

## ***Impact of Consumer Price Index (CPI) on Contingency Budgets in 2010-11 School Year***

As a result of the expected decline in the CPI for the 2009 calendar year, school districts that are forced to operate under a contingency budget in the 2010-11 school year will likely be forced to make significant cuts in order to comply with the contingency budget cap.

In 1997, legislation was enacted that imposed limitations on allowable increases in district spending under a contingency budget. After excluding certain expenditure categories, the overall expenditure increase cannot exceed the lesser of 4 percent or 120 percent multiplied by the average increase in the CPI for the preceding calendar year.

With the current projection of a *decrease* in the CPI for the 2009 calendar year, NYSUT has confirmed with staff at the State Education Department that the contingency budget cap for 2010-11 would be 0.00%. As a result, school districts operating under a contingency budget in 2010-11 will be forced to essentially adopt a spending freeze, notwithstanding that some expenditures are exempt from the cap. Voters will decide the fate of their 2010-11 school budget on May 18, 2010.

### **CONSUMER PRICE INDEX (CPI) EXPECTED TO DECREASE FOR 2009 CALENDAR YEAR —**

For the first time since 1955, the average calendar year change in the Consumer Price Index (CPI-U) is expected to decrease for 2009. Currently, the consensus estimate from *Blue Chip Economic Indicators* is that the calendar year average change in the CPI for 2009 will be -0.6%. The last time the average calendar year change in the CPI was negative was 1955 when the change in the CPI was -0.4%.

*Blue Chip Economic Indicators* also predicts that the calendar year increase in the CPI for 2010 will be 1.8%.

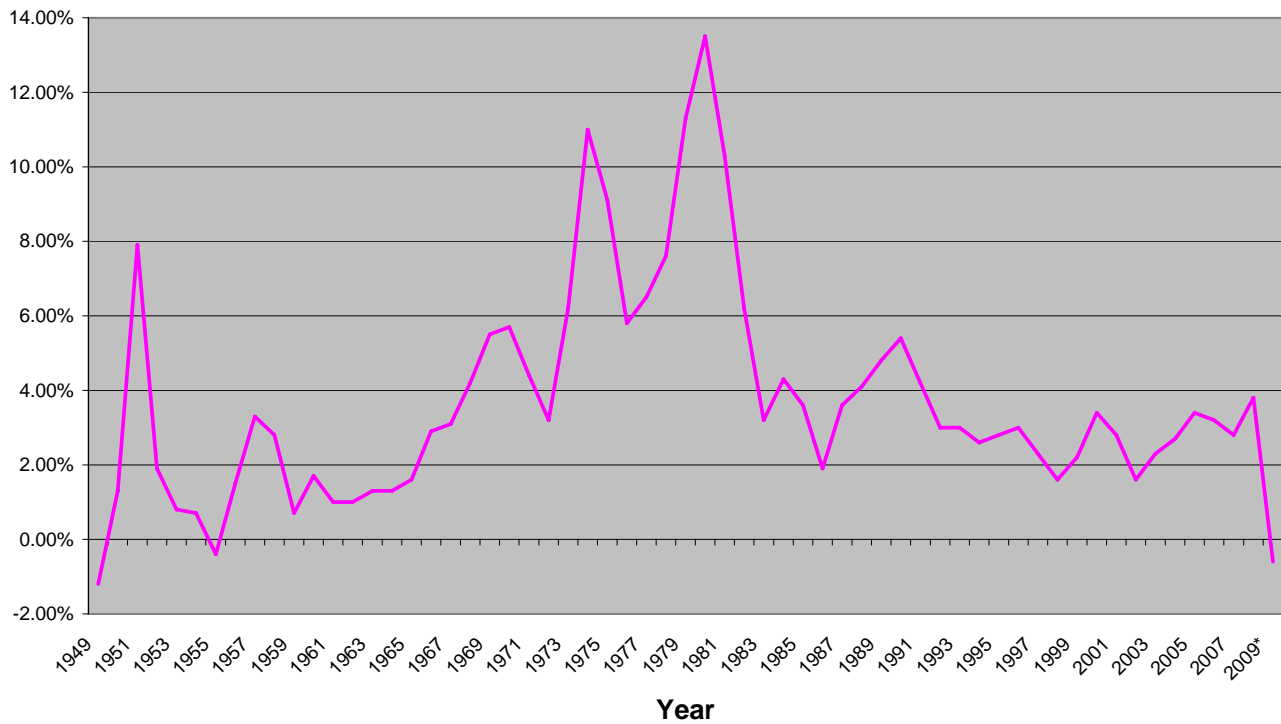
The CPI is a measure of the average change over time in the prices paid by consumers for a fixed “market basket” of consumer’s goods and services. The CPI provides a way to compare what the market basket of goods and services costs this month with what the same market basket cost a month or a year ago. For the last three months, the CPI has posted a negative change and for the first five months of 2009 the average change is -0.4%.

# CONSUMER PRICE INDEX

## U.S CITY AVERAGE

Month	Index	Increase Over Same Period of Previous Year
<b>2008</b>		
January	211.080	
February	211.693	
March	213.528	
April	214.823	
May	216.632	
<b>2009</b>		
January	211.143	0.0
February	212.193	0.2
March	212.709	-0.4
April	213.240	-0.7
May	213.856	-1.3
Average Change for first 5-months of 2009 Calendar Year		<b>-0.4 %</b>

Calendar Year Average Change in the Consumer Price Index (CPI-U) (1949 - 2009)



\*2009 is a projection