

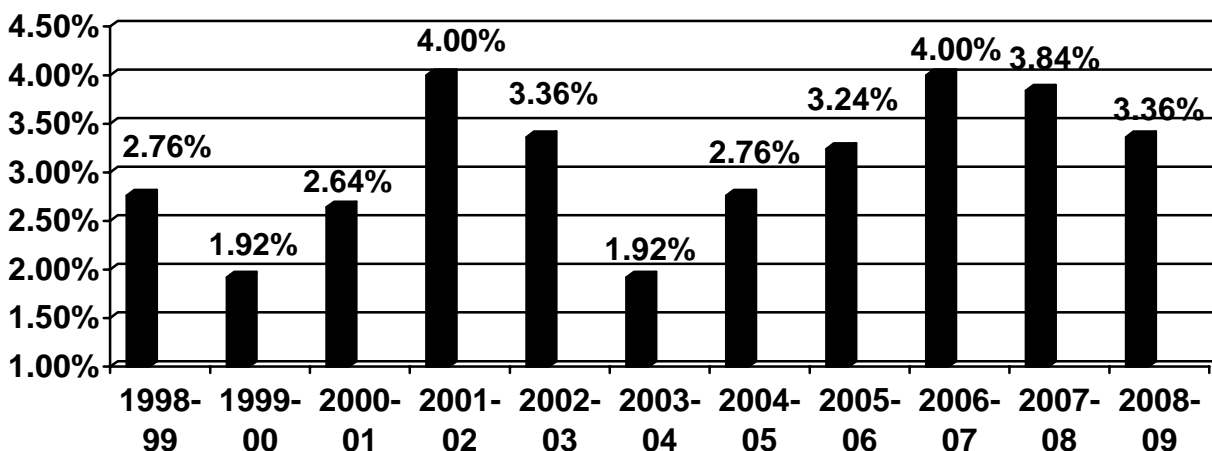
3.36% Contingency Budget Cap for 2008-09

School districts that operate under a contingency budget in the 2008-09 school year will have their spending increase capped at 3.36 percent over last year's budget. According to the law, the contingency budget cap is equal to the lesser of 120% of the calendar year average CPI increase or 4.00 percent. In 2007, the average calendar year increase in the CPI was 2.8% and increasing 2.8% by 120% equals 3.36%. Therefore, the contingency budget cap for 2008-09 will be 3.36 percent.

Under a contingency budget, a district may only fund those items that are deemed to be an "ordinary contingent expense." Although an item may be an "ordinary contingent expense," the total amount of a contingency budget may not exceed the contingency budget spending cap. Certain expenditures, such as those for voter-approved capital projects and expenditures attributable to increases in enrollment, are exempt from the contingency budget cap.

Spending increases for the 2007-08 school year under a contingency budget were capped at 3.84 percent over their 2006-07 budget. The following chart shows what the cap has been in previous years:

Contingency Budget Cap

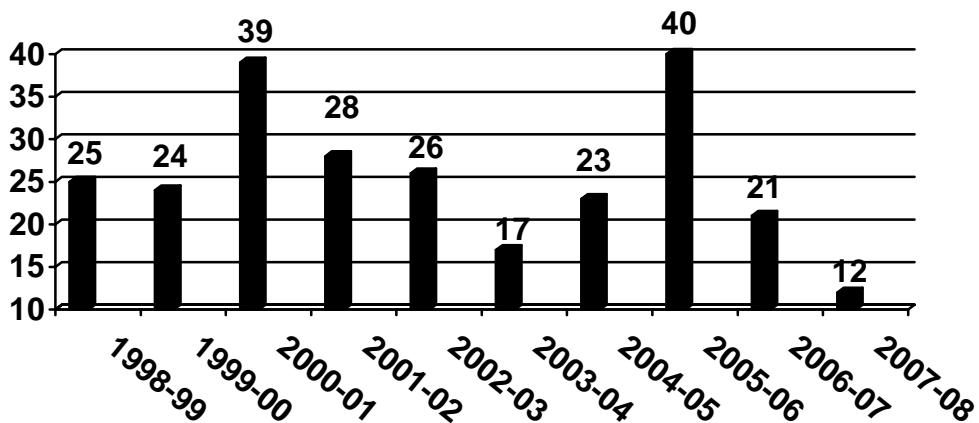


The following expenditures increases are exempt from the cap:

- Expenditures resulting from a tax certiorari proceeding;
- Expenditures resulting from a court order or judgment against the school district;
- Emergency expenditures that are certified by the commissioner as necessary as a result of damage to, or destruction of, a school building or school equipment;
- Capital expenditures resulting from the construction, acquisition, reconstruction, rehabilitation or improvement of school facilities, including debt service and lease expenditures, subject to the approval of the qualified voters where required by law; this also includes debt service for the purchase of school buses.
- Expenses relating to increases in total public school enrollment, including pre-k, from the prior year;
- Non-recurring expenditures in the prior year's school district budget; and
- Expenditures for payments to charter schools

Fortunately, relatively few districts have been subject to the contingency budget cap. The following chart shows the number of districts on a contingency budget since the contingency budget cap took effect.

*Number of Districts on
a Contingency Budget*



CONSEQUENCES OF CONTINGENCY BUDGETS —

An analysis conducted by NYSUT Research and Educational Services of the 12 districts that adopted a contingency budget in 2007-08 found that, in total, there was a \$5.31 million difference between the budgets that were first presented to the voters on May 15, 2007 and the contingency budgets that were adopted by the board of education. This means that as a result of the contingency budget law, these 12 districts were forced to make \$5.31 million in cuts to education spending.