

2012-13 EXECUTIVE PROPOSAL FOR AID TO EDUCATION

On January 17th, Governor Cuomo presented his proposal for the 2012-13 state budget. The Governor is proposing a total of \$20.312 billion in state support for public schools. This represents a year-to-year increase of \$805 million (4.1%), as compared to the approved 2011-12 budget. The total increase represents a \$551.75 million increase in formula aids and a \$3.21 million increase in grant programs. The budget proposal also includes \$250 million for the Competitive School Performance Grants.

District specific data is available on the SED State Aid Unit website at www.stateaid.nysed.gov. SED will be mailing school districts detailed descriptions and “backup” data that explains how the proposed State Aid estimates were calculated for your district. Please remember that the aid estimates are based on the 2011-2012 school year estimates of expenditures and pupil data submitted with your aid claim this past fall. Therefore, it is important to review for accuracy the backup data provided in this mailing. The information will be sent with a cover memo from SED to your district superintendent.

The following is a brief summary of the major elements of the Governor’s 2012-13 proposal for State Aid to public schools.

Foundation Aid – At \$14.89 billion, Foundation Aid will again be frozen for the 2012-13 school year. Full phase-in of Foundation Aid will now take place over a ten-year period, completing in 2016-17.

Gap Elimination Adjustment – The Governor proposes a \$2.26 billion Gap Elimination Adjustment (GEA) for the 2012-13 school year. The GEA is adjusted to provide for growth in school aid over 2011-12 by \$289.79 million.

The GEA Adjustment is calculated as the greatest of the three calculations shown below, but no greater than 25% x 2011-12 GEA:

(a.) **[Extraordinary Needs Index x \$214.50] x [State Sharing Ratio] x [2011-12 Enrollment]**

$$\text{ENI} = \frac{\text{EN \%}}{\text{(Statewide Average EN \%)}} \\ 0.527$$

OR

(b.) If GEA/Total General Fund Expenditures RATIO > 1:

[GEA/TGFE Ratio X \$90.00] x [State Sharing Ratio] X [2011-12 Enrollment]

$$\text{GEA/TGFE Ratio} = \frac{\text{2011-12 GEA/TGFE}}{\text{(2011-12 Statewide GEA/TGFE)}} \\ -.0476$$

OR

(c.) **1% OF 2011-12 GEA**

*NOTE: The GEA is applied against formula-based School Aid, **excluding** Building Aid and Universal Prekindergarten.*

Competitive School Performance Incentive Program - The Executive Budget proposes \$250 million to fund the two competitive grant programs introduced in the 2011-12 budget.

- **School District Performance Improvement Awards** - Grants will be awarded to school districts that demonstrate significant improvements in their student performance outcomes. This program would provide additional State funding to those school districts with the most improved academic achievement and student outcomes.
- **School District Management Efficiency Awards** - Competitive grants will be awarded to school districts that find recurring cost savings.

High Tax Aid – \$204.7 million; frozen at 2010-11 amounts for the 2012-13 school year.

Public High Cost Excess Cost Aid – \$498.09 million (increase of \$22.92 million); no formula change recommended.

Private Excess Cost Aid – \$362.75 million (increase of \$45.61 million); no formula change recommended.

Supplemental Public Excess Cost Aid – \$4.31 million; frozen at 2010-11 amounts for the 2012-13 school year; no formula change recommended.

Summer School Special Education - \$321.70 million (increase of \$30.40 million); no formula change recommended.

Preschool Special Education – \$936.70 million; no change recommended. The Executive budget would require school districts to share in the cost of pre-school special education services and caps county cost for such services starting with the 12-13 school year. The proposed county “local share ceiling” would be fixed at 40.5% of the approved costs incurred for pre-school special education services during the 2011-12 school year. The county would then receive state reimbursement equal to not more than 59.5% of the “local share ceiling”. The school district share of pre-school special education costs is proposed to equal 33 and 1/3 percent of the sum of the annual approved cost of pre-school special education services reduced by the county “local share ceiling” amount. School districts would be required to reimburse the state for the applicable share of 2012-13 pre-school special education expenses, as specified above, during the 2013-14 school year. The school district share would be deducted from 2013-14 and subsequent year’s State Aid payments.

BOCES Aid and Special Services Aids – \$940 million (increase of \$23.59 million); no formula change recommended.

Transportation Aid – \$1.675 billion (increase of \$64.02 million); Beginning July 1, 2012, the Governor proposes limiting transportation aid for buses and equipment to those that are purchased through a central State contract. The Commissioner of Education would have the authority to waive the requirement if the district is unable purchase appropriate buses/equipment on the State contract. Aid would be based on the lesser of the actual purchase price or the base year statewide median price of the bus/equipment adjusted for inflation. In addition, all transportation equipment will be subject to approval for aid by SED beginning 7/1/12.

Building Aid/ Reorganization Incentive Building Aid – \$2.721 billion (increase of \$91.69 million); The Governor proposes limiting the amount of Building aid lost due to failure to submit final cost reports to the amount of aid payable during the period the final cost report was outstanding.

Textbook, Software, Library and Computer Hardware Aid – All aid continued as under current law:

- Textbook - \$58.25 per pupil
- Software - \$14.98 per pupil
- Library - \$6.25 per pupil
- Computer Hardware - \$24.20 per pupil x current year RWADA aid ratio

Universal Prekindergarten Aid – Projects a state total of \$384 million. Universal Pre-K Aid will continue to be frozen for 2012-13 school years. Full phase-in will take place over a ten-year period, completing in 2016-17.

Full Day K Conversion Aid – \$6.76 million (increase of \$1.77 million); no formula change recommended.

Charter School Transitional Aid – \$30.98 million (increase of \$3.63 million) provided for 15 qualifying districts currently impacted by a concentration of children attending charter schools. Formula elements target aid to districts based on the percentage of resident pupils enrolled in charter schools and the percentage of payments made to charter schools compared to a district's total general fund expenditures.

Teachers for Tomorrow – Proposal maintains \$25 million allocation.

Teacher Centers – No funding is recommended for 2012-13.

STAR – The existing STAR exemption programs (Basic and Enhanced for Senior Citizens) will remain in place. The Governor proposes eliminating the STAR benefit for taxpayers who have outstanding State tax liabilities.

District Charter School Payments – Tuition payments made by school districts to charter schools will be frozen at 2010-11 amounts for the 2012-13 school year.

Aid Caps

- For the 2012-13 and prior years each district's state aid, exclusive of Building Aid and Full-Day K Conversion Aid, would be capped at the total listed on the 2012-13 Executive Budget Aid Run (BT 121-3 dated 1/18/12).
- For 2011-12, each district's state aid (also exclusive of Building Aid and Full-Day K Conversion Aid) would be capped at the total listed on the same aid run.
- In 2013-14 and beyond, state aid, other than Building Aid and Full-Day K Conversion Aid, would also be capped at the total amount listed on the Executive Budget aid run for that year.
- Beginning with claims for the 2012-13 aid year, and thereafter, there will be no prior year adjustments. Any changes to state aid data would have to be submitted over the

course of the year in which the aid is paid and such changes would have to be processed in time for SED to recalculate June aid payments. In addition, any aid adjustments, other than for Building Aid, would not be paid if such changes result in total aid exceeding the capped amount from the Executive Budget aid run.

Contract for Excellence – School districts that participated in the Contract for Excellence program in the 2009-10 school year will continue operating approved academic intervention programs consistent with Contract for Excellence requirements. However, the required investment in these programs will be permitted to decline by the same percentage as the district's formula-based aid will be reduced under the Gap Elimination Adjustment.

Pension Reform

Enacting fair and equitable pension reform is critical to providing State and local governments with fiscal relief over the years to come. A Tier VI pension design proposal applicable to new public employees will reduce pension costs by one half compared to the existing benefit design, and save public employers outside of New York City \$83 billion over 30 years, while New York City estimates savings of \$30 billion over 30 years. Savings will occur by instituting the following changes:

- – Increasing employee contributions from 3 percent to 4, 5 or 6 percent depending on salary level;
- – Implementing a variable “risk/reward” system under which employee contributions would decrease or increase, within limits, tied to economic conditions;
- – Raising the retirement age from 62 to 65 and prohibiting early retirements;
- – Decreasing the pension multiplier from 2 percent to 1.67 percent for each year of credited service (e.g. employees with 30 years of service would receive a pension equivalent to 50 percent of final average salary versus 60 percent of final average salary under Tier 5); and
- – Excluding overtime and other payments from the formula used to calculate final average salary for pension allowances.
- – Creating a defined contribution option for public employees which would be voluntary for new employees and improve financial planning for public employers. The new option would:
 1. Provide a minimum employer contribution of four percent of salary.
 2. Provide for additional employer contributions of up to three percent of salary when matched by the employee.
 3. Afford public employers financial stability by limiting employer contributions to a maximum of seven percent.
 4. Offer a portability and vesting feature not available with defined benefit options.