



NYSSBA 2021-22 Enacted Budget Analysis

State Aid - The enacted budget increases traditional formula-based state aid by \$3.06 billion over 2019-20 levels. More than \$1.13 billion of that total is driven through a state restoration of the 2019-20 Pandemic Adjustment state aid cut (which had previously been back filled by CARES Act funding), creating a net year-over-year increase in education funding of \$1.9 billion. The total increase also includes a \$1.4 billion boost in Foundation Aid. The remaining nearly \$500 million is from full-funding of expense-based aids and increases to other categorical aids, including prekindergarten funding.

NYSSBA Position/Response - NYSSBA is very pleased with the level of state aid increases included in the enacted budget. In addition to using state aid to eliminate the Pandemic Adjustment from 2020-21, the final budget also effectively rejects the Executive budget's proposed \$1.35 billion Local District Funding Adjustment.

Over a period of just six months, school districts have moved from the prospect of 20% state aid cuts, to the Executive budget proposing to use a proportion of stimulus funds to supplant nearly \$2 billion in state aid reductions, to one of the largest statewide school aid and education funding increases in generations.

Federal Aid - The enacted budget includes slightly more than \$12 billion in allocated federal stimulus funding for school districts, combined between the December 2020 Coronavirus Response and Relief Appropriations (CRRSA) Act (\$3.85 billion) and the March 2021 American Rescue Plan (ARP) Act (\$8.2 billion). District specific allocation of those funds are driven by the Title I formula, as directed by federal legislation, with small adjustments where the state has some discretion. The funding is a one-time allocation with an allowable use over multiple years. Use of the funding is generally flexible, while at least 20% of the ARP Act funding must be used specifically to address issues of learning loss amongst students.

The enacted budget also includes language effectively requiring districts that receive at least \$500 per pupil in ARP Act stimulus funds to hold 50% of the district allocation to be used equally (12.5% of the allocation) each year over four years. If the state does not receive confirmation that the funds can be used over four years, the amount held would equal 18.75% per year in years two and three. In order to address potential complications with voter-approved state budget amounts, the enacted budget deems the funding as a "grant in aid" and directs the State Comptroller's Office to require the funds be recorded by school districts within their special aid fund and not the general fund.

The enacted budget further requires districts receiving ARP funds to post a plan for use of those funds to the district's website by July 1, 2021. The plan must detail how the funds will support a variety of needs, including but not limited to: safely returning students to in-person instruction, addressing the impacts of the COVID-19 pandemic on students and implementing evidence-based strategies to meet students' social, emotional, mental health and academic needs. As part of the plan development process, school districts will be required to seek public comment from parents, teachers and other stakeholders and take such comments into account.

NYSSBA Position/Response - After many months of advocacy, NYSSBA was pleased to see both the CRRSA Act and the ARP Act approved, driving billions of dollars of education funding to schools. While it is important to note that these funds are one-time allocations to be used over just a few years, and therefore should be spent strategically and efficiently, the opportunities created by the infusion of these funds will go a long way towards addressing the challenges associated with the pandemic. These funds will help school districts prepare for a new school year this fall and support students for years to come.

We also note that the allocation of more than \$12 billion in unrestricted aid for New York State through the ARP Act made it easier for the state to use federal stimulus education funding to supplement, rather than supplant, traditional state aid. NYSSBA actively supported the inclusion of such funds in the ARP stimulus package.

Further, NYSSBA does anticipate continued conversations around the details of the timing of the use of federal stimulus funds, as our current understanding of federal rules around the process does not completely conform to language included in the final budget agreement. We will continue to advocate for districts to have much flexibility with use of those funds as possible.

Foundation Aid - The enacted budget includes a \$1.4 billion statewide Foundation Aid increase (7.6%), representing the largest single year increase in the state's main operating aid formula for schools since the funding formula was enacted nearly 15 years ago. Every district receives a minimum increase of at least 2%, with additional calculations for underfunded districts and districts with high free and reduced price lunch percentages. Districts would also be guaranteed to receive at least 60% of their Foundation Aid formula amount. Statewide, Foundation Aid now totals \$19.8 billion. Districts receiving at least a 10% or \$10 million increase in Foundation Aid in 2021-22 or any of the following two years must post a plan on their website describing how the funds will be used to address student performance and need.

In addition, the enacted budget includes a statutory plan to fully phase-in Foundation Aid over three years, reaching full-funding in 2023-24. After the 2021-22 funding increase, 50% of the remaining phase-in would be funded in 2022-23 and 100% would be funded in 2023-24.

Lastly, the budget agreement enacts adjustments to the calculation of some student need measures as part of the Foundation Aid formula, including the return of the Small Area Income and Poverty Estimate (SAIPE), as an alternative to the use of 2000 census poverty data.

NYSSBA Position/Response - The enacted budget represents a significant initial success with one of NYSSBA's top school funding priorities over the past decade - a commitment and plan to fully fund the Foundation Aid formula. In addition, the increase in funding for 2021-22 applies to all districts, representative of an approach that NYSSBA advocates each year, recognizing that all districts face increasing operational costs each year. NYSSBA is also particularly pleased that the budget agreement includes a floor of percentage formula funding to support some of the state's most chronically underfunded districts. This is a strategy for which NYSSBA has specifically advocated.

While this is a very positive result, it is also important to note that this is not the first time the state has statutorily committed to fully funding the Foundation Aid formula. When Foundation Aid was first enacted in 2007, the original plan was for a four year phase-in. That schedule was funded for the first two years, until the Great Recession began to significantly impact the state's budget. Foundation Aid was then frozen and the four year phase-in schedule was stretched out to a seven year plan. When that plan also became unrealistic,

the state effectively eliminated the schedule altogether. So it will be important going forward to continue our Foundation Aid advocacy in years two, three and beyond.

Consolidation of Expense-Based Aids - The enacted budget rejects the Executive proposal to consolidate multiple expense-based and categorical aids into a new “Services Aid” category.

NYSSBA Position/Response - NYSSBA was strongly opposed to this proposal as it would have negatively impacted school districts that share services through BOCES, those that see significant growth in charter school costs/enrollment and those that incur expenses in other important areas. The proposal also would have increased the unpredictability of state aid for school districts. We were very pleased to see this proposal left out of the final budget agreement.

Transportation Aid Allowable Expenses - The enacted budget expands upon the Executive proposal to permit transportation aid on expenses related to the delivery of student meals, instructional materials and the provision of internet access, to also permit transportation aid for other stand-by transportation expenses incurred, regardless of whether or not students were being transported to school buildings. This allowance is for expenditures made for transportation between March 16, 2020 and May 7, 2020, after which the Governor issued an Executive Order to close physical school buildings for the remainder of the school year.

NYSSBA Position/Response - NYSSBA recognizes that this agreement falls short of covering stand-by costs throughout the entirety of Spring 2020 and does not carry over through provisions into the current 2020-21 school year. However, we appreciate the allowance of transportation aid for additional and extraordinary expenses incurred during COVID, as it represents a notable improvement over the initial determination that none of these costs would be aidable.

Prekindergarten - The enacted budget leverages federal funding from the American Rescue Plan to increase investments in full-day four-year-old prekindergarten. In addition to formulaic Universal Pre-Kindergarten (UPK) increases totaling approximately \$100 million statewide, the enacted budget appropriates an additional \$15 million in competitive grants for prekindergarten programs serving four-year-olds in new full day placements. These funds are prioritized towards districts that do not currently have any state-funded pre-k seats, allowing for expansion in more than 200 school districts. The enacted budget also continues the state’s investment in QUALITYstarsNY.

NYSSBA Position/Response - NYSSBA supports investments in high quality prekindergarten programs so that all communities can offer seats to their students. We are pleased to see this meaningful investment, and note that language included in the budget guarantees long-term commitments to full-day four-year-old prekindergarten by ensuring that the state would assume financial responsibility for the program once federal funding is exhausted.

Bridging the Digital Divide - The enacted budget requires any broadband service provider to offer an affordable high speed broadband service to certain low-income consumers. The proposal requires that service be no more than \$15 a month with a minimum download speed of 25 megabits per second (Mbps). The final proposal authorizes a broadband service provider that offers a low-income plan with minimum download speeds of 200 Mbps at a cost of \$20 a month to be deemed in compliance with the requirement.

The enacted budget also requires the Public Service Commission to study the “availability, affordability, and reliability of high-speed internet and broadband services in New York state.” The proposal defines “high-speed internet service” as “internet service of at least 100 mbps download and 10 mbps upload.” The

proposal requires a comprehensive data set to adequately map broadband availability to help expand access be provided. Finally, the enacted budget provides a new \$15 million appropriation for a grant program to establish and support digital inclusion programs. Such programs will provide economically disadvantaged individuals and households in-person or remote broadband support. School districts will be eligible to apply for these grants.

NYSSBA Position/Response - While we appreciate the Executive and Legislature's commitment to providing affordable internet to low-income customers, we urge the bodies to consider raising the minimum upload and download speeds. The minimum standard set forth in this plan is inadequate to meet students' needs for online learning. In addition, the alternative plan with higher required speeds is merely optional on the part of the broadband provider.

NYSSBA strongly supports the Executive and Legislature's decision to provide adequate mapping of broadband service access throughout the state. We commend this step to fully understand the need in the state by comprehensively mapping and studying the availability and reliability of broadband across New York. NYSSBA is also pleased with the new appropriation to help address the digital divide.

Prior Year Aid Claims - The enacted budget rejects the Executive proposal to eliminate the entirety of the prior year aid claims list. However, the budget failed to restore the \$18 million annual appropriation that is used to pay off prior year aid claims.

NYSSBA Position/Response - NYSSBA is pleased that more than \$300 million in outstanding approved aid claims was not erased in the enacted budget; however, we are disappointed that the annual appropriation to pay down those claims was not included.

Community Schools Set-Aside - The enacted budget provides for flat funding of community schools set-asides. While no increases were made, \$250 million of total Foundation Aid funding will again be restricted to be used by districts for services and programs that further community schools initiatives.

NYSSBA Position/Response - NYSSBA continues to be opposed to districts effectively being mandated to create community schools, or any other program, by way of restrictions on the use of their Foundation Aid through "set-asides." While we continue to support the repeal of set-asides, we are pleased that the total restricted amount has not increased this year. Regardless of the laudable merits of community schools, a set-aside is a state-mandated restriction on how funds can be spent. Foundation Aid was designed as a general operating aid of which a school district has the ability to decide how and where it is used. School districts should be granted full flexibility in their funding decisions.

Charter Schools - The enacted budget reduces New York City's supplemental basic tuition allocation by \$35 million, to be supplanted with federal stimulus funding. Additionally, the enacted budget rejects the Executive proposal to authorize the reissuance of charters that had been surrendered, revoked or terminated.

NYSSBA Position/Response - NYSSBA is pleased that districts will not experience net reductions to their supplemental basic tuition allocations, as proposed in the Executive budget. NYSSBA also opposed the de facto increase that would have occurred through the reissuance of revoked charters and will continue to advocate against any such attempts during the remainder of this year's legislative session.

Committee on Special Education Placements - The enacted budget extends for a second consecutive year the cost shift of the state share of maintenance costs related to Committee on Special Education (CSE)

placements for districts outside of New York City. Previously, the state covered 18.424% of the cost, with school districts covering 38.424% and the locality assuming the remainder. Extension of this financial shift moves school districts' cost share to 56.848% for the second year in a row.

NYSSBA Position/Response - NYSSBA is opposed to these cost shifts and is disappointed at their continued inclusion in the enacted budget. The state has estimated that the cost shift results in an additional \$26 million burden on school districts each year. The state should not be reducing its share of support for special education students. Based on the language in the budget, this shift appears to be extended for only one year, rather than the Executive proposal to make the cost shift permanent, so we are hopeful that the state will assume their share again after April 1, 2022.

Continuation of Existing Programs - The enacted budget maintains multi-year investments in after-school programming, early college high schools and P-TECH (Pathways in Technology Early College High School) programs.

NYSSBA Position/Response - NYSSBA appreciates the continuation of funding for these important programs.

Temporary Retirement Incentive - The enacted budget includes a temporary state retirement incentive for certain New York City public employees. First, it includes a retirement incentive specifically for employees of the New York City employees and NYC Board of Education employees. This benefit is for employees at least 50 years of age and with ten or more years of service, or who are otherwise eligible to retire. The benefit available is 1/12th of a year of additional retirement credit, up to a maximum of three years. Second, the enacted budget includes a 55/25 retirement incentive for employees of the New York City Teachers Retirement System, New York City Board of Education Retirement System, and New York City Employees Retirement System. Both incentives may be offered at local option. Election must be made by the employer by May 31, 2021 for educational employers.

NYSSBA Position/Response - NYSSBA was generally supportive of the legislature's state retirement incentive proposal as an option for school districts, but did not hear much specific interest in the incentive proposal from school districts. This is likely due to the relative stabilization, and subsequent funding increases, of school district budgets.

Fund Balance Flexibility - The enacted budget did not include an increase to the undesignated fund balance limit, nor did it extend the payback period for reserve funds used to address expenses related to COVID-19. However, the budget does include a provision which deems certain stimulus funds as grants in aid, to be recorded in the special aid fund. The goal of this is to assist districts in addressing how stimulus funds will impact school district budgets and how the funds can be properly managed and accounted for.

NYSSBA Position/Response - This provision of the enacted budget is positive news for districts, and addresses the immediate need for flexibility as it relates to stimulus funds. At the same time, NYSSBA will continue to advocate for an overall increase in the amount of fund balance districts may retain and an increase in the payback period/removal of interest penalties for use of reserve funds.

Building and Transportation Aid Forgiveness - The enacted budget provides forgiveness for four school districts facing state aid penalties due to the late filing of final cost reports or transportation contracts.

NYSSBA Position/Response - NYSSBA has advocated for years for the state to forgive significant financial penalties a handful of districts have incurred due to clerical errors. We are pleased the enacted budget provides forgiveness for a select few districts, but will continue to support statewide aid amnesty.

Special Act School Districts - The enacted budget creates a special act school district fiscal stabilization fund. Special act school districts will now be allowed to retain 1% of their total allowable and reimbursable costs to provide services to school-age children. The budget also provides for stabilization of tuition rates, should there be an enrollment loss of 5% or more during the COVID-19 pandemic.

NYSSBA Position/Response - NYSSBA has consistently advocated for fiscal flexibility for special act school districts and is pleased to see progress made. NYSSBA will continue to advocate for additional flexibility, including a higher reserve percentage that special act school districts would be authorized to maintain. Legislation sponsored by Senator Mayer and Assemblymember Benedetto to allow special act school districts to retain a 4% reserve fund has recently passed the Senate. NYSSBA supports that bill.

Bullet Aid - The enacted budget includes allocations to be used as discretionary funding in the form of grants. The Senate has an appropriation of just over \$5 million, the Assembly has \$8 million and the Governor/Division of Budget has a \$10 million appropriation for such discretionary grants. These grants may be used to aid school districts, public libraries, or not-for-profit institutions.

NYSSBA Position/Response - These funds represent a return to a practice that has generally fallen out of the budget over the past few years. Distribution of these funds follows no set formula or methodology, and is instead dependent upon coordination with legislation and state offices. NYSSBA has no specific position on bullet aid, but will monitor how each entity decides to use its discretionary funding.

Shared Service Contracts - The enacted budget does not include the Executive proposal related to shared services contracts. However, a bill was recently signed into law extending the local government option to “piggyback” on existing contracts for an additional two years, until July 2023. The bill was signed into law on April 6.

NYSSBA Position/Response - NYSSBA has consistently supported districts having the option to piggyback in contracting. This option has expanded in recent years and has greatly benefited school districts that choose to use it by generating cost savings and making service delivery more efficient. NYSSBA advocated in support of the standalone bill to extend this ability until July 2023 and advocated for its enactment.

Electric Generation Facility Cessation Mitigation Fund - The enacted budget increases the statutory cap for the Electric Generation Facility Cessation Mitigation Fund from \$69 million to \$140 million. The Fund provides payments to local governments, including school districts, that would have otherwise seen a decrease in tax revenues due to the closure of an electric generating facility.

NYSSBA Position/Response - NYSSBA supports this proposal as it provides necessary support for school districts that may experience a significant loss in funding due to facility closures. The Electric Generation Facility Cessation Mitigation Fund was established in 2018 to mitigate imminent severe funding loss due to the closure of the Indian Point power plant. This facility represented a significant addition to the area’s economy. With the closure of the plant, the local revenue payments will begin to decrease rapidly. This revenue drop creates significant disruptions to area school district budgets going forward. NYSSBA strongly supports the significant increase to this fund as a helpful resource to affected school districts.

Medicare Part B Reimbursements - The enacted budget eliminates the Executive's proposed changes to IRMAA reimbursement for Medicaid Part B.

NYSSBA Position/Response - At present, 160 school districts or BOCES are NYSHIP members. NYSSBA will continue to assess future proposals related to IRMAA for potential cost benefits to school districts.

School Construction Services - The enacted budget excludes the Executive's proposal that would have authorized school districts and not-for-profits to enter into loans with the Dormitory Authority of New York State (DASNY) for capital projects over \$5 million. It would have also authorized DASNY to offer loans to school districts and not-for-profits during the COVID-19 pandemic, without a requisite project total.

NYSSBA Position/Response - While any opportunities for cost savings and efficiencies are welcomed, it was not clear how applicable or relevant this would have actually been for school districts, as DASNY services can currently be accessed for some school construction projects.

Paid Time Off for Vaccination - The enacted budget does not include a provision relating to paid time off for vaccination. Four hours were instead granted to all public and private employees as standalone legislation, signed into law by the Governor in March.

NYSSBA Position/Response - It is generally NYSSBA's position that employee benefits, including paid time off, should be negotiated locally. However, the COVID-19 pandemic is extraordinary in nature and the promise offered by the vaccine serves as an opportunity to eventually return to a sense of normalcy for our schools, staff and students. NYSSBA expressed no objection to the legislation.

Real Property Tax Relief Credit - The enacted budget reinstates the Real Property Tax Relief Credit. The credit is available to residents of the state who own residential property that receive STAR. The credit is limited to those who earn \$250,000 or less in household income annually and do not receive a credit for those age 65 and older. This credit will apply to all real property taxes, including school taxes. The credit will be available for any tax years between January 1, 2021 and Dec. 31, 2023.

NYSSBA Position/Response - NYSSBA did not take a position on this proposal and has historically not taken positions on state tax relief proposals that do not have a direct impact on school district finances.

STAR - The enacted budget eliminates proposed administrative changes to the STAR program, with the exception of shifting all mobile homeowners from the STAR exemption to the STAR credit.

NYSSBA Position/Response - This sole remaining change should have no direct impact on school districts, as STAR adjustments like these generally do not have a net impact on district finances. However, it is important for districts to be aware of such changes as taxpayers often direct questions regarding STAR to their school district.

SALT Pass Through - The enacted budget includes a "workaround" to the changes made in 2017 by the federal government to the state and local tax (SALT) deduction. In 2017, the deduction was capped at \$10,000 by federal law. This new pass through would allow certain businesses (S corporations and partnerships) to elect to tax themselves at the state level, and the partners that make up the business to claim that tax payment against their personal income taxes. It does not apply to property taxes.

NYSSBA Position/Response - NYSSBA supports repeal of the SALT deduction cap and will continue to advocate at the federal level for full repeal.