

ISSUE BRIEF

Gap Elimination Adjustment

- Since the 2009-10 school year, the state has deducted from each school district's state aid allocation an amount now known as the Gap Elimination Adjustment (GEA) to help the state fill its revenue shortfall. The state must stop shifting its costs to local school districts.
- Districts have been coping with the cumulative impact of four of consecutive years of state aid losses resulting from the GEA. The net impact has been detrimental to students in the form of cuts in personnel, programs and services and the depletion of district reserves.
- NYSSBA strongly supports the elimination or additional reduction of the GEA.

WHERE DID THE GEA ORIGINATE?

In a nutshell, the state aid due to each district for the 2009-10 school year was reduced by an amount, based on a formula, known as the DRA. Simultaneously, the governor and legislature froze Foundation Aid, the largest education aid category, at 2008-09 levels. As a result, the DRA reduction was subtracted from a state aid total for each district that was already frozen at the previous year's level.

For the 2009-10 school year, the DRA reduced education aid to schools statewide by \$1.5 billion. Fortunately, the financial blow to school districts was partially offset by the influx of federal dollars through the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act of 2009.

In subsequent years, state leaders continued the DRA (renamed the GEA) in the 2010 State Budget, to fill the state's deficit at the expense of local school districts. For the next several years, school districts faced frozen and/or reduced state aid allocations, decreased further by the annual GEA cut. To make matters worse, no supplemental federal funding was available by the end of the 2011-12 school year. Districts could no longer mitigate some of the state aid loss with the federal ARRA funding and the 2010 Educational Jobs Fund (which was available to districts for two years). Since the GEA's inception, school districts have lost more than \$8 billion in GEA state aid cuts.

By also enacting the tax levy limit (popularly known as the property tax cap) in 2011, the state also limited districts' ability to raise local revenue. Since state aid and local property taxes are the primary sources of revenue for school districts, districts have been forced to make difficult choices to balance their budgets with reduced revenue. The degree of GEA impact varies among districts depending on distribution of GEA, distribution of GEA reduction and ability to raise local revenue.

GEA STATE AID CUTS FORCED DISTRICTS TO CUT PERSONNEL AND PROGRAMS

After several years of austerity budgets, school officials are forced to continue to cut knowing the severe consequences

for their educational program. Every additional cut in personnel and programming hurts more, report school board members.

The cuts made and the degrees to which they are cut vary among districts based on need. Board members statewide report being forced to make difficult staffing and programmatic changes based on finances.

The following are examples of these consequences:

Increasing class size, eliminating or reducing modified sport, music and drama, laying-off staff: teachers, administrators, teaching assistants, custodians, administrative assistants, closing school buildings, lessening security, restructuring each grade, reducing non-mandated curricula – Advanced Placement, business courses and other electives , decreasing academic intervention programs, reducing Career and Technical Education, making kindergarten half-day, eliminating or reducing prekindergarten, cutting summer school and enhanced summer school, reducing custodial services, and foregoing repairs and capital improvements (i.e., air conditioning, paving, safety repairs for bus loops)

GEA STATE AID CUTS FORCED DISTRICTS TO DEplete “RAINY DAY” RESERVES

In the past five years, school boards have been tapping into their districts’ fund balance and reserve funds (funds for a specific purpose authorized by statute) to limit the destructive effect of cuts to their districts’ educational program and to maintain tax levy increases at levels their communities can support.

Once spent, given state aid loss and limited local revenue, reserves and fund balance have been impossible to replenish. Despite strategic and prudent use, school board members across the state express concern that their fund balance and reserves will not last. Some districts report that they are one to two years away from the disastrous consequences of depleted reserves.

With limited fund balance, districts are in a precarious position to deal with unforeseen crises, such as natural disasters. In fact, for two consecutive years, school districts have suffered greatly through the havoc and destruction caused by Hurricane Irene, Tropical Storm Lee and most recently, Hurricane Sandy. Without reserves, districts do not have the cash-flow to address immediate needs during such crises.

WHAT WILL THE GEA MEAN FOR SCHOOL DISTRICTS IN FUTURE YEARS?

Make no mistake – continued state aid loss due to GEA reductions will continue to erode the quality of education school districts can provide. The State cannot continue to pass along its revenue shortfalls to local school districts. School boards have and will continue to strive for efficiencies but they will also be forced to continue making detrimental cuts to personnel, the educational program, services and extracurricular activities, and to continue depleting what is left of their reserves.

NYSSBA strongly supports the eradication of the GEA or at the very least, additional GEA reductions. School districts are limited in revenue by their two primary sources – state aid and local property taxes. Since the 2009-10 school year, school districts have lost more than \$8 billion in GEA state aid cuts. Any *savings* realized by New York State by the influx of federal aid for Hurricane Sandy relief should be directed to education, rather than any other governmental function. A portion of such new education funding should go toward the elimination or additional reduction of the GEA.