Districts Report Levy Increases Close to Zero for 2016-17

New York State Association of School Business Officials

Advancing the Business of Education

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The State Education Department released Property Tax Report Card data for school year 2016-17 on May 3. The Property Tax Report Card includes information on the change in tax levies, proposed spending, and enrollment for 669 independent school districts. The fiscally dependent Big 5 city school districts are not required to file this information and are not included. To give context to these multi-year data, we also note the point in time when two caps were added to the laws governing school finance: a tax cap limiting local revenues for education, and a state aid cap limiting the growth in state aid to the growth in personal income, subject to override by an act of the legislature and approved by the governor. We examined data, where possible, from school year 2010-11 to 2016-17. We conclude with recommendations informed by these data.

Levies and Budgets

The law specifies that school districts may comply with the tax cap by increasing their levy by two percent or the increase in the Consumer Price Index, whichever is less. With low inflation last year, the allowable levy growth factor for 2015-16 was the increase in the Consumer Price Index, or .12 percent, plus permissible exclusions. Figure 1 shows the allowable levy statewide since the tax cap was enacted and projected for 2016-17.

Figure 1. Allowable Levy Since Tax Cap

	2012-13	2013-14	2014-15	2015-16	2016-17
State	2.8%	4.3%	2.2%	1.7%	0.9%

Allowable levy is the levy increase allowed statewide if all districts complied exactly with the tax cap. In reality many districts levy less than allowed and some districts exceed their tax cap by getting approval of 60 percent or more of the voters. Allowable levy for 2016-17 as reported on the Property Tax Report Card is an increase of 0.9 percent, the smallest allowable levy since the inception of the tax cap.

In addition to what's allowable under the tax cap, the Property Tax Report Card also includes what school districts expect to levy for next year. Figure 2 shows that school district taxes for school year 2016-17 are projected to increase .7 percent and school district spending to increase by 2.2 percent. This year's .7 percent increase is the smallest increase over the six years of this study and considerably less than last year's levy increase of 1.1 percent.

School spending increases continue at modest levels as school aid increases and particularly the complete phase-out of the GEA have enabled districts to restore staff and programs lost during the Great Recession. The top cost drivers for school districts continues to be pensions, health insurance and special education. A NYSASBO report in March noted that health care costs rose 4.01 percent in 2014-15 while inflation only increased 1.46 percent. Employer contribution rates to the teacher pension system (TRS) continue to be in the double digits and are expected to increase in the coming years.

Figure 2. Proposed Levy and Spending Increases

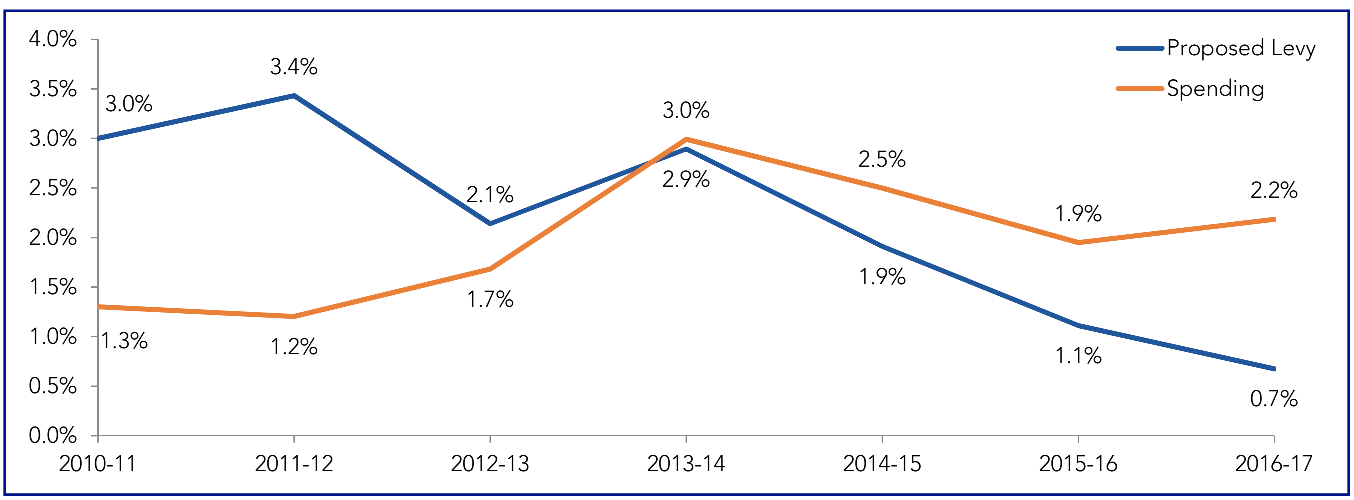
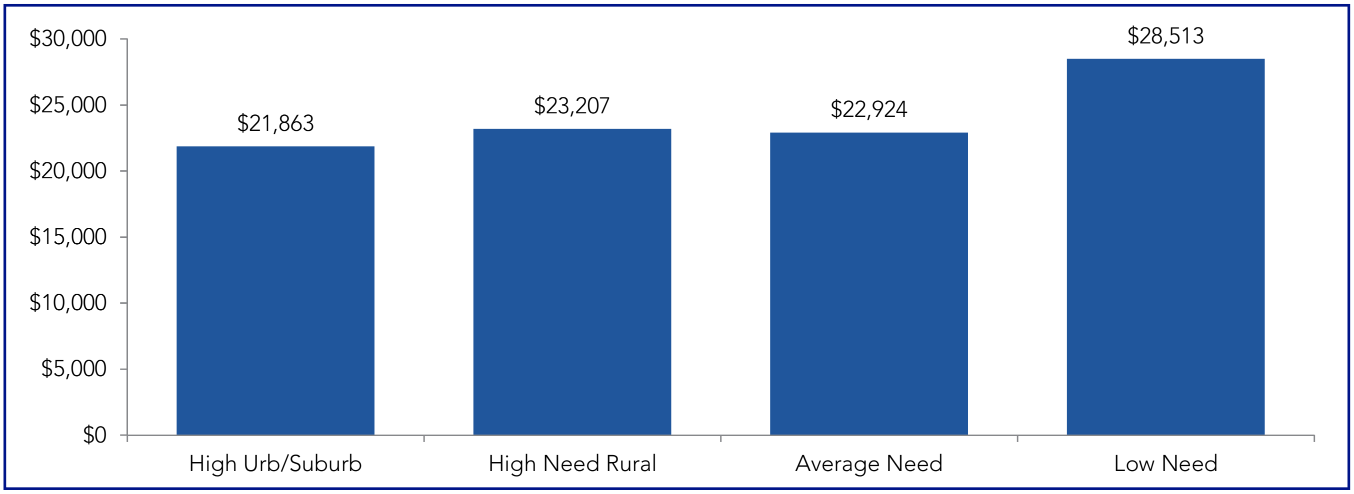


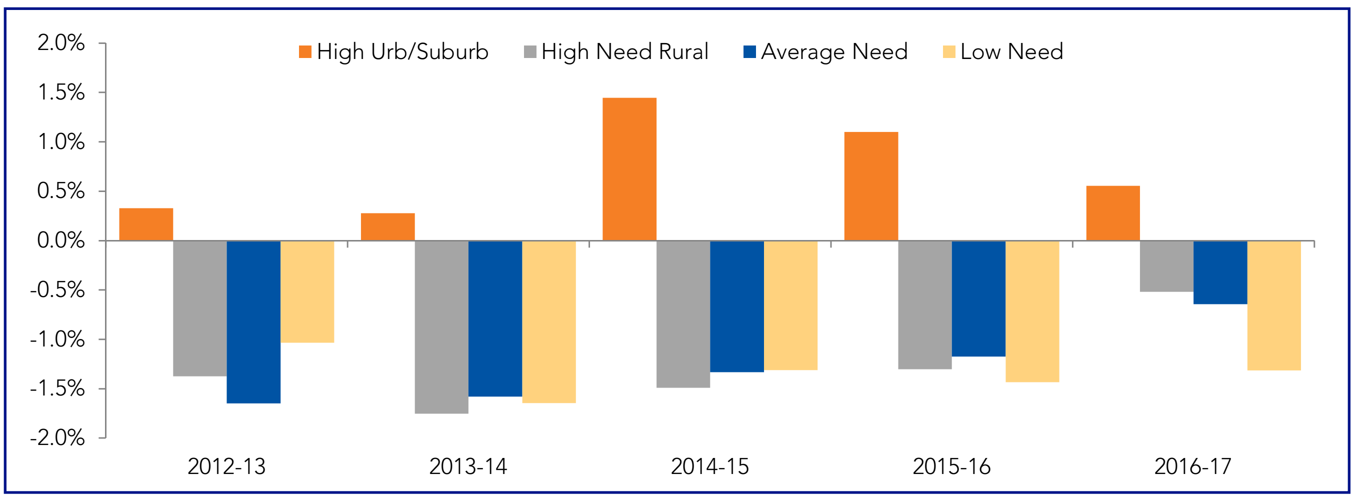
Figure 3 below also shows the continued disparity in spending per pupil between the various types of school districts based on the State Education Department's Need Resource Capacity (NRC) designations.

Figure 3. Proposed spending per student projected for 2016-17



In addition to spending less per pupil, high need districts are also experiencing enrollment growth that increase costs, but these added costs are ignored by the current implementation of the tax cap (e.g., no exclusion for enrollment growth).

Figure 4. Enrollment Changes



On top of experiencing enrollment growth with limited means to pay for the added costs, high need districts have also experienced the largest growth in students living in poverty as measured by their eligibility for free and reduced price meals. Figure 5 below details the percent of K-6 students eligible for reduced price school meals over the past five years using data from the State Education Department. Statewide, student poverty grew 2.9 percent. Poverty in New York City declined 4.9 percent and held even for the Big Four city school districts. In all other groups of school districts, student poverty grew, which results in increased costs for education. The largest growth in student poverty was experienced by high need urban and suburban school districts and average need school districts.

Figure 5. The Growth of Student Poverty in New York State
Percent of K-6 Students Eligible for Reduced-Price School Meals

Category	Count	2011	2012	2013	2014	2015	2016	Change
State	674	49.4%	50.4%	51.3%	51.7%	52.0%	52.3%	2.9%
NYC	1	78.2%	78.4%	77.6%	76.1%	74.7%	73.3%	-4.9%
Big 4	4	80.6%	80.7%	81.0%	81.4%	80.9%	80.7%	0.1%
High Urb/Suburb	45	65.0%	66.1%	68.2%	70.7%	72.0%	73.1%	8.1%
High Need Rural	153	52.0%	53.1%	55.2%	56.4%	57.1%	58.0%	6.0%
Average Need	336	27.5%	28.9%	32.2%	32.2%	33.4%	34.8%	7.3%
Low Need	135	6.9%	7.7%	8.6%	8.6%	9.9%	11.0%	4.1%

Conclusion

School spending increases continue to be constrained and held to historically low levels due to a combination of a record low tax cap and the implementation of efficiencies and cost-savings measures by school district leaders. The complete restoration of the remaining GEA also enabled school districts to restore and even enhance their academic programs to pre-recession levels.

However, high need districts continue to struggle with rising costs due to increases in enrollment, mainly due to students living in poverty and English language learners and other students requiring extensive support both inside and outside the classroom. The state can help solve this problem with a number of common sense legislative changes.

Recommendations

Mandate relief. Districts have little control over their spending when faced with unfunded mandates. The state must ensure mandates are relieved or eliminated when they do not add value to the education enterprise. Examples are:

- Eliminating duplicative fingerprinting of school bus drivers (S.6502 Marcellino/A.8463 Thiele),
- Providing an incentive for shared transportation (S.7376 Marcellino/A.7966A Nolan) to encourage school districts to share and reduce costs for transportation of students attending educational programs out of the district,
- Removing the requirement that school districts have to seek permission from their local town receiver of taxes to collect their own taxes (S.4737 Carlucci/A.6823 Jaffee),
- Requiring businesses that make payments in lieu of taxes (PILOTs) (S.425 Marcellino/A.9546 Buchwald) to provide local governments and school districts with notice of their intention to change assessment
- Increasing the Building Aid Exception for Small Projects (S.7156 Seward) by increasing the threshold from \$100,000 to \$250,000 for school construction projects that are aided in full each year, and not required to be aided using the state's assumed amortization schedules, and
- Revising the internal audit function to allow school districts to conduct a risk assessment of district operations every other year, instead of annually, while maintaining in depth reviews of specific areas annually (S.7155 Seward).

Tax Cap Adjustments. The tax cap applies to all local New York State municipalities except New York City but has had a disproportionate effect on school districts. They are the only local government which must approve overrides with a vote of the citizens. The other municipalities need only have a supermajority approval of the board to override. Especially without meaningful mandate relief, this will result in harming educational programs for students and the state's ability to meet the constitutional mandate to provide a meaningful high school education to all children. In order to meet both state policy goals of tax relief and educating children, we must look carefully at the provisions of the tax cap and make adjustments that are warranted. The Education Conference Board coalition of New York State educational associations has advanced a variety of recommendations (see http://tinyurl.com/ecbrec) to help pursue tax relief and educational excellence simultaneously, including preventing negative tax caps, and making up for a loss in local revenue with an increase in state funding. Legislation toward this end includes:

- Exempt certain BOCES capital expenditures from limitations upon local school district levies (S.6640 Murphy/A.9183 Galef)
- Provide that the tax base growth factor (or quantity change factor) include the value of new assessment exempted under a Payment In Lieu of Taxes agreement being added to a community (S.1151 O'Mara/A.3611 Morelle)
- Provide that when a school budget proposition is below the tax levy limit, and the ballot includes one or more separate propositions which, if enacted with the budget proposition, would collectively require a tax levy exceeding the limit, only those separate propositions which would cause the limit to be exceeded would be subject to the 60 percent supermajority requirement for approval (S.5877 Croci/A.8136 Thiele)
- Ensure that no school district has a negative tax cap (S.7178 Seward/A.9792 Lupardo)

Growth Aid. The growth of students has not been recognized in New York's Foundation Formula for funding schools since it was frozen in 2009. These Property Tax Report Card data show overall a slight decline in enrollment, but this average covers up the nuances of enrollment change. It is estimated that 209 school districts will have enrollment increases for 2016-17. These increases are masked by enrollment declines in the other school districts. In order for schools to educate every child, they must have funding that increases as the number of students grows. NYSASBO recommended the state return to a current-year Growth Aid to recognize enrollment growth of all students. Additional aid should be provided to recognize rapid growth in English language learners.

Re-examine Foundation Aid Formula. Thankfully, the state has finally removed the Gap Elimination Adjustment that was so harmful to school districts. However, the state must commit to full funding of the Foundation Aid formula, which would ensure that all students have the opportunity for a sound basic education. This formula should be targeting more aid to the districts that need it most, but, as indicated by the spending data above, many high need districts are still spending much less per student. The Foundation Aid formula needs to be re-examined so that when it is fully phased in, it will truly be providing all students with the opportunity for a meaningful education.

Acknowledgements

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