

A state aid increase of at least \$1.7 billion is necessary to enable New York's public schools simply to preserve current services to students. The proposed state budget would provide only half the amount needed by schools.

The Council advocates four key components for the School Aid package to be enacted in the next state budget:

1. End the Gap Elimination adjustment.
2. Increase Foundation Aid and commit to implementing an updated formula.
3. Fund aid levels promised by current law formulas for expense-based and categorical aids.
4. Provide additional support for priority initiatives.

## *Fiscal Background*

The Educational Conference Board (ECB), a coalition of statewide public school leadership groups, including the Council, has called for a \$2.2 billion increase in total state aid to public schools and projects that schools would require an increase of \$1.7 billion to maintain current services. ECB applied these assumptions:

- A 2.7 percent increase in salaries, consistent with an estimate for private sector workers in 2016 from the Society for Human Resources Management;
- A 6.6 percent increase in health insurance costs, in line with projections for the state workforce from the Division of Budget;
- A decrease in Teachers Retirement System (TRS) pension contributions, reflecting estimates for 2016-17 from the TRS Board of Directors;
- A 2.3 percent inflationary increase applied to all other costs, based on the 2016 increase in the Consumer Price Index (CPI) as projected last summer; and
- No offset from increased local revenues due to the reality of a near zero property tax cap.

The Governor's budget would increase School Aid by \$991 million for 2016-17. The sum includes \$128 million for new initiatives, chiefly Community Schools and expanded prekindergarten. Accordingly, \$863 million would be available to fund current school services – about half the total aid needed by districts.

## Council Recommendations

- 1. End the Gap Elimination Adjustment:** The Gap Elimination Adjustment (GEA) was enacted to help to close state budget gaps that emerged during the Great Recession. It operates as a bottom-line reduction in total state aid to schools districts: aid under regular permanent formulas is calculated, then that sum is reduced by the amount prescribed by the GEA. But state budget gaps are now gone and surpluses are predicted for the foreseeable future. It is time to completely eliminate the GEA.

*The Council recommends a total investment of \$434 million to completely eliminate the GEA in 2016-17, an additional investment of \$245 million over the Executive budget.*

- 2. Increase Foundation Aid and commit to implementing an updated formula:**

Foundation Aid was enacted in 2007 as part of the effort to resolve the Campaign for Fiscal Equity's successful challenge to the constitutionality of the state's system of school finance. After completing two years of a planned four-year phase-in, Foundation Aid was frozen for three years, then received minimal increases for three years.

As enacted, the formula generally provided the greatest aid per pupil to the neediest districts while promising all districts more predictable state funding going forward. But the state is now over \$4 billion behind in phasing in the enacted formula and, after nearly decade, it must be updated.

*The Council calls for increasing Foundation Aid by at least \$600 million over 2015-16 and committing to a three-year plan to phase-in an updated Foundation Aid formula.*

- 3. Fund aid levels promised by current law formulas for expense-based and categorical aids.** The Governor proposes to fund existing expense-based and categorical aid programs in accordance with enacted formulas. This enables schools to receive state funding for costs they incurred this year with the presumption that promised aid will be forthcoming next year.
- 4. Provide additional support for priority initiatives.** In addition to assuring adequate aid to enable schools to maintain current services, the state should provide additional funding to empower schools to improve opportunities and outcomes for all students. These should include expanding prekindergarten, improving career and technical education, supporting struggling schools, and helping schools serve children who are English Language Learners.

The Governor proposes \$100 million to fund child and family services through Community Schools. This is a worthwhile initiative, but adequate aid must be provided to at least maintain current basic operations.

*Ending the GEA is imperative but insufficient. Now the GEA is hurting so-called average need districts the most, reducing their aid by an average of \$310 per pupil. But ending the GEA alone will not do enough to assist schools serving many of the poorest communities and their children. High need rural districts, for example, would gain only \$13 per pupil over their 2015-16 state aid, or only one dollar more per pupil over the Governor's proposal.*

*Further increasing Foundation Aid is imperative for the poorest districts this year. Committing to a plan for fully implementing an updated Foundation Aid formula is essential to a financially sustainable future for all districts.*

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