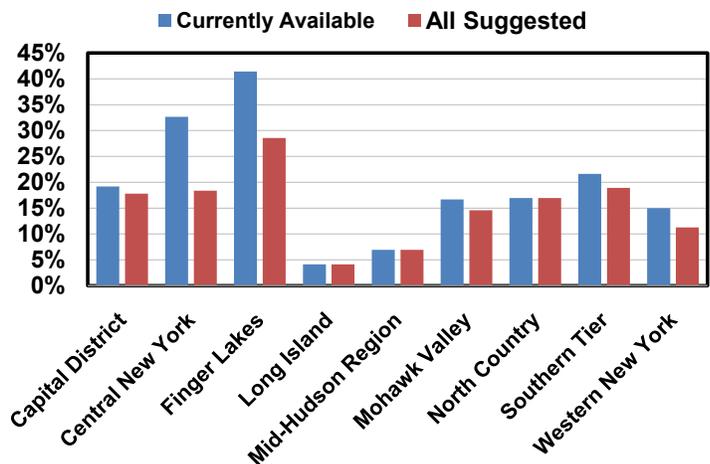
Long-Term Implications of Using Reserves

- Many districts that could use reserves to completely cover aid cuts would deplete all or most of their reserves in a single school year in order to do so. This one-time fix would severely limit their flexibility to deal with future challenges. These challenges include the following:
 - The Executive Budget proposes delaying the phase-in of Foundation Aid and indefinitely extending the GEA to limit school aid growth.
 - Districts are facing long-term spending pressures, which they have yet to fully address.
 - The Governor's proposed 2 percent tax cap, if passed, would limit local districts' flexibility to raise additional revenue to make up for losses in State funding.

Percentage of Districts Lacking Reserves to Cover Proposed Operating Cuts, by Type of District (excluding Big 4 and NYC)

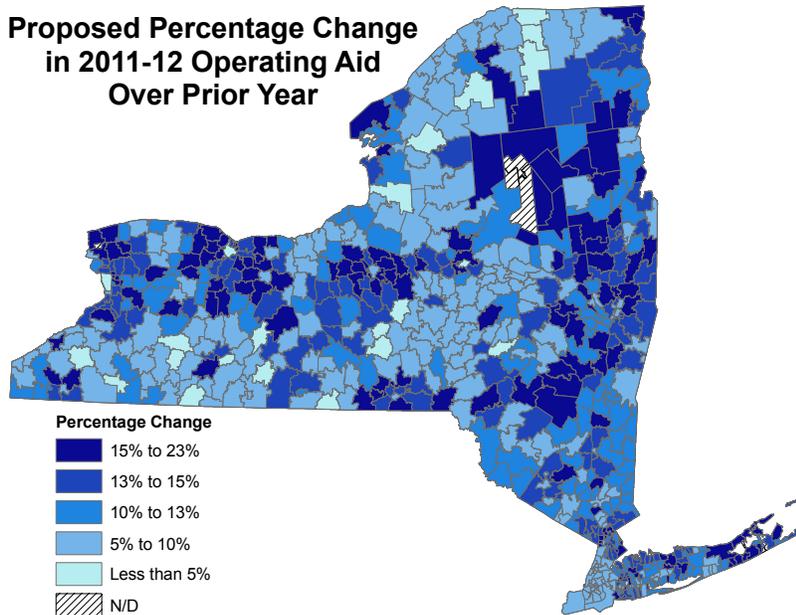


Percentage of Districts Lacking Reserves to Cover Proposed Operating Cuts, by Region (excluding NYC)

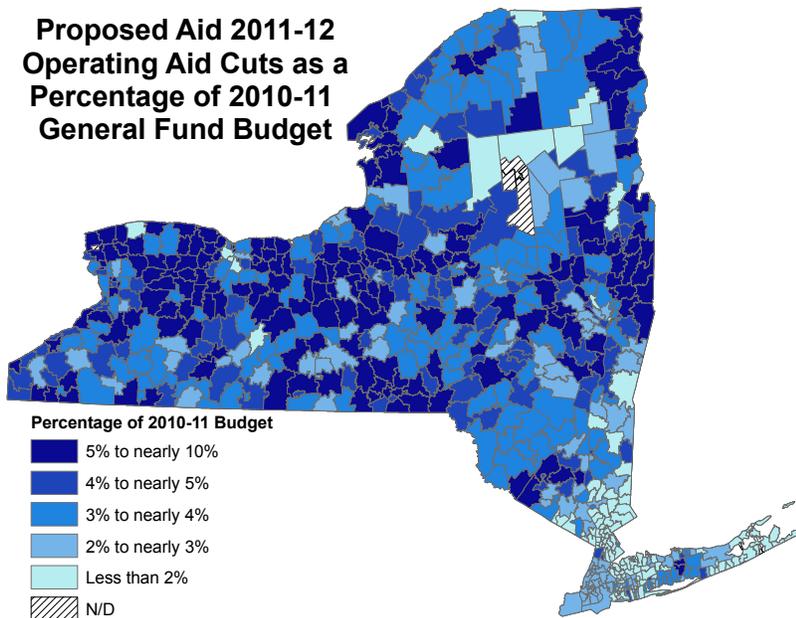


Local Government Snapshot

**Proposed Percentage Change
in 2011-12 Operating Aid
Over Prior Year**



**Proposed Aid 2011-12
Operating Aid Cuts as a
Percentage of 2010-11
General Fund Budget**



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