

# Shortchanging Students

*How The State Budget Crisis Will Change Our Schools*



  
**THE COUNCIL**<sup>of</sup>  
SCHOOL SUPERINTENDENTS

 New York State  
School Boards  
Association

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**Introduction**

New York State schools are poised to lay off thousands of teachers and other staff if Gov. David Paterson’s proposed \$1.3 billion cut in education aid for the 2010-11 school year is enacted, according to the results of a survey by the New York State Council of School Superintendents (the Council) and the New York State School Boards Association (NYSSBA). These job losses threaten both the quality of education and the health of local economies in communities throughout the state.

Under the governor’s proposed Executive Budget, 99 percent of school districts would see state aid cuts in the 2010-11 school year. The cuts would average 6.7 percent statewide, compared with 2009-10 funding levels (see Appendix A). More than three-quarters of New York school districts would see state aid cuts of greater than 5 percent, while nearly one-third would suffer state aid reductions of more than 10 percent. These figures exclude building aid, which reimburses districts for construction-related expenses they have already incurred.

In response to the proposed aid cuts, the Council and NYSSBA surveyed school superintendents across the state to gauge the impact of the loss of state aid on schools. Completed surveys were received from 323 of 702 superintendents, a response rate of 46 percent.

Results indicate that the possibility of a record cut in state aid will force school leaders to contemplate more drastic spending and program reductions than any adopted in recent memory. In addition to numerous job losses, the survey also found that school districts will have to use some combination of strategies – such as cutting school programs, raising tax levies, or draining reserves – to make up for the loss in state aid, threatening learning opportunities for students and a reversal in the recent slowing of property tax increases.

What follows are key findings from the survey.

**Holding down taxes and spending**

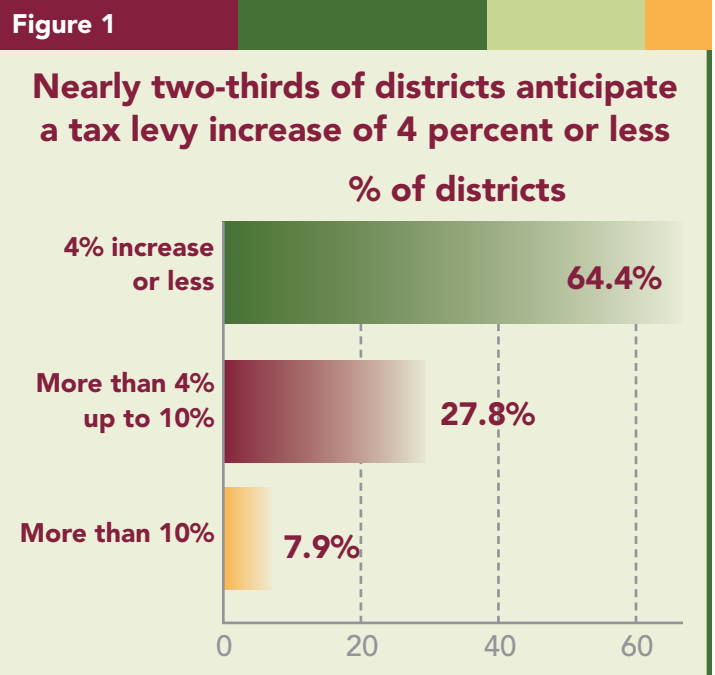
In 2003, the last time school aid was cut, districts proposed budgets with tax increases averaging 10 percent. *That will not happen in this budget cycle.*

Last year, despite flat operating aid from the state, the budgets school leaders presented to voters had the lowest average tax increase in seven years – about 2 percent. An influx of more than \$2 billion in federal stimulus dollars helped keep rates low.

This year, superintendents and school boards are again working hard to hold down property tax increases. According to our survey, 64 percent of districts expect to propose local tax levy increases of 4 percent or less (see Figure 1).

Notably, those districts that expect higher tax increases are in poorer regions of the state that are highly dependent on state aid. Local property wealth and income in these regions is well below the state average.

As a result, just to raise a small amount of revenue requires a higher property tax levy increase than in other areas of the state. See “A Tale of Two Districts” in Appendix B for an illustration of this phenomenon.



## Layoffs in the thousands

Because more than 70 percent of school spending is devoted to personnel and instruction, when large cuts are needed it becomes impossible to spare those areas – a dynamic reflected in our survey findings (see Figure 2). Most salaries are determined through collective bargaining. Pension contributions are fixed by the state. Health care and other benefit costs are set by insurance companies and through union negotiations. Therefore, the only way schools can unilaterally cut personnel costs is by cutting jobs.

If school districts are going to minimize property tax increases while dealing with rising expenses and decreased state aid, it will be impossible to avoid extensive employee layoffs.

Seventy-seven percent of school districts responding to our survey indicated they would have to lay off teachers under the governor’s proposed state aid funding levels. Total teacher layoffs numbered 2,609 for the 323 districts that responded. On average, these districts anticipate having to lay off 4.1 percent of the teachers they now employ.

Last year, school districts outside New York City employed a total of more than 153,000 classroom teachers. *If all districts are forced to make teacher layoffs at the 4.1 percent rate found in our survey, a total of nearly 6,300 teachers outside New York City could lose their jobs.* In New York City, Mayor Bloomberg has

warned that the Education Department may need to lay off 8,500 teachers under the governor’s proposal, bringing the total projected statewide count to 14,800 teacher layoffs.

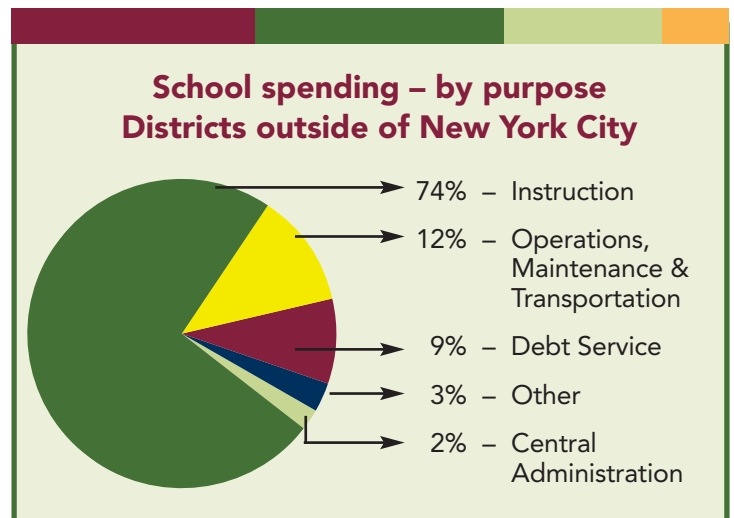
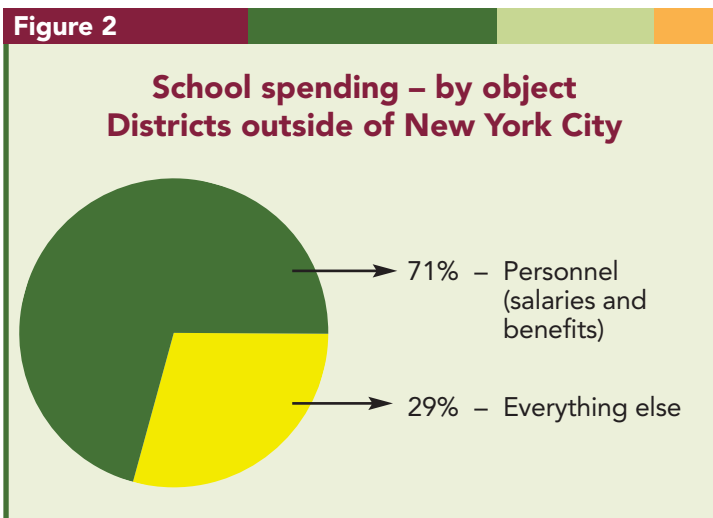
Districts responding to the survey indicated that they would pare another 857 teaching positions through retirements and attrition, comprising 1.4 percent of the teacher workforce. At this rate, another 2,113 teaching positions could be eliminated through retirement or attrition.

Responding school districts also said they would need to lay off 2,594 non-teaching staff (e.g., teacher aides, administrators, custodians, cafeteria workers, bus drivers, etc.). They identified another 489 job reductions among non-teaching staff through attrition and retirement, putting the total number of non-teaching positions lost at 3,083. That represents a 6.1 percent reduction in the total school workforce (see Figure 3).

Proportionately, layoffs are anticipated to be greater in non-teaching categories, though the overall numbers will be lower because there are more teachers.

Beyond the educational effects of widespread school layoffs, we should not ignore their impact on communities while prospects for an economic recovery remain fragile. Imagine the reactions if a private employer announced plans to lay off more than 6,000 workers across New York.

Figure 2



**Impact**

With staffing reductions of the magnitude being considered, schools will not be able to avoid affecting the services students receive. According to the survey:

- ✂ 79 percent of districts anticipate increasing class sizes
- ✂ 70 percent expect to reduce electives
- ✂ 67 percent may cut back extracurricular activities, including athletics
- ✂ 65 percent expect to trim or eliminate field trips
- ✂ 54 percent may defer equipment, new textbook, and library purchases
- ✂ 50 percent may need to eliminate or reduce summer school
- ✂ 39 to 43 percent anticipate scaling back other forms of extra help provided to students
- ✂ 39 percent would reduce transportation offered to students

In some of these areas, it should be recognized that districts cannot cut what they do not have. For example, the share of districts expecting to reduce summer school might be higher if more districts now offered that opportunity to students.

Also, some districts are weighing options not available to every district. For example, 22 percent of the districts serving more than over 10,000 students are considering closing a school building, while only one of the responding districts with fewer than 1,000 students is considering a building closure.

Districts also contemplate actions with less direct impacts upon students. For example:

- ✂ 87 percent of districts expect to reduce professional development for teachers and staff
- ✂ 57 percent may defer maintenance

Finally, more than 83 percent of school districts plan to use some or all of their undesignated reserves next year. Districts routinely use these “rainy day” funds to smooth out budget decisions from one year to the next.

**Figure 3**

**Estimated job reductions as % of workforce**

Workforce Category	Layoffs	Attrition	Total
Teachers	4.1%	1.4%	5.5%
Other instructional and student support	6.1%	1.4%	7.6%*
Administrators	5.3%	2.2%	7.5%
Other Employees	5.5%	0.8%	6.3%
<b>AVERAGE</b>	<b>4.8%</b>	<b>1.3%</b>	<b>6.1%</b>

\* Due to rounding

For example, districts would have needed to increase local taxes by an average of 4 percent in order to raise funds equivalent to what they withdrew from their undesignated reserves this year.

With the “funding cliff” looming in 2011-12 when federal stimulus aid and temporary tax increases are due to expire, schools are well advised not to completely drain their reserves in the coming year. In addition to the projected loss of billions in stimulus dollars, school districts face continuing increases in health insurance and pension costs going forward. For example, average health insurance premiums nationwide are projected to increase by more than 10 percent in 2010, and likely will continue at or near a double-digit pace in 2011, if trends continue.

After several years of decline, employee pension costs are expected to climb sharply over a multi-year period as well. The estimated employer contribution rate to the state Teachers’ Retirement System for school districts in 2010-11 is 8.62 percent of their total teacher salaries – an increase of 39 percent from 6.19 percent in the 2009-10 school year. School districts in 2010-11 will see a 61 percent increase in their pension contribution rates to the Employees’ Retirement System (for non-instructional employees) – up to 11.9 percent of employee payroll, compared to 7.4 percent in 2009-10.

## Lost Opportunities

Teacher and staff layoffs, especially on such a dramatic and widespread scale, will have inevitable consequences for students in New York's public schools. Beyond the disruption and human impact of job loss on the individuals and their families, we cannot remove thousands of teachers and other staff from the system without having an impact on class sizes, student achievement, and services provided to students.

**The fact is, the school aid increases delivered by state leaders in the middle of this decade made a difference.**

Gaps in resources between poor and affluent districts were closing. Test scores rose and dropout rates fell. This progress came at the same time that the rate of property tax increases was cut by half.

State aid increases made it possible for schools to deliver extra help to students. Put simply, students who struggle to meet standards need time to catch up – time in the form of extra instruction or extra individual attention from teachers and other school professionals.

Our survey and anecdotal reports from school leaders reveal these supports are likely to be lost in many districts as they struggle to accommodate state aid cuts.

The vast majority of districts expect to increase class sizes, reducing the opportunity for teachers to give time to individual students. High proportions also anticipate scaling back other forms of extra help, including summer school.

Lastly, restrictive state mandates and collective bargaining agreements sometimes make it hard for schools to keep employees who have contributed to gains in student achievement. Last hired, new reading teachers may need to be the first to be fired, for example, when budget cuts force layoffs. School leaders have little to no discretion when making cuts on the basis of seniority. Plus, the elimination of non-mandated programs could end key factors keeping some students in school. Music, art, extracurricular activities, and athletics all give some students their reason for staying engaged with school. They help promote attendance and achievement and reduce dropping out, especially among disadvantaged students.

## Conclusion

While an overwhelming majority of school districts plan to use some of their undesignated reserve funds in order to keep property taxes down and mitigate cuts to programs and staff, the public should still brace for widespread school layoffs.

Many school leaders and state officials fear that the 2011-12 school year may be even worse from a budget perspective than 2010-11. The reasons are many: the loss of federal stimulus dollars, which pumped some \$2.4 billion into New York schools over a two-year period; a projected multi-billion dollar budget gap over each of the next four years; and continued increases in the costs of employee benefits.

It is clear that the next few years will be grim for schools. The public can expect higher class sizes as districts shed staff through layoffs and attrition, along with dramatically reduced opportunities for extracurricular and elective classes – athletic programs, Advanced Placement courses, music and art programs, and fewer field trips. Summer school programs will be eliminated or reduced, as will other extra academic help to students. Some students will likely see reduced transportation services, especially in districts that provide transportation beyond mandated requirements. In some cases, districts are contemplating closing one or more school buildings.

**It should also be recognized that the layoffs, other job losses, and programmatic consequences found through our survey reflect the best efforts of school district leaders to construct budgets that can preserve student services and win voter approval.** If those budgets are rejected and districts are forced to adopt contingency budgets, there will be more layoffs and more reductions in student services. Spending increases under a contingency budget are capped at a figure tied to inflation.

There are no easy solutions to school districts' fiscal woes. School leaders understand that these challenging times require them to think differently, and operate more efficiently. Toward that end, they have been exploring shared services with municipalities, looking at functional consolidation with other school districts

and BOCES, and examining the concept of regional high schools.

As noted, personnel costs comprise 70 percent of school spending. But the ability of school districts to reduce those costs by any other means than job cuts is limited. Under the state's Triborough Amendment to the Taylor Law, annual "step" increases in salary are due, even when a collective bargaining agreement has expired. In some cases, districts and unions have renegotiated labor contracts as a way to avoid some layoffs and reduce the adverse impact of this fiscal crisis on students. This trend may be growing. In any event, the current fiscal climate will likely drive much more restrained employee contracts, compared to more prosperous years.

State lawmakers, for their part, can help school districts operate more efficiently – in many cases by enacting measures that do not cost the state any money. Eliminating the Wicks Law could save schools as much as 30 percent on construction projects. Reforming the "3020-a" process by which schools remove ineffective teachers would help save money by expediting the length of time it takes to hear one of these cases. The state could lift its myriad restrictions on special education – including many that go beyond federal requirements – in order to give schools more flexibility in the way they educate and provide services to students with disabilities. And, the federal government could honor its commitment to fund 40 percent of special education when the law was passed in 1975, rather than the 20 percent it currently funds.

We know that legislators face their own painful choices in trying to balance the state budget. But we also know that funding for schools has always been one of their top priorities and that support has never been more crucial. We ask they do whatever they can to reduce or avoid state aid cuts. For many school leaders in many districts, relief from the cuts is their only hope to be able to make better choices for the students and taxpayers they serve.

While some observers may argue that school districts are merely "rightsizing" after years of state aid increases, the fact of the matter is that **all of these cuts will undoubtedly translate into lost educational opportunities for students in New York's public schools.** Moreover, the widespread loss of jobs will likely exacerbate an already fragile economy, putting more people on unemployment and reducing income tax revenue.

One North Country school leader summed up the impact this way:

*"When I came here we were a district in need of improvement. Our test scores have risen dramatically. I worry that we will have to dismantle the programs ... that have made such a difference for our children. If this continues or gets worse after federal stimulus, we will do great harm to children... The past two years and the next couple will have the effect of totally undoing the CFE [Campaign for Fiscal Equity] settlement. The return of extreme inequity is upon us."*

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### References:

1. Fiscal Profile Reporting System, 2007-08 Master File, NYS Education Department, Fiscal Analysis and Research Unit
2. Buck Consultants, 21st National Health Care Trend Survey, 2010
3. 2009 Teacher Contract Survey, New York State School Boards Association
4. Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2009, Office of the State Comptroller

## Appendix A

### Change in State Aid, Excluding Building Aid, as Proposed in Governor Paterson's Executive Budget

	Long Island	Lower & Mid Hudson Valley	Capital Region	Mohawk Valley	North Country	Central New York/ Southern Tier	Western New York/ Finger Lakes	New York City	State
Proposed % change in state aid, excluding building aid	-7.2%	-7.6%	-9.5%	-5.8%	-5.3%	-6.3%	-6.6%	-6.2%	-6.7%

### Teacher/Non-Teacher Layoffs

	Long Island	Lower & Mid Hudson Valley	Capital Region	Mohawk Valley	North Country	Central New York/ Southern Tier	Western New York/ Finger Lakes	New York City	State
% of districts anticipating teacher layoffs	68.3%	77.8%	83.8%	68.8%	73.0%	78.3%	83.3%	100%	77.4%
Teacher layoffs as a % of all teachers	3.5%	5.9%	4.5%	3.0%	4.0%	4.5%	3.3%	10%	4.1%*
<b>Projected</b> teacher layoffs	1,408	1,782	619	175	253	951	1,177	8,500	14,865
Non-teacher layoffs as a % of all non-teachers	2.3%	9.0%	6.7%	3.7%	4.1%	6.3%	5.0%	N/A	4.6%
<b>Reported</b> non-teacher layoffs	290	612	334	53	119	433	753	200	2,794

### Teacher/Non-Teacher Job Losses Due to Retirement and Attrition

	Long Island	Lower & Mid Hudson Valley	Capital Region	Mohawk Valley	North Country	Central New York/ Southern Tier	Western New York/ Finger Lakes	New York City	State
Teacher losses due to retirement/attrition as a % of all teachers	0.8%	1.4%	1.6%	1.4%	1.6%	1.7%	1.7%	N/A	1.4%
<b>Projected</b> teacher losses due to retirement/attrition	322	423	220	82	101	359	606	N/A	2,113
Non-teacher losses due to retirement/attritions as a % of all non-teachers	0.8%	1.3%	1.3%	1.3%	1.8%	1.4%	0.6%	N/A	1.0%
<b>Reported</b> non-teacher losses due to retirement/attrition	105	78	60	15	52	89	90	N/A	489

### Anticipated Program and Budget Impacts

	Long Island	Lower & Mid Hudson Valley	Capital Region	Mohawk Valley	North Country	Central New York/ Southern Tier	Western New York/ Finger Lakes	State
Closing one or more school buildings	2.6%	16.7%	5.4%	6.7%	0.0%	2.9%	6.0%	5.4%
Increasing class sizes	76.3%	72.2%	83.8%	80.0%	66.7%	80.0%	85.5%	79.0%
Reducing electives	73.7%	58.3%	73.0%	86.7%	66.7%	68.6%	71.1%	69.8%
Reducing or eliminating field trips	57.9%	63.9%	64.9%	73.3%	66.7%	68.6%	65.1%	65.4%
Reducing extra help for students within the regular school day	13.2%	38.9%	51.4%	40.0%	38.9%	55.7%	47.0%	43.2%
Reducing extra help for students, provided outside the regular day, but during the regular school year	28.9%	30.6%	45.9%	40.0%	50.0%	41.4%	39.8%	39.7%
Eliminating or reducing summer school	44.7%	50.0%	59.5%	60.0%	44.4%	45.7%	54.2%	50.5%
Reducing extra-curricular activities including athletics	71.1%	63.9%	75.7%	66.7%	69.4%	64.3%	66.3%	67.6%
Deferring maintenance	57.9%	63.9%	59.5%	33.3%	61.1%	55.7%	56.6%	57.1%
Deferring equipment, textbook, or library purchases	50.0%	61.1%	48.6%	46.7%	55.6%	54.3%	54.2%	53.7%
Reducing transportation services, including extending mileage eligibility limits for transportation	21.1%	61.1%	45.9%	33.3%	38.9%	38.6%	36.1%	39.0%
Reducing professional development, including conference participation	76.3%	72.2%	73.0%	66.7%	75.0%	80.0%	83.1%	77.5%
Using some or all undesignated reserves	65.8%	58.3%	89.2%	73.3%	83.3%	92.9%	94.0%	83.5%
Other	7.9%	13.9%	0.0%	0.0%	2.8%	10.0%	6.0%	6.7%

\* Excludes New York City

## A Tale of Two Districts

### Why reduced state aid sometimes forces poor districts toward large tax increases

Poorer districts don't have as much property wealth as richer districts. Thus, they rely more on state aid to fund their schools because they cannot raise as much through property taxes as wealthier districts.

Suppose there are two districts. District A is poor and gets most of its funding from state aid. District B is wealthy and gets most of its funding from local property taxpayers. Each has a budget of \$10 million.

Seventy percent of District A's budget – \$7 million – comes from state aid. The other \$3 million comes from property taxes. Only 10 percent of District B's budget comes from state aid (\$1 million), while the remaining \$9 million comes from property taxes.

	District A (Poor)	District B (Wealthy)
<b>2009-10 Total Budget</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>
Amount of budget from state aid	\$ 7,000,000	\$ 1,000,000
Amount of budget from property taxes	\$ 3,000,000	\$ 9,000,000

Imagine state aid for the next school year is frozen, but both districts need to increase their budgets by \$300,000 (to \$10,300,000) due to rising costs. Property taxes are the only way to raise this revenue. Therefore, each district would need to raise its property taxes by \$300,000. This would require District A – the poorer district – to raise taxes by 10 percent. District B – the wealthier district – would need to raise its property taxes by 3.3 percent to raise the same \$300,000.

The poorer district would probably impose cuts to achieve a smaller tax increase. Poor districts typically start with fewer resources. They fall further behind when state aid is cut or frozen.

### Projected Tax Levy Increase

	Long Island	Lower & Mid Hudson Valley	Capital Region	Mohawk Valley	North Country	Central New York/Southern Tier	Western New York/Finger Lakes	State
4% or under	57.5%	61.8%	73.0%	56.3%	67.6%	66.7%	63.1%	64.4%
Over 4% up to 10%	40.0%	32.4%	24.3%	31.3%	24.3%	26.1%	23.8%	27.8%
Over 10%	2.5%	5.9%	2.7%	12.5%	8.1%	7.2%	13.1%	7.9%

### Comparisons of Property Wealth and Resident Income Across Regions

	Long Island	Lower & Mid Hudson Valley	Capital Region	Mohawk Valley	North Country	Central New York/Southern Tier	Western New York/Finger Lakes	New York City	State
Property wealth per pupil as % of state average	166%	145%	84%	44%	63%	47%	45%	94%	100%
Income per pupil as % of state average	111%	131%	71%	48%	45%	56%	61%	119%	100%

\* Did not respond to survey