New York State Educational Conference Board

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Factsheet: The State of School Aid in Extraordinary Times

A 20% State Aid Cut in Any Form Would Devastate Schools, Students

The 20% reduction in state aid that schools have been warned about for months as a state budget gap closing measure for the current year (2020-21) would have enormous consequences for students, communities and the economy. Given the stakes, Educational Conference Board (ECB) members have come together to produce this informational sheet. Our goal is to provide greater context for the decisions at hand and a common set of facts for elected officials, policymakers, and education stakeholders to work from as our state continues to navigate this extraordinary time.

While New York's system of school funding is not perfect, it does provide the greatest amount of aid to districts with the least local resources who often have the greatest student need factors. It's also true that schools statewide are working to meet growing student needs and taking on greater costs to educate students during the COVID-19 pandemic. All school districts rely on state funding to sustain student programs. This is especially true in light of the property tax cap, which limits schools' ability to raise funds locally to support education in good times and bad – and these are not good times. Based on the facts outlined below, ECB members feel it is critical to emphasize that if there is a state aid reduction at any time, it must be significantly lower than 20%. Further, in any scenario, schools need federal aid.

FACT: The enacted state budget reduced state support for schools by $1.1 billion through the Pandemic Adjustment.

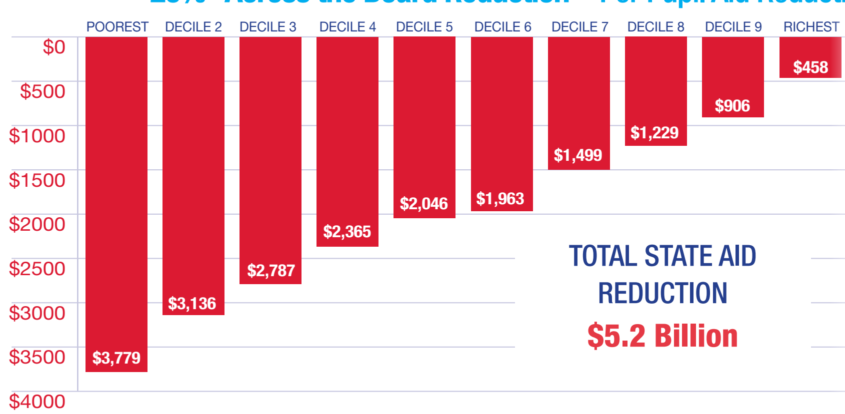
While overall support for schools in the enacted 2020-21 state budget was flat, this was only because a $1.1 billion state aid reduction, the Pandemic Adjustment, was entirely covered by federal CARES Act funding. But these federal funds are required to be shared with nonpublic schools and thus did not fully restore the reduction in state aid. The federal money was intended to help schools cover costs associated with COVID-19. The Pandemic Adjustment represents a share of existing education funding that is no longer covered by the state. Further, because the federal funding is one-time revenue, there is now a $1.1 billion hole in state education funding to be filled in the coming state budget. The Pandemic Adjustment alone is enough to fuel concerns about the ability of schools to meet student needs and keep pace with costs for the near- and long-term.

State Aid Facts

- The enacted state budget already reduced state support for schools for 2020-21 by $1.1 billion through the Pandemic Adjustment.
- A 20% state aid cut represents a $5.2 billion loss of funding. No matter how such a reduction is distributed, it would be devastating for schools.
- A 20% reduction in state aid is more than double the size of any other state aid cut in history.
- Mid-year cuts are especially disruptive to students and districts' fiscal stability.
- A reduction of 20% of state aid would bring the state's share of school funding to a historic low.

No matter how it's distributed, a 20% state aid loss is untenable.

20% "Across the Board Reduction – Per Pupil Aid Reduction by Combined Wealth Ratio Deciles



Adjusting for Wealth is Also Problematic

If some districts are to receive less than a 20% reduction based on need, then other districts, including those who are *average wealth would have to see a reduction far greater than 20%.* Consider, for illustrative purposes, that to save $5.2 billion, it would require cutting all aid to districts with fewer than 44% of their students in poverty — *45% of districts would not receive a single dollar of state aid.*

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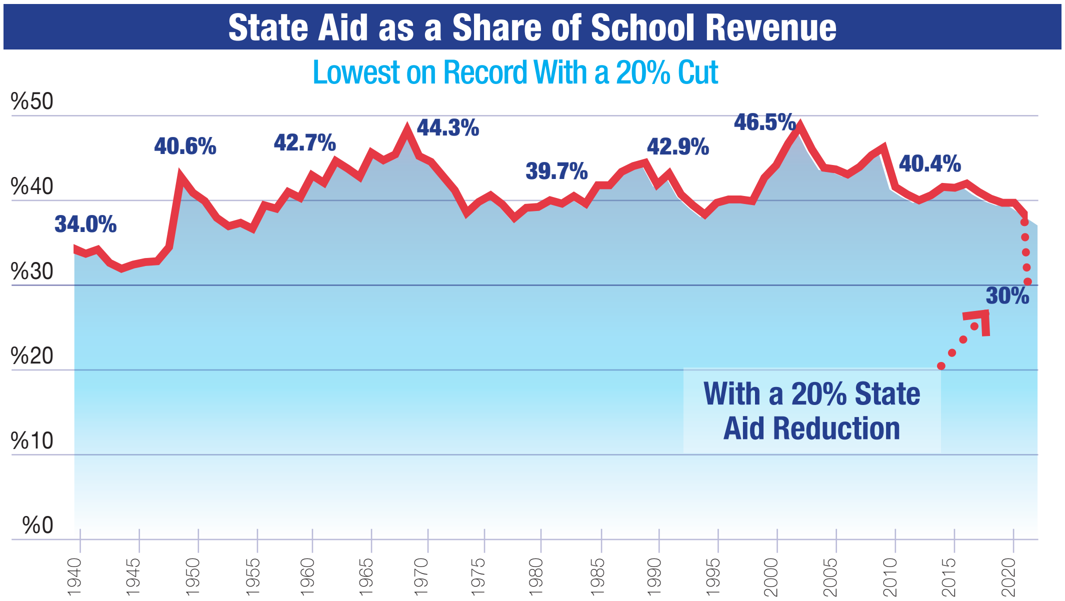

FACT: Mid-year cuts are especially disruptive to students and districts' fiscal stability.

When schools lose revenue that supports student programs in the middle of the year, they have little to no ability to make up for it. Even in a normal budget cycle, local revenue is limited due to the tax cap. It's not an option in the middle of the year. This is why when aid is cut mid-year, many districts need to resort to staffing reductions, as happened in 1991. This results in educational instability, such as increased class sizes and the dislocation of student programs and supports. Mid-year cuts in state aid make sustaining student programs and responsible fiscal planning impossible.

FACT: A 20% state aid cut represents a loss of $5.2 billion in funding. No matter how such a reduction is distributed, it would be devastating for schools.

Because more state aid goes toward districts with the least resources, an across-the-board reduction of 20% would disproportionately impact low-wealth, high-need communities. As the chart on the first page shows, a universal 20% cut would result in an average loss of $3,779 per pupil in the 10% of school districts with the lowest combined wealth ratios (a measure of fiscal capacity) and just $458 per student in the wealthiest 10%. However, a wealth-adjusted cut is also problematic. Consider that a 20% state aid reduction equates to about $5.2 billion. With the greatest share of state aid going toward high- and average-need districts, eliminating every dollar of aid for low-need districts (which is not reasonable) would save only $1.6 billion. Thus, an across-the-board cut would devastate those districts that rely on state aid the most, but adjusting for wealth would still hurt poorer districts while having dire consequences for average-need districts. Any reduction in state aid that occurs must be significantly less than 20% overall. The scale of a $5 billion cut is such that there is no way to distribute it that avoids severe consequences.

FACT: A 20% reduction in state aid is more than double any other state aid cut in history.

The most recent state aid reduction, the Gap Elimination Adjustment (GEA), was in place from 2010-11 through 2015-16. Enacted to help the state close budget deficits after the 2008 financial crisis and Great Recession, the GEA resulted in thousands of layoffs of school personnel across the state. At its most severe in 2011-12, the GEA cut state aid by $2.6 billion, which is just half the amount a 20% reduction would result in this year. The 1991-92 state aid cut amid the recession of that time represented a 7% reduction. We have not experienced anything like a 20% loss of state funding before – and could expect that if it takes place, the layoffs, loss of learning opportunities and economic damage will be extensive and prolonged.

FACT: A 20% state aid cut would bring the state's share of school funding to a historic low.

The New York State Education Department publishes the state share of K-12 expenditures for every year going back to 1940-41. For the last 20 years, the state share has averaged about 42% and in the most recent year published (2018-19), it was 39.4%. ECB estimates that if a 20% reduction to all state-funded programs to schools were to occur, this would fall to 30% – lower than any year since 1940. In this context, it's also important to consider the long-term implications of state funding cutbacks. From the time the GEA was enacted in 2010-11, it took six state budget cycles for it to be eliminated, and many districts have still not returned to pre-GEA staffing levels or fully recovered from its impact on student programs and services.

Summary

ECB members recognize the toll that COVID-19 has taken on the state finances and the challenges this has created. Yet, if we are to keep our public education system intact and meet student needs, a 20% reduction in state aid, no matter how it is structured, cannot occur. Circumstances may preclude avoiding an aid reduction, but if this is the case, it must be considerably less than 20% and carefully account for the impact on all districts. In any scenario, significant and sustained federal funding is necessary. Otherwise, we risk catastrophe for a generation of students and the schools they attend.

The New York State Educational Conference Board is comprised of the Conference of Big 5 School Districts; the New York State Council of School Superintendents; New York State PTA; the New York State School Boards Association; New York State United Teachers; the School Administrators Association of New York State; and the Association of School Business Officials of New York.