GOVERNOR RELEASES EXECUTIVE BUDGET PROPOSAL AMID CHALLENGES

THE ENVIRONMENT: It’s no picnic. As Governor Cuomo released his Executive Budget for 2018-19, he was forced to factor in several significant challenges facing our state. First, is the $4.4 billion state deficit (which quickly declines to a much more manageable $1.7 billion if the governor simply keeps to his limit of 2% state spending outside of health care and state education aid.) That $1.7 billion deficit includes an anticipated state school aid increase of $1.1 billion. Since state agencies have already been directed to once again freeze their spending to reach the 2% level, we can presume that state budget negotiations will actually revolve around the $1.7 billion figure.

The state’s budget is $153.1 billion this year, with state education aid amounting to over $25 billion. Personal income tax revenues lagged behind projections by $66 million for most of the year, until last month when prepayment of taxes and increased tax rate payments by the self-employed boosted revenue in anticipation of the new federal tax code reforms. How those revenues come in leading up to the April 1st constitutional budget deadline will largely determine whether any wiggle room exists for legislators to boost education aid beyond the governor’s initial offer.
Unlike most states, New York pushes off most of the cost of public education to local property taxes. That makes its property tax cap important in a school district’s overall ability to cover costs. For the first time since 2013, the proclaimed “2% tax cap” will actually be 2% (having hovered between 0-1 and a quarter percent the past two years.) That will allow districts to collectively raise about $400 million of the $1.9 billion increase needed to roll over the cost of existing programs and services; leaving a need for roughly $1.5 billion in new state aid.

WHAT RURAL SCHOOLS NEED FROM THE 2018-19 STATE BUDGET: First and foremost, we need reform of the current aid formula. It hasn’t been updated in a decade and needs to be adjusted for the increased poverty, opioid abuse impacts and student mental health needs being experienced in our schools.

Secondly, state leaders need to follow the governor’s State of the State Message directive in allocating most of the new school aid to fiscally challenged districts. They’ve improved on this the past two years and rural schools have begun to rebound. Now is no time to alter that course, given the difficulty rural students have in competing for spots in higher education and the work force.

The Board of Regents has suggested a state aid increase of $1.6 billion. In a healthy fiscal environment, this would certainly be reasonable, since we are only now approaching pre-Great Recession funding levels. Combined with local increases of $400 million under the tax cap, this would cover existing costs.

The governor has a penchant for providing grant funding and calling it state aid. Many of the programs he offers in this format are absolutely necessary (think Community Schools and Farm to School programs.) However, targeted
aid (like legislative member items) only helps a few and only for a limited time. The grant funding revenue stream is often only available while the issue is politically “hot” and districts can’t count on it. Since virtually all of these programs require local investment, it’s hard for districts to pony up local funds when sustained state funding is a crap shoot.

THE BUDGETING FRAMEWORK: The 2018-19 Executive Budget fires the first salvo in State Budget Negotiations. In “the old days” it was a starting point for discussions, with the legislative houses adding funding for their respective priorities. That framework is becoming a memory, as increasingly the Executive Budget becomes both the beginning and end of issue deliberations. In New York, the governor has the most powerful set of budget-making rules of any state (or the federal government for that matter!) If the governor has proposed funding at a certain level, the legislature must find its own places to cut to pay for increases; and then get the governor to willingly agree. If he doesn’t, it simply goes back to what he proposed. These factors formed the financial, political and structural framework for today’s Executive Budget Proposal.

THE 2018-19 EXECUTIVE BUDGET PLAN FOR RURAL SCHOOLS

Bottom line? A school aid increase of $769 million, (as stated by the governor in his address) or $961 million (as stated in his budget Briefing Book) with 70% of the increase going to fiscally challenged school districts. This is a 3% increase in state aid (down from the average of 5-6% of the past 5 years.) It is a decrease of about $350 million from the state’s own long range spending plan. Saying “This is a very fragile time for New York State’s economy,” the governor proposes increasing Community School funding by $50 million-a plus for rural schools (provided we take advantage of the program.) He offers a $15 million increase for pre-k programs and $10 million for afterschool
programming. He also proposes a $26 million increase for OASIS substance abuse services. He does these things with a $1 billion increase in revenue, largely by taxing the corporate “windfall” from federal tax reform and initiating an across the board internet sales tax.

It is clear that the governor’s focus is on changing our state’s tax approach to counter the impact of new federal laws: (A wage tax on employers rather than a personal income tax, “donations” to education that are deductible, rather than property taxes, etc.) He promises complications—a promise that he can assuredly deliver upon.

Note: There is a fairly significant discrepancy between the governor’s actual speech and the press release and briefing book that accompany the speech. The speech referred to an increase of $769 million in total and an overall 3% increase. The press release points to an increase of $1.1 billion, an increase of 4.4% with an increase of $700 million in Foundation Aid alone. The Briefing Book lists a third number of $961 million.

**Division of the Budget Briefing Book Education Aid Increase**

**Category of Increase**

**Change (millions)**

Additional Foundation Aid $428

$50 Million Community Schools Set-aside

Reimbursement for Expense-Based Aids / Other $333

Fiscal Stabilization Fund $150

Empire State After-School Program $35

Expanded Prekindergarten for Three- and Four-Year-Olds $5

Early College High Schools $5

Other Education Initiatives $5
School Aid Growth Cap $961
Charter School Tuition Reimbursement $22
Smart Schools Debt Service $17
Total Education Aid $1 billion

Community School Funding: School districts will be able to apply Community Schools funds to a wide-range of community schools activities, including hiring community school coordinators, providing before- and after-school mentoring services, offering summer learning activities, and providing health and dental care services.

After School Programs: The FY 2018 Executive Budget increases the State’s after-school investment to $100 million through $35 million in new funding for public after-school programs in the State’s 16 Empire State Poverty Reduction Initiative (ESPRI) communities. This new funding will create an additional 22,000 spots for students in after-school programs, increasing the number of spots in ESPRI school districts by 36 percent. With these new investments, 80,000 students in ESPRI school districts will receive after-school care in the 2017-18 school year.

Prekindergarten: The Executive Budget includes an additional $5 million investment in prekindergarten to expand half-day and full-day prekindergarten for three- and four-year-old children in high-need school districts. Preference for these funds will be given to the few remaining high-need school districts currently without a prekindergarten program.

State Education Department Inspector General. Each governor attempts new ways to gain control over the State Education Department (the only department constitutionally outside the Executive Department.) The Executive Budget establishes a new, independent Inspector General to oversee and
investigate allegations of corruption, fraud, criminal activity, conflicts of interest, or abuse, by any person within the State Education Department. Unlike other State agencies, the State Education Department is not currently overseen by any investigative entity. This Inspector General would be appointed by mutual agreement between the Senate and Assembly. This was proposed last year, but was rejected by the legislature.

Other Executive Budget Proposals:

**Advanced Placement Test Assistance.** New York State has one of the highest rates of participation in national Advanced Placement (AP) exams in the country. Unfortunately, Advanced Placement exams can be costly—approximately $93 per exam. While partial subsidies exist, the remaining cost can still be a burden for low-income families. Because of this, the FY 2018 Executive Budget provides $2 million to fund AP exam costs for 68,000 low income students. This funding will provide further access to advanced coursework for low income students, and will promote educational equity across the State.

**Extend Mayoral Control of New York City Schools.** The existing governance structure for New York City schools would be extended for an additional three years, until June 30, 2020.

**Master Teachers Program.** Building on the Master Teacher Program which has already awarded more than 800 teachers, the Executive Budget would provide $2 million to fund an additional cohort of 115 master teachers—specifically teachers in computer science. Each master teacher is awarded $15,000 per year for four years ($60,000 total). Those selected as master teachers will pledge to engage in peer mentoring, participate in and lead professional development activities, work closely with pre-service and early
career teachers to foster a supportive environment for the next generation of STEM teachers, and ensure the most innovative teacher practices in STEM are shared across all grades and regions.

**Empire State Excellence in Teaching Awards.** To recognize and honor excellence and innovation in the classroom, the Executive Budget provides $400,000 to fund a second round of Empire State Excellence in Teaching awards. This funding will be awarded on a regional basis and will recognize at least 60 teachers. Awardees receive $5,000 to use for professional development activities, including coursework to enhance expertise, attendance at a state or national education conference, or enrollment in a summer institute or certification program.

**Prevent Cyberbullying Initiative.** The Executive Budget proposal invests $300,000 to combat and prevent cyberbullying and other forms of online harassment. Funds will be used to provide a wide array of school-based cyberbullying prevention strategies, including cyberbullying professional development for school counselors and school-based public awareness campaigns.

**ANALYSIS: IMPACT ON RURAL SCHOOLS**

The numbers come up short for public education; below the state’s own long range planning figure of $1.1 billion. That decrease reportedly helps the state cut its $1.7 billion deficit. Within what’s left, the state continues to provide 70% of the remaining increase to fiscally challenged districts, an obvious beneficial focus on rural schools. There are comparatively small increases to recently enacted, helpful educational programs like Community Schools and After School Programming.
Thankfully perhaps, there are few policy initiatives in the Executive Budget. This governor is known for attempting to make sweeping legislative changes in the State Budget—last year almost eliminating the need for the remainder of the legislative session (in his estimation.) This year the governor includes only a renewal of mayoral control for New York City schools and a now time worn plan to create a State Inspector General to oversee the State Department of Education. No broad based policy changes for public education. This will allow the legislature to focus on “buying back” aid increases without giving in to poor policy proposals.

True to historical form however, the Executive Budget fails to provide much needed reform in funding or in structure. No Foundation Aid changes to address increased student poverty or English Language Learners, no focus on student mental health, no significant opioid fight, no Mandate Relief, no regional cost reform or funds to help with unaccompanied immigrant minors. Economic development plans stay the same. Clearly the governor is reeling from the impact of the federal tax reform on New York State’s economy, which he says is in danger of further outward “tax migration” of businesses and a claimed 25% increase in the individual tax burden.

In sum, this is an expected attempt to continue the status quo while addressing a fragile economy and federal tax challenges. It could of course, have been much worse, as the state has few areas where it spends enough on a discretionary basis to help fill a large deficit. All reimbursable spending is paid in this proposal, meaning that BOCES, Building, Transportation and Special Education Aids will be paid in full. It also means though that things like needed change to the reimbursement rate for BOCES teachers would once again fail to be included.

Assuming the actual aid figure is the $769 referred to by the governor himself,
combined with the potential of raising $400 million under the property tax cap, schools get a total increase of $1.169 billion this year. That amounts to a cut in existing programs and services of roughly half a billion dollars. Clearly the governor wanted to find a middle ground so as not to incense the public or alienate legislative colleagues in an election year, but also felt compelled to trim back even his own long range fiscal plan for education to address the deficit. If there is any good news in this plan, it is that the amount withheld is within the reach of the legislature to reinstate. Even if they were to add $250 million to the plan, provided it in Foundation Aid and focused it to fiscally challenged school districts, educational progress in New York State might well continue.

**Time to Act:** In this fiscal environment, it is possible to “win or lose” while staying within the bounds of fiscal reality. There is an old saying that when hikers are facing a bear, you don’t have to outrun the bear…you only have to outrun the other hiker. Here, we only have to outrun the other state spending areas, like health care, state infrastructure, etc.

As they say, the game’s afoot folks. Look at your school aid runs, then immediately call legislators! They need to hear a loud and immediate reaction to the decreased funding. It took years to make up for the GEA. Lower funding doesn’t just delay progress, it puts us in decline. *Give ‘em hell!*