

A collaboration of unions, management, municipalities, schools, and academia to address the issues facing fiscally stressed communities across New York.

LOCAL FISCAL STRESS

State Austerity Policy & Creative Local Response

Presented by Cornell University's Department of City and Regional Planning, the Community and Regional Development Institute, and the Fiscal Policy Institute

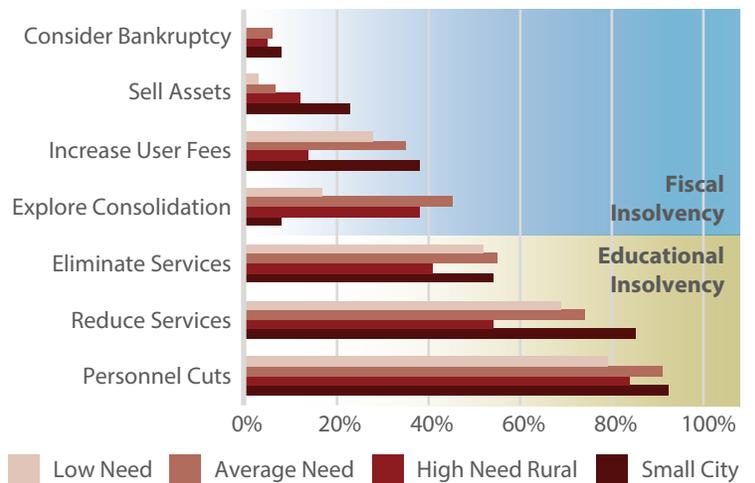
On December 9, 2014, a broad coalition of people convened to address the effects that current state policy has on the fiscal stress of municipalities and school districts, and ways that this stress can be addressed at the state and local level. **The following information on school districts will help NYSUT members guide the discussion with their elected representatives at all levels, and demand government responses that will truly improve the quality and efficiency of public education.** Research summarized here is based on in-depth reports by Cornell University which can be found online at www.cardi.cornell.edu and at www.nyruralschools.org

THE CHALLENGE: TRADING FINANCIAL INSOLVENCY FOR EDUCATIONAL INSOLVENCY

As revenues are constrained and expenses increase, school districts across New York State continue to be at risk of financial insolvency. To date, however, not a single school district has reached financial insolvency. Many districts have cut budgets, personnel, and programs of all kinds to remain solvent. **While cost-cutting measures avert financial insolvency, we fear that this is leading towards Educational Insolvency, when the offerings and quality of public education become inadequate and unacceptable.**

Emerging evidence suggests this is happening. A survey of NYS school superintendents in 2013 found most had reduced services and staff rather than engaging in actions more linked to financial insolvency (Fig. 1).

FIGURE 1 – Fiscal vs. Educational Insolvency: Superintendents' Responses



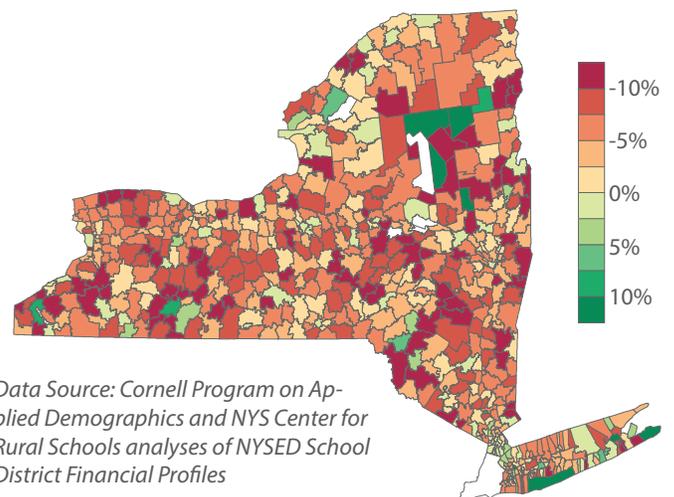
Data Source: Cornell University 2013 Survey of NYS School Superintendents

THE PROBLEM: HIGHER EXPENSES AND TIGHTER REVENUES

DEMOGRAPHIC CHANGES

One of the challenges of falling enrollment (Fig. 2; see dark red districts) is the loss of economies of scale, and hence increased per-pupil cost to provide the same services. At the same time, there are greater numbers of poor, English Language Learner (ELL), minority, and special education students in schools, each of whom require additional investment to achieve comparable educational outcomes. **Districts experiencing declining enrollments and increased student costs are put in a big squeeze.** This squeeze is not impacting all districts, but those experiencing these demographic changes are affected more than others.

FIGURE 2 – 3-Year Change in K-12 Student Enrollment by School District



Data Source: Cornell Program on Applied Demographics and NYS Center for Rural Schools analyses of NYSED School District Financial Profiles



The Creative Responses to Fiscal Stress Project is directed by Mildred Warner of Cornell University's Department of City and Regional Planning, in collaboration with John Sipple of the NYS Center for Rural Schools, the Community and Regional Development Institute, and with partial funding support from the US Department of Agriculture Hatch and Smith Lever grant programs and NYSUT. For more information and complete reports, visit www.mildredwarner.org/restructuring/fiscal-stress and www.nyruralschools.org.

THE PROBLEM: HIGHER EXPENSES AND TIGHTER REVENUES (CONTINUED)

STATE DECENTRALIZATION

New York State ranks 37th in the nation in the percent of local school district revenue from State government (Fig. 3). NY contributes 39% of local budgets on average, including STAR funding. While there is much variation across district types (Fig. 4), the overall impact is **greater pressure on NYS school districts to rely on local property taxes to meet local demands and state mandates.**

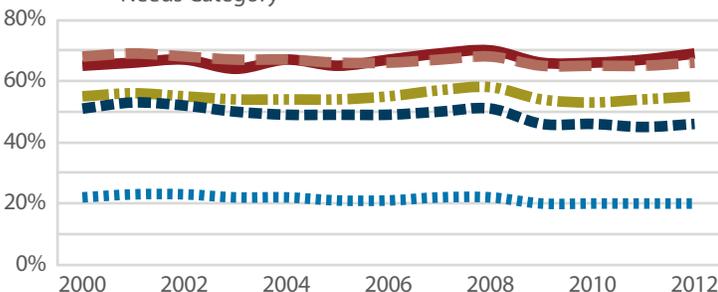
FIGURE 3 – Cross-State Comparison of State Aid Share of School Budgets

Lower than NY (12 States) **Higher than NY** (37 States)

NH & PA (36%)	MD (43%)	WI (44%)
CT & VA (38%)	CA (54%)	MI (55%)
NJ (39%)	VT (87%)	

Data Source: Authors' analysis of US Department of Education National Center for Education Statistics Common Core Data (2012/13)

FIGURE 4 – State Aid Share of School Budgets Over Time by NYSED Needs Category



Data Source for All Graphs: Cornell Program on Applied Demographics and NYS Center for Rural Schools analyses of NYSED School District Financial Profiles

THE RESULT: MARCHING TOWARDS EDUCATIONAL INSOLVENCY

As school districts began to experience fiscal stress, most scaled back or cut courses and programs, and nearly all cut staff. At the same time, many began sharing services and some began drawing from their fund balances to shore up budgets (Fig. 6). While there was a recent spike in merger discussions, very few school districts have actually merged. **If the aim of state policy was to squeeze districts into mergers and financial insolvency, it has failed so far.** Rather, some districts have made cuts while stabilizing fund balances and avoiding merger, bringing them closer to the prospect of educational insolvency.

MOVING FORWARD

Facing downward pressure on state and local revenues and changes in the student body, many school districts across NY have remained fiscally solvent by cutting staff and programs rather than **choosing alternative options that prevent educational insolvency.** Viable options to ensure educational solvency include increased service sharing, regional high schools, mergers, and greater reliance on technology to expand programmatic options.

PROPERTY TAX

School districts rely almost exclusively on property taxes for local revenues. However, with the State-imposed property tax cap, **school districts are restricted in their ability to raise local revenues.** With previous revenue gaps in place, **the tax cap effectively locks in inequality** (Fig. 5). Wealthier districts are able to leverage much more money from their tax base while average and high need districts cannot gather the funds to avoid program cuts. Inequalities in programming could be avoided if there was greater equity in state aid.

FIGURE 5 – Average Property Value Per Pupil Over Time by NYSED Needs Category (Constant 2009 Dollars)

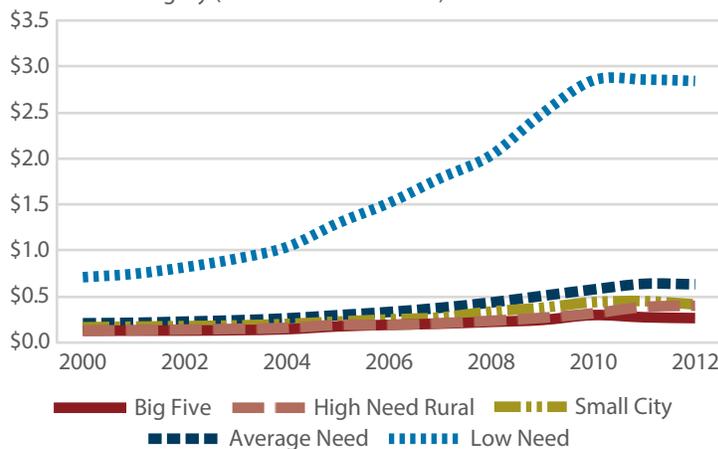
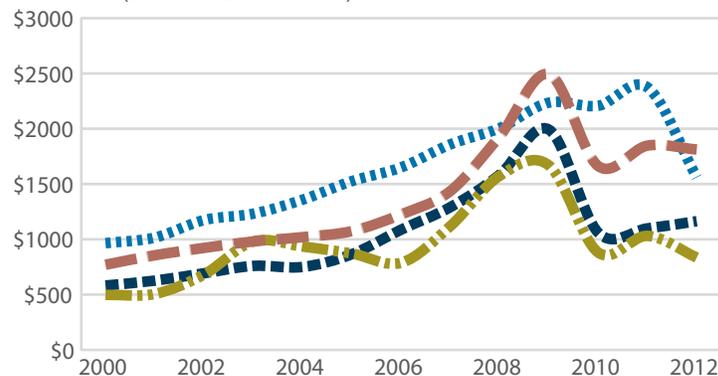


FIGURE 6 – Fund Balance Per Pupil Over Time By NYSED Needs Category (Constant 2009 Dollars)



THE ROLE OF MUNICIPALITIES

While some issues that school districts face can be addressed at the administrative level, **municipalities also play a key role in addressing the underlying economic and social problems that affect school districts.**

To learn about the role of municipalities in driving economic and social change, visit www.cardi.cornell.edu or www.mildredwarner.org/restructuring/fiscal-stress.