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# *School Finance Guide*

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*Understanding the basic  
framework of school finance  
in New York State*

**JANUARY 2011**

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# Table of Contents

	<u>Pages</u>
<b>I. Introduction</b> .....	<b>1</b>
<b>II. School Finance in Law and Regulations</b> .....	<b>2</b>
<i>The State and School Finance</i> .....	<b>2</b>
<b>III. Planning and Managing a School Budget</b> .....	<b>6</b>
A. <i>Basic Accounting and Reporting Requirements</i> .....	<b>6</b>
B. <i>Budget Development and Adoption Process</i> .....	<b>8</b>
C. <i>Budget Implementation and Control</i> .....	<b>15</b>
<b>IV. School District Revenues</b> .....	<b>17</b>
A. <i>Overview</i> .....	<b>17</b>
B. <i>State Aid</i> .....	<b>23</b>
C. <i>Property Taxes and Other Local Revenue Sources</i> .....	<b>28</b>
D. <i>Federal Aid</i> .....	<b>29</b>
<b>V. Other Items</b> .....	<b>31</b>
A. <i>Fund Balance</i> .....	<b>31</b>
B. <i>School District Borrowing</i> .....	<b>32</b>
<b>VI. NYSUT School Finance Services</b> .....	<b>33</b>
<b>VII. Glossary</b> .....	<b>35</b>
Part A – <i>Budget Terms</i> .....	<b>35</b>
Part B – <i>Selected School Aid Terms</i> .....	<b>36</b>

# *I. Introduction*

A school district's fiscal condition has profound implications for local union members. It will determine the district's ability to maintain and add staff, to improve salaries and benefits, and to offer high quality education programs. Accordingly, it is important for local union leaders to possess a general understanding of both the basic framework of school finance and their district's particular fiscal situation.

The purpose of this guide is to provide a general overview of the subject of school finance. Some of the specific goals for the guide are to help local leaders:

- ▶ develop a sense of confidence in discussing school finance issues with their own union members, administrators, board members, State Legislators and others;
- ▶ recognize what issues are especially important and what information is available to them;
- ▶ understand basic processes and timelines in school finance; and
- ▶ understand what services NYSUT can offer to help in dealing with school finance issues.

## *II. School Finance in Law and Regulations*

### **THE STATE AND SCHOOL FINANCE**

#### **NEW YORK STATE CONSTITUTION**

The Constitution of New York State establishes the responsibility of the Legislature to provide a system of free education:

#### **ARTICLE XI — EDUCATION**

*(Common Schools.) Section 1. The Legislature shall provide for the maintenance and support of a system of free common schools, wherein all the children of this state may be educated.*

The Constitution also sets restrictions and limitations on the powers of local governments, including school districts. These restrictions and limitations pertain to the purpose and amount of indebtedness, capital expenditures, gifts, loans, taxing powers, among other topics.

#### **LAWS, RULES AND REGULATIONS, OPINIONS**

The New York State Legislature has enacted hundreds of laws which affect the financing and operation of the schools. These laws are not found in a single volume. The majority of the laws affecting school districts are found within the following categories:

1. Education Law
2. Real Property Tax Law
3. General Municipal Law
4. Local Finance Law
5. Civil Service Law

In addition to the laws enacted by the Legislature and the Governor, the schools are also governed by the Rules of the Board of Regents and Regulations of the Commissioner of Education, by the opinions of Counsel to the State Education Department (SED), and by the opinions of the Comptroller of the State of New York, for example.

The state delegates powers to school districts as it does to municipalities such as counties, cities, and towns. Local school districts, in carrying out educational programs, are considered to be agents or extensions of the state government.

All laws and regulations do not necessarily apply to **all** school districts. For instance, within the Education Law, school districts' duties are specified in:

- ▶ Article 33 for common school districts,
- ▶ Article 35 for union free school districts,
- ▶ Article 37 for central school districts,
- ▶ Article 40 for boards of cooperative educational services (BOCES),
- ▶ Article 51 for districts in small cities,
- ▶ Article 52 for districts in large cities — Buffalo, New York City, Rochester, Syracuse and Yonkers (Big Five), and
- ▶ Article 52a for the New York City community school district system.

However, there are some laws that do pertain to all classifications of school districts, and there are situations where two laws address the same issue. For instance, a school district is given the authority to establish a property/liability insurance reserve under both the education law and the general municipal law.

School officials must be familiar with the laws in the various categories. In administering the financial needs of a district, business officials must work closely with various state agencies and comply with the requirements set forth in the various laws, rules, and regulations.

## **LEGAL CHALLENGES**

Almost two decades ago, a group of Long Island school districts and the Big 5 school districts argued in the landmark case, *Levittown vs. Nyquist*, that gross disparities in financial support created inequitable educational opportunities in New York State’s schools.

In 1982 New York State’s highest court, the Court of Appeals, ruled in the *Levittown* case that while substantial inequities existed in educational opportunities, there is no requirement in the state constitution for *equal* education funding. However, the court did determine that the State Constitution does entitle students to a “sound basic education.”

The entitlement to a sound basic education was the central issue in the fourteen-year court battle, *Campaign for Fiscal Equity (CFE) vs. State of New York*. The CFE case was based on a claim of educational adequacy rather than educational equity. On January 10, 2001, Justice Leland DeGrasse of the New York State Supreme Court ruled in CFE’s favor, concluding that thousands of New York City students are being denied the opportunity for a “sound basic education.” The justice defined the requirements of a sound basic education in terms of fulfilling the duties of citizenship (voting and jury service) and sustaining

competitive employment. Further, the court ordered the Governor and the State Legislature to remedy the situation by reforming the school funding system. As a part of the process, “the actual costs of providing a sound basic education” were to be determined and the ruling outlined some basic goals for a new funding system.

In June 2003 the state’s highest court, the Court of Appeals, upheld State Supreme court Justice Leland DeGrasse’s 2001 ruling. The Court of Appeals ordered the Governor and the Legislature to determine the cost of providing a sound basic education in New York City and to enact appropriate funding and accountability reforms by July 30, 2004.

Unfortunately, the state leaders failed to meet this deadline and a court-appointed master panel was formed to develop a compliance plan. In November 2004, the master panel concluded that New York City’s public schools needed an additional \$5.63 billion in operating aid over four years and \$9.2 billion for facilities to provide their students the resources the New York State Constitution guarantees them. Justice DeGrasse confirmed the findings of the master panel and ordered the state to provide the funding amounts called for by the panel. Once again, the state chose to appeal Justice DeGrasse’s ruling.

In December 2006, the Court of Appeals affirmed that the state's constitution requires that every public school child in the State of New York has a right to a "sound basic education" and that the state has the responsibility to increase funding for New York City's public schools. The ruling deferred to the state to determine the appropriate figure, and, based on the state's argument, established a minimum funding figure of \$1.93 billion, "adjusted with the latest version of the Geographic Cost of Education Index (GCEI) and inflation.

## **RESOLVING CFE –FOUNDATION AID**

In April 2007, Governor Spitzer and the state legislature agreed to a state budget that would finally provide the school finance reform that was sought after in the CFE case. The budget provided a record one-year increase of \$1.76 billion in education aid and also promised significant state aid increases in each of the next three years.

These promised aid increases were scheduled to be delivered through a new Foundation Aid formula, which combined nearly 30 separate aid formulas. The enacted Foundation Aid formula linked school funding to the cost of a successful education and promised to allocate State Aid in a transparent, equitable, and predictable manner. Foundation Aid would be calculated based on the actual costs associated with providing an adequate education and would be adjusted for: disadvantaged students and special needs students; regional cost; and a local contribution based on the wealth of a district.

Although Foundation Aid increases were targeted at high-need districts, all school districts were promised a minimum Foundation Aid increase of 3% in 2007-08, 2008-09, 2009-10 and 2010-11, for a total increase of 12.55%. Districts receiving an increase greater than the 3% minimum would receive progressively larger increases in each of the next three

years. In total, Foundation Aid was to increase from a base of \$12.5 billion in 2006-07 to \$18.0 billion in 2010-11, an increase of \$5.5 billion.

Schools districts receiving large Foundation Aid increases of 10 percent or \$15 million that have schools with substandard student performance were required to develop a "Contract for Excellence" (C4E) to commit that additional funds be spent on certain categories to produce measurable results in student outcomes. These categories include smaller class sizes, increased student time on task, full-day prekindergarten, teacher quality initiatives, and middle school and high school restructuring. In the 2007-08 school year 56 school districts were required to comply with the C4E requirements and in the 2008-09 school year 39 districts were required to comply with the C4E program.

### **2009-10 STATE BUDGET – STEP BACK FROM CFE**

As a result of the “Great Recession” and the significant decline in state revenues, the 2009-10 state budget and the 2010-11 state budget froze Foundation Aid funding at the 2008-09 funding level and delayed the full phase-in until the 2013-14 school year. However, in the 2010-11 state budget, overall state funding to education was reduced by nearly \$1.75 billion. Fortunately, federal funding, from both the stimulus and the Education Jobs Fund, was able to offset nearly \$1.3 billion from stimulus funding and the federal Education Jobs Fund.

## ***III. Planning and Managing a School Budget***

### **A. BASIC ACCOUNTING AND REPORTING REQUIREMENTS**

School districts are expected to carefully manage and keep track of all district funds and assets. To provide uniformity across the state, school districts are required to follow the New York State Uniform System of Accounts to plan, record, and report on all financial transactions.

Under this uniform system, school finances are accounted for on a Fund Basis, means that separate funds are created for the purpose of carrying out specific activities or attaining certain objectives in accordance with the law or dictated by generally accepted accounting practices.

The General Fund is the principal fund of the district and includes all transactions except those required to be accounted for in a separate fund. In addition to the general fund, school districts may use the following funds:

***School Lunch Fund:*** Used to account for the operation of food services.



**Special Aid Fund:** Used to account for federally supported programs and state funded grants.

**Capital Fund:** Used to account for approved capital projects.

**Debt Service Fund:** Used to record the payment of principal and interest on capital debt. The use of this fund is optional except where a mandatory reserve is required.

**School Store Fund:** Used to account for the operation of a district operated school store.

**Public Library Fund:** Used to account for a district sponsored public library.

**Extra-classroom Activity:** Used to account for the activities of student organizations.

**Trust and Agency Fund:** Used to account for funds held, but not owned by the district (e.g., federal taxes withheld from employees awaiting transfer, scholarship funds, and monies, etc.).

District voter approval is required for the annual budgets of the general fund and the public library fund. Voter approval is also required for district subsidies for the school lunch and school store operations. District voters must also approve capital projects undertaken by the district.

The Uniform System of Accounts provides the basic structure and format for planning, managing, and reporting on the district's general fund budget. General fund expenditures and revenues are accounted for in the following major categories:

**EXPENDITURES**

**General Support**

- Board of Education
- Central Administration
- Finance
- Staff
- Central Services
- Special Items

**Instruction**

- Administration and Improvement
- Teaching
- Instructional Media
- Pupil Services

**Pupil Transportation**

**Community Services**

### **Undistributed**

Employee Benefits  
Debt Services  
Interfund Transfers

### **REVENUES**

#### **State Aid**

#### **Federal Aid**

#### **Real Property Taxes**

#### **Other Local Items** (e.g., Charges for Services, Interest Earnings)

Within each of these categories, more detailed descriptors are used to further classify expenditures and revenues. For example, within each of the broad categories of expenditures, objects of expense such as Instructional Salaries, Noninstructional Salaries, Equipment, Contractual and Other, Materials and Supplies, and BOCES Services are used to classify expenditures.

Following the Uniform System of Accounts, school districts are required to prepare a key financial document for each fiscal year.

**Annual Financial Report (Form ST-3).** This form is used to summarize the financial transactions for the year across all funds. This report is filed with the Regional Information Center for transmission to the Office of the State Comptroller and the State Education Department.

At the end of each year, an independent auditor must formally review the accounting records, internal procedures, and the Annual Financial Report. The audit report is publicly presented to the Board of Education and sent to the Comptroller and SED.

## **B. BUDGET DEVELOPMENT AND ADOPTION PROCESS**

Two key elements – state and local policies – shape the general fund budget development process.

A legal framework has been established by the state to direct and regulate the budget development process across all school districts. There are numerous laws and regulations that have been adopted over the years that assign responsibilities, establish specific procedures and notification requirements, and identify timelines and dates that must be complied with by school districts.

While all school districts must adhere to these legal requirements, there is considerable authority given to school districts regarding how a proposed budget is to be developed. School districts formulate local policies to guide and regulate the local efforts to prepare a budget for voter consideration. These policies will often outline the general

approach to be used in preparing and reviewing a preliminary budget, identify who is to be involved and their role, and establish a timeline of activities and events to be followed to assure compliance with all legal requirements.

The following are among the most important legal requirements for the budget development process.

**Budget Vote Date** — All schools districts, with the exception of the Big 5 city school districts, must conduct their school budget vote and election of school board members on the third Tuesday in May (May 17<sup>th</sup> in 2011). However, according to the law, if this date conflicts with a religious observance, a local school board may make a request to the New York State Education Commissioner to change the date to the second Tuesday in May. In the 2010-11 school budget voting, three school districts were granted requested to change the date of their budget vote to the second Tuesday in May.

**Public Hearing** — Each school district must present its budget at a public hearing to be held not less than seven (7) days or more than 14 days before the budget vote. Notice of the date, time, and place of the public hearing must be included in the notice of the annual meeting. The purpose of the public hearing is to present the proposed budget to the public.

**Availability of Proposed Budget** — The budget must be prepared and available to the residents of the district seven (7) days before the public hearing.

**Notice of the Annual Meeting (Budget Vote) and Public Hearing** — Each school district must publish a notice of the time and place of the public hearing and annual meeting. The published notice must appear four times within the seven weeks preceding the annual meeting. The first publication is to be at least 45 days before the budget vote date. The announcement is to appear in two newspapers, if there are two, having general circulation within the district. When no newspaper has general circulation, the notice is to be posted in at least 20 of the most public places in the district 45 days before the budget vote date.

**Budget Presentation Format** — The district must present its budget in three components: (1) a program component, (2) an administrative component, and (3) a capital component. Each must be separately delineated in accordance with regulations of the Commissioner of Education.

Categories of revenues, expenditures and fund balance information, as well as comparison data from the prior year's budget must be set forth in the budget in such a manner as to best promote comprehension and readability.

The district must attach to the proposed budget:

- a) An annual report card prepared by State Education Department which measures the academic performance of the district on a school-by-school basis. The report

card must compare academic performance to statewide averages for all schools of comparable wealth and need.

- b) The salaries, benefits, and any in-kind or other form of compensation of the superintendent, assistant or associate superintendent, and any administrator who are paid more than a certain amount (\$118,000 in 2010-11 school year).

**Property Tax Report Card** — The district must prepare a “Property Tax Report Card” and make it publicly available by transmitting it to local newspapers and appending it to copies of the proposed budget. The report card must include the amount of total spending and tax levy, the percentage increase/decrease in total spending and tax levy, projected student enrollment, the percentage change in enrollment, and the percentage increase in the Consumer Price Index.

The report card must also report on the three parts of the fund balance if the proposed budget is adopted: (1) the amount and percent of the unreserved, undesignated fund balance, (2) the reserved fund balance and (3) the appropriated fund balance. In addition, districts are required to report the actual amount and percent that the unreserved, undesignated fund was for the prior year.

A copy of the property tax report card must be submitted to SED no later than 24 days prior to the budget vote date.

**School Budget Notice** — A school budget notice must be prepared and mailed to all qualified voters of the school district after the date of the budget hearing, but no later than six (6) days prior to the budget vote date. The school budget notice compares the percentage increase or decrease in total spending under the proposed budget with the percentage increase or decrease in the Consumer Price Index.

The notice must also include:

- ▶ A description of how total spending and the tax levy in the proposed budget would compare with a projected contingency budget. The comparison must be in total and by component (program, capital, and administrative), and the assumptions made to estimate the contingency budget must be listed.
- ▶ A comparison of the tax savings under the School Tax Relief (STAR) Program and the increase or decrease in the school taxes for a hypothetical home with a full value of \$100,000.
- ▶ The date, time, and place of the school budget vote.

**Defeated Budget** — If the voters fail to pass the proposed budget, the Board of Education has three options: (1) resubmit the same budget to the voters, (2) submit a revised budget to the voters, or (3) adopt a contingency budget.

If the Board of Education decides to have a budget revote, it must occur on the third Tuesday in June (June 21<sup>st</sup> for 2011). The district may submit its budget and/or budget propositions(s) to the voters no more than two times. If the voters fail to approve the budget after the second submission, the Board of Education must adopt a contingency budget.

**FIGURE 1**  
*School Budget Development Timeline*

KEY DATES*	ACTIVITY/EVENT
<b>October - November</b>	Budget calendar and guidelines developed.
<b>December – February</b>	Preliminary expenditure budget developed and revenues projected.
<b>January – March</b>	Board of Education reviews preliminary budget.
<b>By April 21<sup>st</sup></b>	Final date for budget adoption by the Board of Education.
<b>By April 22<sup>nd</sup></b>	Property Tax Report Card submitted to SED and local newspaper.
<b>April 26<sup>th</sup>, May 3<sup>rd</sup></b>	Budget Statement and required attachments must be available.
<b>May 3<sup>rd</sup>, May 10<sup>th</sup></b>	Budget Hearing.
<b>May 4<sup>th</sup>, May 11<sup>th</sup></b>	School Budget Notice mailed to all qualified voters.
<b>May 17<sup>th</sup></b>	Budget Vote.

\* Based on the 2011-12 Budget Year.

**Contingency Budget Adoption** — If district voters fail to approve a budget, the district must adopt a contingency budget subject to caps and limitations. The Board of Education is responsible for determining what constitutes the ordinary contingent expenses to include in its contingency budget. Formal Opinion of Counsel No. 213 is available to be used as a guide. Ordinary contingent expenditures are divided into three categories: (1) legal expenditures, (2) expenditures specifically authorized by statute, and (3) other items necessary to maintain the education program, preserve property, and assure the health and safety of students and staff. It is important to note that although an item may be an ordinary contingent expenditure, the amount of the administrative component and the total amount of the contingent budget may not exceed the caps set forth under the law.

The administrative component of a contingency budget may not comprise a greater percentage, exclusive of the capital component, than the lesser of, that percentage which the administrative component had comprised in the prior year's budget, or the last defeated budget presented.

The total spending increase in a contingency budget is capped at the lesser of four percent or 1.2 times the calendar year average increase in the Consumer Price Index (CPI).

Items that may be excluded when determining total expenditures that are subject to the contingency budget cap include:

- 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;
- Expenditures for payments to charter schools; and
- Expenditures of gifts, grants in aid or insurance proceeds—Increases in Foundation Aid are considered a grant and are therefore included in this exemption.

Fortunately, relatively few districts have been forced to adopt a contingency budget since the spending cap was implemented in 1998-99. Since 1998-99, the number of districts on a contingency budget has ranged from a high of 40 in 2005-06 to a low of 12 in both 2007-08 and 2009-10.

The following worksheet, from the State Education Department, demonstrates how these exclusions are applied.

*Sample Contingent Budget Cap Worksheet – Example*

**2010-11 Adopted Budget** **\$1,000,000**

**Less: (base year exclusions)**

- Budgeted expenditures of gifts, grants in aid or insurance proceeds

45,000
- Budgeted expenditures resulting from a tax certiorari proceeding

10,000
- Budgeted expenditures resulting from a court order or judgment against the district

5,000
- Budgeted expenditures certified by the Commissioner as necessary as a result of damage to, or destruction of, a school building or school equipment

20,000
- Budgeted capital expenditures resulting from 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

150,000
- Budgeted expenditures for payments to Charter Schools

40,000

**Adjusted Base Year Adopted Budget** **\$730,000**

**2011-12 Contingency Budget**

2011-12 adjusted base year x Cap (2.00%)\* **\$ 744,600**

**Add: (subsequent year exclusions)**

- Budgeted expenditures of gifts, grants in aid or insurance proceeds

\$ 45,000
- Budgeted expenditures resulting from a tax certiorari proceeding

40,000
- Budgeted expenditures attributable to projected increases in public school enrollment

50,000
- Budgeted capital expenditures resulting from 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

160,000
- Budgeted expenditures for payments to Charter Schools

50,000

**Proposed budget vs. Contingent budget** **\$1,050,000** **\$1,089,600**

**Required Cuts** (\$39,600)

**Noncontingency items, e.g.**

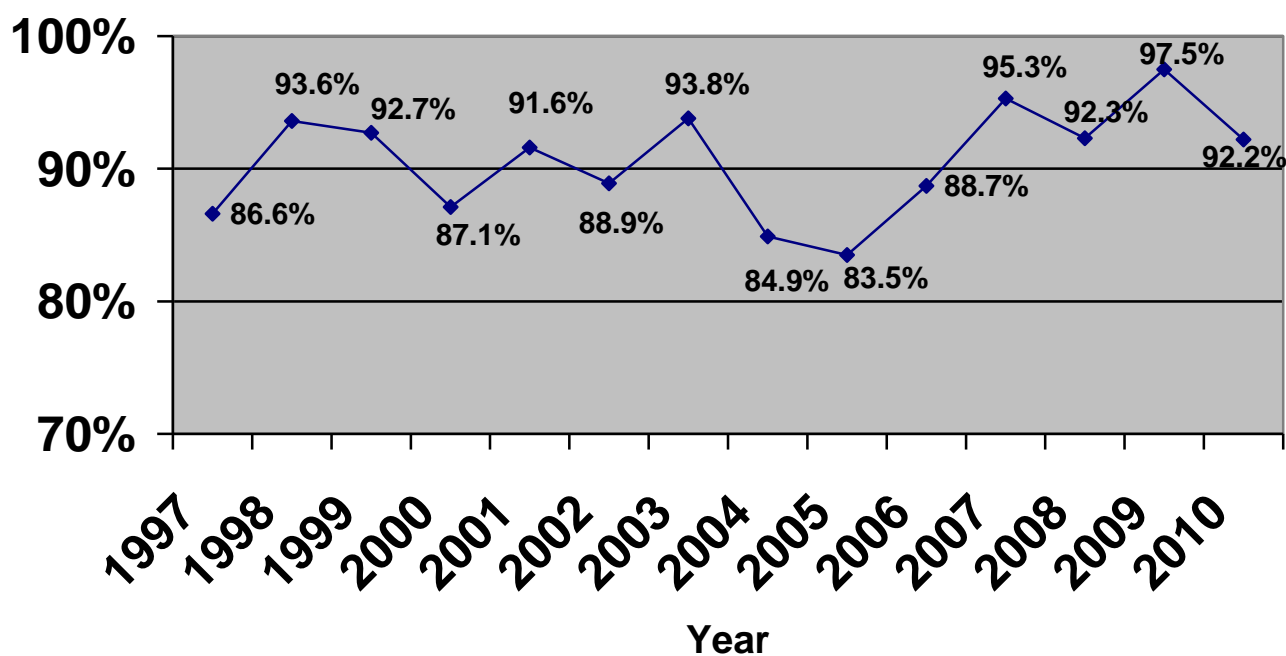
- Student supplies
- Community use of buildings and grounds
- Certain equipment
- Certain salary increases

\*2010 Calendar Year CPI is estimated to be 1.6%. DK/jd/76274

## BUDGET VOTING HISTORY

On average over the past 12 years, 90 percent of school district budgets have won voter approval on the first vote. The highest approval rating occurred in 2009 when voters approved 97.5 percent of school budgets on the first vote. Conversely, in 2005, voters approved just 83.5 percent of school district budgets on the first vote. The lowest approval rating came in 1978 when only 66.3 percent of budgets were approved on the initial vote. The following chart (Figure 2) summarizes the recent voting history:

**Figure 2**  
**Percentage of School Budgets Approved on Initial Vote**



## C. BUDGET IMPLEMENTATION AND CONTROL

Once a budget has been adopted, the school district is responsible for keeping its expenditures within legally authorized appropriations. Education Law, §1718 clearly states that, “No Board of Education shall incur a district liability in excess of the amount appropriated by a district meeting unless such board is specially authorized by law to incur such liability.”

**Internal Controls** — School districts must establish and follow sound internal control procedures and practices. At a minimum, these should insure the following.



- ▶ Each request for spending is checked to be sure it is legal and appropriate and has been properly authorized.
- ▶ There are sufficient funds available in the appropriate budget code to cover a request for spending.
- ▶ Each purchase order must be encumbered prior to its issuance.
- ▶ Only the person designated as the district’s purchasing agent is authorized to make purchases and obligate the district, and all state and local requirements regarding bidding and quotations must be met.
- ▶ Actual payments are made only after it has been determined that it was properly authorized, that the goods or services were satisfactorily received, and that a proper invoice is available.

For districts implementing a contingency budget, additional controls must be instituted whereby appropriations and actual expenditures are monitored for compliance with overall and administrative component caps.

**Budget Transfers** — It is an exceptional budget that does not require some adjustments made to its appropriations among function-object codes during the fiscal year.

The Board of Education has the authority to make transfers between and within functional unit appropriations for teachers’ salaries and ordinary contingent expenditures. However, budget transfers may not cause the administrative or overall contingent budget caps to be exceeded. The board may authorize the chief school officer to make budget transfers.

Commissioner’s Regulations allow transfers to be made between contingent expenditure codes and from a noncontingent expenditure code to a contingent expenditure code. This regulation prohibits transfers from contingent expenditure codes to noncontingent codes.

**Budget Status Reports** — Ideally, a budget status report should be prepared and reviewed at least once a month. A year-end budget status report should also be prepared and reviewed.

By law (Commissioner’s Regulation §170.2), the district treasurer or fiscal officer is required to furnish the Board of Education with a status report at least quarterly, or monthly, in the event that budget transfers have been made since the last report for each fund. This report provides the following information:

**Appropriation:**

Original appropriation

**Revenues:**

Original estimated revenue

Transfer and adjustments	Amount received to date
Revised appropriations	Estimated revenues yet to be received
Expenditures to date	
Outstanding encumbrances	
Unencumbered balance	

The budget status reports, the treasurer’s reports, the Annual Financial Report (ST-3), and the annual independent audit provide valuable financial information for use when planning, managing, and monitoring the financial activities of the district.

## *IV. School District Revenues*

### **A. OVERVIEW**

In 2008-09, total revenues received by New York State school districts were an estimated \$54.65 billion, of which local tax revenue accounted for \$26.75 billion, state aid revenue accounted for \$25.30 billion and federal revenue accounted \$2.60 billion.

The 2001-02 school year was a historic year in that it was the first time that revenues from state funds, which includes both state aid and reimbursements from the School Tax Relief (STAR) program, surpassed local tax revenues as the largest revenue source for public schools. In 2001-02 revenues from state sources totaled \$17.09 billion and local tax revenue totaled \$16.31 billion.

The property tax is by far the largest local tax revenue source, accounting for more than 90 percent of all local school tax revenues.

Over the past 25 years, the respective shares of school funding borne by state, federal, and local sources have risen and fallen, largely in response to political and economic tides. With the stock market crash of 1987 and the national recession of the early 1990s, the state share declined to a 20-year low of 38.6 percent in 1993-94. With the economic boom in the latter half of the 1990s, the state resumed the enactment of large state aid increases and launched the STAR program, providing state funded school property tax relief.

Figure 3 shows changes in the local, state and federal shares of total school district revenues over the 20-year period. Figure 4 shows changes in revenues from state sources compared to total expenditures and Figure 5 charts the State Share and Local Share of Total School District Revenues.

**FIGURE 3**  
**Total Revenues, Elementary and Secondary Education**  
**New York State Public School Districts**  
**1989-90 to 2008-09**

(IN THOUSANDS)

SCHOOL YEAR	TOTAL GENERAL & SPECIAL AID FUND REVENUES	STATE REVENUE*		FEDERAL REVENUE		LOCAL TAX & OTHER REVENUES	
		AMOUNT	PERCENT OF TOTAL REVENUES	AMOUNT	PERCENT OF TOTAL REVENUES	AMOUNT	PERCENT OF TOTAL REVENUES
2008-09**	\$54,646,384	\$25,300,000	46.3%	\$2,600,000	4.8%	\$26,746,384	48.9%
2007-08	52,293,190	23,601,417	45.1	2,587,422	4.9	26,104,351	49.9
2006-07	49,437,635	21,593,657	43.7	2,746,120	5.6	25,097,858	50.8
2005-06	46,306,624	19,821,003	42.8	2,837,247	6.1	23,648,374	51.1
2004-05	43,185,271	18,725,271	43.4	2,674,224	6.2	21,785,776	50.4
2003-04	40,151,547	17,520,589	43.6	2,593,597	6.5	20,037,361	49.9
2002-03	37,470,378	17,179,094	45.8	2,149,320	5.7	18,141,964	48.4
2001-02	35,179,401	17,093,224	48.6	1,771,551	5.0	16,314,626	46.4
2000-01	33,816,802	15,728,255	46.5	1,488,430	4.4	16,600,117	49.1
1999-00	31,197,395	13,691,138	43.9	1,429,909	4.6	16,076,348	51.5
1998-99	29,437,657	12,538,457	42.6	1,350,041	4.6	15,549,159	52.8
1997-98	27,363,011	10,964,334	40.1	1,095,722	4.0	15,302,954	55.9
1996-97	26,132,515	10,401,326	39.8	1,049,139	4.0	14,682,050	56.2
1995-96	25,408,873	10,188,856	40.1	1,134,569	4.5	14,085,448	55.4
1994-95	24,488,976	9,832,201	40.1	1,047,208	4.3	13,609,567	55.6
1993-94	23,497,040	9,065,209	38.6	1,086,491	4.6	13,345,340	56.8
1992-93	22,266,332	8,817,919	39.6	992,456	4.5	12,455,957	55.9
1991-92	21,247,060	8,659,401	40.8	879,886	4.1	11,707,773	55.1
1990-91	21,009,179	8,982,872	42.8	714,265	3.4	11,312,042	53.8
1989-90	19,432,139	8,036,520	41.4	706,151	3.6	10,689,468	55.0

\* Includes School Tax Relief (STAR) starting in 1998-99.

\*\* Estimated.

**SOURCE:** New York State Education Department. *Analysis of School Finances in New York State School Districts 2007-08*, January 2010.

**FIGURE 4**  
**Revenues from State Sources**  
**Compared to Total General and Special Aid Fund Expenditures**  
**New York State Public School Districts**  
**1998-99 to 2008-09**

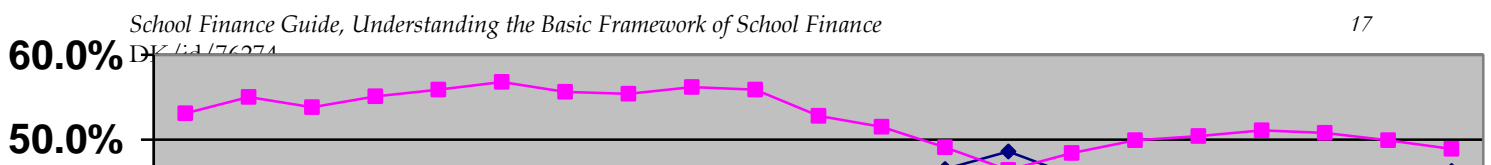
(IN THOUSANDS)

SCHOOL YEAR	STATE REVENUE		TOTAL EXPENDITURES	AS PERCENT OF TOTAL EXPENDITURE	
	SCHOOL TAX RELIEF (STAR)	OTHER REVENUE FROM STATE SOURCES	TOTAL GENERAL AND SPECIAL AID FUND EXPENDITURES	STAR	OTHER STATE REVENUE
2008-09**	\$3,500,000	\$21,800,000	\$53,700,000	6.5%	40.6%
2007-08	3,711,368	19,890,049	51,558,636	7.2	38.6
2006-07	3,553,835	18,039,822	48,713,637	7.3	37.0
2005-06	3,215,198	16,605,806	45,904,234	7.0	36.2
2004-05	3,058,781	15,666,490	42,957,730	7.1	36.5
2003-04	2,819,757	14,700,832	39,809,145	7.1	36.9
2002-03	2,664,252	14,514,843	37,741,721	7.1	38.5
2001-02	2,507,314	14,585,910	35,488,090	7.1	41.1
2000-01	1,846,151	13,882,105	34,215,830	5.4	40.6
1999-00	1,191,615	12,499,522	31,704,768	3.8	39.4
1998-99	582,156	11,956,301	29,590,607	2.0	40.4
1997-98	-	10,964,334	27,717,505	-	39.6

**SOURCE:** New York State Education Department. *Analysis of School Finances in New York State School Districts 2007-08*, January 2010.

**FIGURE 5**

## School Revenues--State and Local Shares

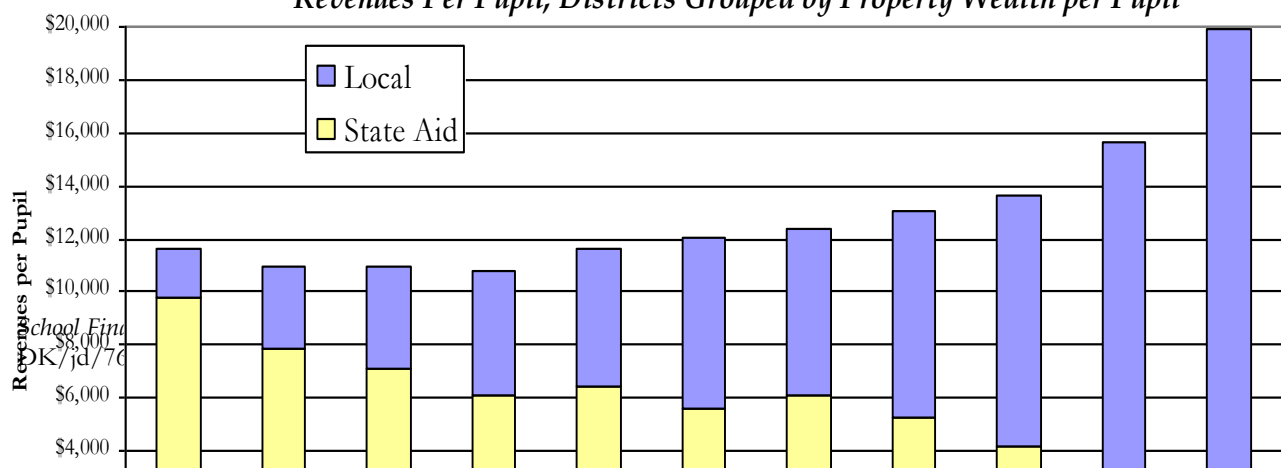


Among individual districts, shares of revenues derived from the major revenue sources – local taxes and state aid – vary enormously. This variability can be seen in Figure 6 on the next page, when districts are sorted by property wealth per pupil into deciles (each group represents ten percent of the districts in the state). New York City is presented separately.

Overall, state aid is distributed in a progressive fashion – poorer districts typically receive greater aid per pupil than do their wealthier counterparts. The poorest 10 percent of districts received approximately five times as much state aid per pupil as the wealthiest 10 percent of districts in 2007-08 (\$9,753 vs. \$1,797).

Despite the progressivity in state aid, tremendous disparities still exist in overall per pupil revenues and spending. The progressive distribution of state aid is not sufficient to offset variations in local wealth. The wealthiest 10 percent raised nearly ten times as much in local revenues per pupil (\$18,124 vs. \$1,892), enabling the wealthy group to outspend the poor group by more than 60 percent.

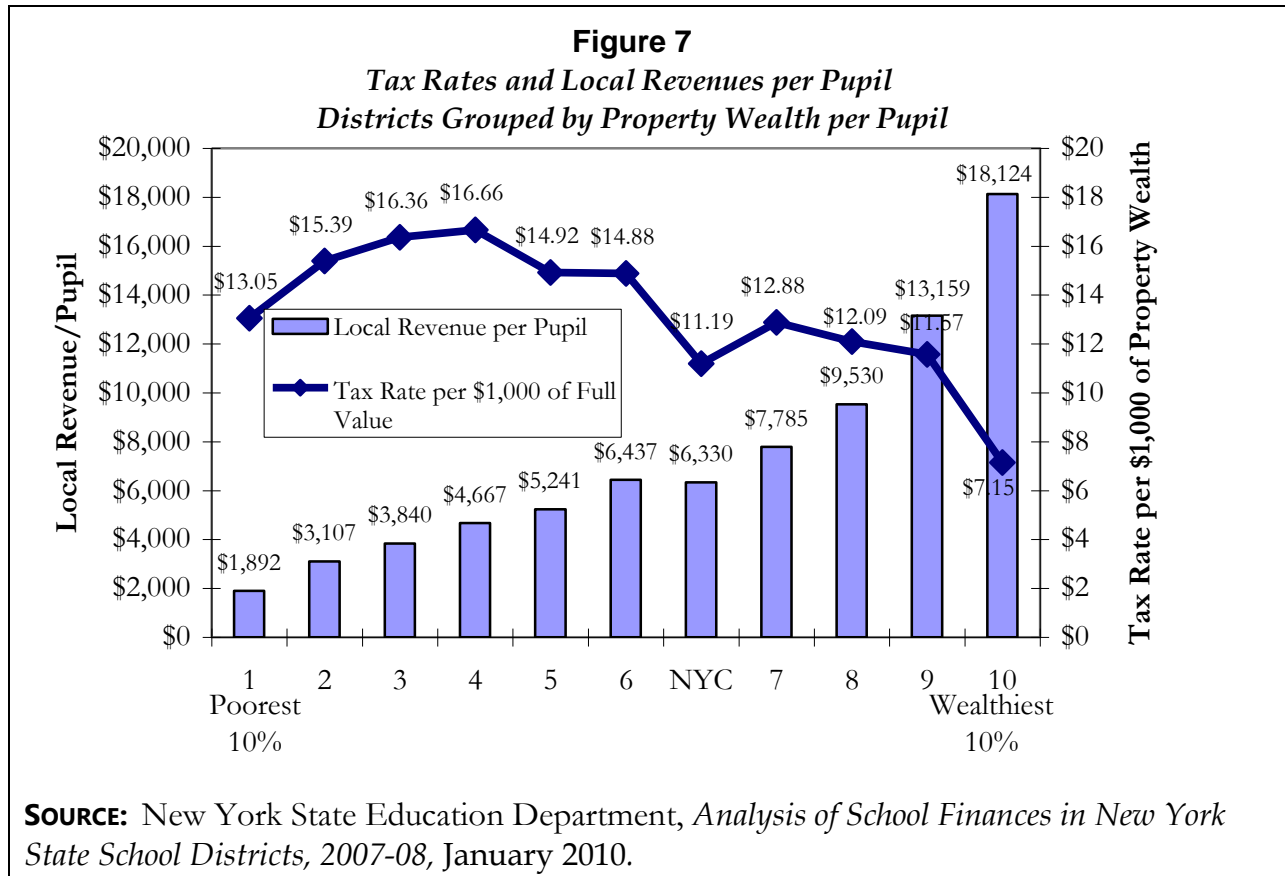
**Figure 6**  
*Revenues Per Pupil, Districts Grouped by Property Wealth per Pupil*



**SOURCE:** New York State Education Department, *Analysis of School Finances in New York State School Districts 2007-08, January 2010.*

A response to the picture presented in Figure 6 might be — “The poorer districts need to make a greater effort to raise more money locally.”

Figure 7 shows why that generally is hard for poorer districts to do. Once again, districts are sorted into deciles based on property wealth per pupil. For each decile, the chart presents both the average school tax rate per \$1,000 of full value property wealth, and the amount of local revenues raised per pupil.



With comparable tax rates, the first decile (poorest group) and the seventh decile (fourth wealthiest group) raise vastly different sums of local revenue (\$1,892 vs. \$7,785) with a similar tax rate (\$13.05 vs. \$12.88).

## B. STATE AID

Traditionally, most state aid has been delivered through formulas that are summarized on a “school aid run” (see Figure 6 for an example). New York used to employ an extremely complex mix of formulas and grant programs to distribute state aid to education.

In 2007-08, Governor Spitzer proposed a new State Aid formula called Foundation aid, which combined nearly 30 separate aid formulas into a single aid formula. Foundation Aid is calculated based on the actual costs associated with providing an adequate education and is adjusted for:

- disadvantaged students and special needs students,
- regional cost, and
- a local contribution based on the wealth of a district.

Although Foundation Aid increases were targeted at High-Need School Districts, all school districts were to receive a minimum Foundation Aid increase of 3% in 2007-08, 2008-09, 2009-10 and 2010-11, for a total increase of 12.55%. In total, Foundation Aid was pledged to increase from a base of \$12.5 billion in 2006-07 to \$18.0 billion in 2010-11, an increase of \$5.5 billion. This four-year commitment for education funding was suppose to allow school districts and local unions to plan for the future. However, in the 2009-10 state budget, the governor and the legislature agreed to two-year freeze in Foundation Aid.

### **HOW STATE AID IS CALCULATED —**

Dozens of variables are used in calculating state aid, but most formulas start with pupil counts or expenditures as a foundation. Some formulas provide a dollar amount for every student served. Others reimburse districts for a share of expenses incurred. Some formulas blend the two concepts, reimbursing districts for a share of costs per pupil, generally capped at a maximum aidable level.

Most state aid formulas are “wealth-equalized” – they attempt to compensate for differences in the ability of districts to pay for education from local resources, with poor districts generating more aid per pupil or per dollar of expense than wealthy districts. Local wealth is measured by property value and income per pupil and compared to state averages. Some aid formulas incorporate minimum state share provisions, guaranteeing all districts some state assistance no matter how wealthy they are.

Historically, several formulas incorporated “save-harmless” provisions that assured districts would not receive less aid from that formula than in the preceding year. Depending on the formula, a district could lose aid and go on save-harmless if it lost pupils, reduced spending or tax effort, or gained in wealth. Because a district’s wealth is measured in comparison to the state as a whole, a district will become wealthier for state aid purposes if its property wealth or income rises at a faster rate than the state as a whole.

**FIGURE 8**  
***School Aid***  
**FORMULA AIDS — ALL NEW YORK STATE DISTRICTS**



<b>AID CATEGORY</b>	<b>ENACTED BUDGET 2009-10</b>	<b>ENACTED BUDGET 2010-11</b>	<b>CHANGE</b>
<b>GENERAL PURPOSE AIDS</b>			
Foundation Aid .....	14,893,140,007	14,893,140,007	-
Full Day K Conversion Aid.....	8,531,913	1,373,927	(7,157,986)
Universal Prekindergarten Aid.....	378,143,851	414,117,819	35,973,968
Transportation Aid w/Summer.....	1,546,321,337	1,650,791,939	104,470,602
BOCES & Special Services Aid .....	693,016,401	735,239,797	42,223,396
Special Services Aid .....	206,669,089	200,528,635	(6,140,454)
Private Excess Cost Aid & Public High Cost Aid	820,954,791	821,771,240	816,449
Hardware & Technology Aid.....	38,256,882	37,856,110	(400,772)
Software, Library, & Textbook Aid.....	247,802,600	248,311,625	509,025
Charter School Aid Transition Aid.....	18,673,503	23,808,849	5,135,346
Reorganization Incentive Aid.....	2,856,587	2,856,587	-
Educational Grants.....	27,024,033	27,024,033	-
High Tax Aid .....	204,770,097	204,770,097	-
Suppl. Public Excess Cost Aid .....	4,313,167	4,313,167	-
Building Aid & Building Reorg Incentive .....	2,267,750,283	2,481,262,764	213,512,481
Gap Elimination Adjustment (GEA).....	-	(2,138,069,821)	(2,138,069,821)
Federal Restoration.....		725,919,272	725,919,272
Federal Education Jobs Fund .....		607,591,394	607,591,394
<b>TOTAL — ALL AIDS.....</b>	<b>\$21,358,224,541</b>	<b>\$20,942,607,441</b>	<b>(415,617,100)</b>
FMAP Contingency Fund Withholding .....		(131,510,033)	(131,510,033)
<b>GRAND TOTAL — ALL AIDS.....</b>	<b>\$21,358,224,541</b>	<b>\$20,811,097,408</b>	<b>(547,127,133)</b>
Source: 2010-11 State Aid Files			

## **TYPES OF STATE AID - GENERAL PURPOSE, REIMBURSEMENT, AND CATEGORICAL —**

State aid formulas and grant programs can be grouped into three broad classes – general purpose, reimbursement, and categorical.

*General purpose aids* are unrestricted, districts can use the aid as they choose – to initiate new programs, to pay employee salaries, or to offset local property tax increases. The largest general purpose aid is Foundation Aid.

Major *reimbursement aids* include Building Aid, Transportation Aid, BOCES Aid, and Excess Cost Aid. These aid categories reimburse districts for a share of the cost they incur, generally on a one-year lag. In most of these categories, aidable costs are determined by the State Education Department and the share of approved costs that aid will reimburse varies with district wealth.

Some examples of *categorical aid programs* include Universal Prekindergarten, and Textbook Aid. Some of these aids are distributed through formulas, others through competitive grants requiring districts to submit applications and then be selected by the State Education Department. In a few programs, aid is directly allocated to specific districts by the Legislature and Governor. Aid from categorical programs must be spent for the purposes of the program as detailed in laws and regulations. In nearly all cases, the state aid is not sufficient to cover 100 percent of the program costs, so districts are required to contribute funds from local sources, if they are to participate in the program.

## **LOTTERY AID**

In 1966, the voters of New York State approved an amendment to the state constitution to create the New York State Lottery with the lottery proceeds dedicated for education. Proceeds from the lottery provide an important source of revenue. Without the lottery, school aid could be reduced which could necessitate increases in local taxes, cuts in programs, or both. In the 2010-11 school year, the lottery will provide an estimated \$2.8 billion for education.

## **SCHOOL TAX RELIEF (STAR)**

The School Tax Relief (STAR) program was designed to lessen the school property tax burden on homeowners by reducing their school tax bills. While the STAR program will provide substantial property tax relief and may ease taxpayer discontent over school taxes, it is important to note that STAR will not increase total funding available to schools. The intent of the program is to substitute state funds for local property tax revenues.

The STAR program provides an exemption on the assessment of owner-occupied primary residences for the purpose of calculating school taxes. All New Yorkers who own their own one, two, or three-family home, condominium, cooperative apartment, mobile home, or farm home are eligible for a “basic” STAR exemption of \$30,000 on their primary residence. Senior citizens (age 65 or older) with yearly incomes below \$73,000 (for 2009

assessment rolls) are eligible for an enhanced exemption of \$60,100. For example, an eligible senior citizen residing in a home assessed at \$60,100 or less will no longer pay any school taxes. In counties where the median home sale price is above the statewide median, the exemption levels are pro-rated upward to reflect these higher home values. The state reimburses school districts for the local revenue they forego as a result of the reduction in assessment. In the 2010-11 school year STAR will provide over \$3 billion in property tax relief to homeowners.

## **STATE AID PROCESS —**

The first major step in the state aid process comes when the Governor submits a proposed budget (the *Executive Budget*) to the State Legislature, usually in mid-January, but as late as February 1<sup>st</sup> in the year following a gubernatorial election. The Executive Budget presents the Governor's proposed spending levels for all areas of state government, including aid to education. The Governor's budget proposal is required to balance anticipated spending and revenues, so the Executive Budget also presents projections of revenues to be received by the state, given economic forecasts, tax laws, and any proposed changes in tax laws.

The final state budget is the product of negotiations between the State Senate, Assembly, and the Governor. Since at least the mid-1970s, aid to education has been a priority area for Legislators and, typically, final state budgets have increased education aid over the level proposed by the Governor in the Executive Budget.

An important concept in state aid is "*present law.*" Each fall, school districts are required to report to the Education Department the data that is used in calculating state aid for the succeeding year. Once that data has been compiled, the Education Department can then project what state aid would be in the coming year if current or "present law" formulas were continued another year. In addition to comparing the Governor's proposed aid levels with those of the prior year, they can also be compared with the aid levels that would result from a continuation of present law.

The state's fiscal year begins on April 1<sup>st</sup>. However, the Governor and the Legislature have enacted an on-time budget only twice (2005 and 2007) in the last 20 years. If a state budget is not in place by the time school boards are required to adopt a budget for submission to the voters, they must essentially guess how much state aid the district will receive. Some districts will use the aid level proposed in the Governor's budget, some will use the amount that would result under continuation of present law, but there is no one accepted methodology for these estimates. The new formula should allow better fiscal planning for school districts.

Even after a state budget is adopted – even after a school year has been completed – actual aid payable for the year can be adjusted upward or downward as the data used in calculating is updated or audited. Some formulas allow districts to receive aid based on

either estimated or actual data, with any additional aid beyond the original estimates payable in the succeeding school year.

## **C. PROPERTY TAXES AND OTHER LOCAL REVENUE SOURCES**

### **REAL PROPERTY TAXES**

The real property tax is the balancing factor in financing school budgets. For a typical district, the property tax constitutes its largest single source of revenue. The “Big Five” school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers), also known as dependent school districts, are considered departments of city government and do not raise their own taxes.

Taxes are inherently unpopular, but the real property tax appears to be especially objectionable. A common criticism is that it does not reflect true ability to pay. For example, if a homeowner retires or becomes unemployed, his or her income will drop sharply. However, the value of his or her home will not change, the property tax bill does not shrink, even though the homeowner’s ability to pay taxes is diminished. On the other hand, this feature makes the property tax a generally more stable and predictable revenue source. Income and sales taxes are much more sensitive to changes in the economy, making receipts much harder to forecast. Individual property tax payments are also easier to calculate and collect than those from other tax sources. When viewed with that perspective, the simpler administration and greater predictability of the real property tax make it a superior revenue source.

The total amount of general fund revenue to be derived from property taxes (i.e., tax levy) is generally determined after establishing the revenues to be received from state aid and other local revenue sources, and estimating the amount of unreserved fund balance to appropriate in support of the ensuing budget. School districts are authorized to retain, in an unreserved fund balance, an amount equal to two percent of the adopted budget for the ensuing year. By law, any amount above two percent must be appropriated to reduce the property tax levy. In practice, however, many districts routinely exceed this limit.

### **OTHER LOCAL REVENUES SOURCES**

While the real property tax is the predominant local revenue source for most school districts in New York State, there are other local sources worth noting.

- ▶ School districts in some counties share in their counties’ sales tax receipts.
- ▶ Some small city school districts have authorized a utility tax.

- ▶ The schedule of cash flows – the timing of revenues received versus timing of actual expenditures made – allows school districts to invest idle funds and earn interest at various times during the year.
- ▶ School districts collect fees for services provided to individuals (e.g., tuition) and other school districts (e.g., health services).
- ▶ The rental or sale of materials, equipment, and properties produces generally small amounts of local revenue.

## **D. FEDERAL AID**

Public education is primarily the responsibility of individual states. Historically, the federal government has played a limited role in funding public education. In the 2008-09 school year, federal aid accounted for just under 5.0 percent of the total revenues received by New York State's public schools.

Although federal aid comprises a relatively small share of total revenue, the programs supported by federal funding have been pivotal in supporting educational reform efforts in many public schools. The largest federal aid program is Title I, which provides funding to help disadvantaged students meet higher learning standards. In New York State, Title I funds support approximately 10,000 school personnel who serve over 808,000 students. Without Title I funding, numerous remedial and school-wide programs for struggling students would be reduced or eliminated.

The other major federal elementary/secondary education program is the Individuals with Disabilities Education Act (IDEA) which helps to fund special education.

Both Title I funding and IDEA funding were increased significantly under the American Recovery and Reinvestment Act (ARRA) of 2009. In addition to providing \$40 billion in stabilization funds to states to help avert education cuts, ARRA will increase Title I funding by \$13 billion and \$12 billion for IDEA.

In September 2010, the federal government enacted a \$10 billion Education Jobs Fund to The Education Jobs Fund (Ed Jobs) program to provide assistance to states to save or create education jobs for the 2010-2011 school year or the 2011-12 school year. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. New York State received over \$600 million from this new funding source.

## V. *Other Items*

### A. FUND BALANCE

The fund balance is one of the key factors used to plan a budget and to assess the financial condition of a school district. The fund balance contains surplus funds that have been accumulated over time from budgeted funds that were not spent and receipts which were beyond a district's projected revenues. It is divided into two separate parts — reserved and unreserved funds.

**Reserved** — School districts may choose to set aside funds for specific authorized purposes. These funds are included in the reserved portion of the fund balance. School districts may establish the following reserves:

#### **General Fund**

- ▶ Workers' Compensation Reserve
- ▶ Unemployment Insurance Reserve
- ▶ Repair Reserve (Voter approval required)
- ▶ Insurance Reserve
- ▶ Property Loss and Liability Reserve
- ▶ Reserve for Tax Reduction
- ▶ Tax Certiorari Reserve
- ▶ Employee Benefit Accrued Liability Reserve

#### **Capital Fund**

- ▶ Capital Reserve (Voter approval required)

#### **Debt Service Fund**

- ▶ Mandatory Reserve for Debt Service (Established under specific conditions)

**Unreserved** — The unreserved portion of the fund balance is used (i.e., appropriated) during the process of determining the tax levy needed to fund the annual operating budget. Unreserved funds not used during this process are held for the next fiscal year, but can be used by the district during the year within certain limits established by law and regulation. Currently, the unreserved fund balance is limited to four percent of the next year's budget.

### B. SCHOOL DISTRICT BORROWING

At times, school districts may need to borrow money. They use short-term borrowing to resolve cash flow needs, and long-term borrowing for major capital

improvements and building construction. With the exception of the “Big Five,” school districts may borrow only by means of bonds or notes.

**Short-Term Borrowing** — School districts have available five types of obligations for short-term borrowing:

- ▶ **Revenue Anticipation Notes (RANS)** are used for general purposes in anticipation of collecting revenues other than real property taxes and shall mature within one year. Voter approval is not required.
- ▶ **Tax Anticipation Notes (TANS)** are used for general purposes in anticipation of taxes and shall mature within one year. Voter approval is not required.
- ▶ **Budget Notes** are used to finance expenditures for which no provision or inadequate provision has been made in the budget and must be repaid in the next fiscal year. Voter approval is not required except when the expenditures are in excess for the limitations set forth in laws and regulations.
- ▶ **Capital Notes** are used to finance the cost of any object or purpose approved by the voters for which serial bonds may be issued (e.g., purchase of buses, capital projects, etc.) and may not mature later than the last day of the second fiscal year in which the notes were issued.
- ▶ **Bond Anticipation Notes (BANS)** are used whenever bonds have been authorized by voters to cover short-term cash needs and must be repaid or converted into bonds within five years of the date of issue.

**Long-Term Borrowing** — School districts use serial bonds to finance the construction of new school facilities and for renovations/alterations/major repairs to existing facilities. The last installment of a serial bond must mature not later than the expiration of the period of probable usefulness of the object or purpose for which it was issued.

Formal approval of district voters (except in the Big 5 districts) and the State Education Department Facilities Planning Unit is required before a school district can undertake such capital projects.

## ***VI. NYSUT School Finance Services***

NYSUT Research and Educational Services offers a variety of services to help local leaders understand and address school finance issues, all of which are available through your NYSUT Labor Relations Specialist.

**School District Profile** — The one-page School District Profile, which can be produced for each district, contains the following information: enrollment, number of

teachers, geographic size, median teacher salaries, personal income per pupil, personal income per return, property value per pupil, per pupil expenditures, and tax rate. For each element in the profile, the actual number for the district is presented as well as the rank that number has among all the districts in the state. Local leaders may also request comparisons between their district and other districts having comparable size, wealth, tax rates, or expenditures. See Figure 9 for a sample School District Profile.

**School District Fiscal Profile** — Information in these profiles is presented in a series of charts and graphs that contain the following data for each individual district for 1999-00 through 2010-11: amount and percent change of state aid, property taxes and total spending; state aid and property taxes as a percent of total expenses; and per pupil spending changes.

**Community Profile** — These profiles contain information on school budget voting, income wealth, property wealth, median home value, and employment data and are intended to help local leaders assess the willingness and ability of district residents to support education.

**School District Budget Analysis** — The Division can provide an analysis of individual school district budgets, which is performed by first determining the district’s accuracy in budgeting expenditures and revenue items. Analytic procedures used by Division staff include both direct and inferential evaluation techniques.

**State Aid Analysis and Interpretation** – Staff can assist in interpreting either proposed or enacted state aid for individual districts, helping to explain changes in aid, how aid is calculated, and restrictions on how aid can be used.

**School Finance Workshops** – Research and Educational Services staff can offer various workshops on school finance.

**FIGURE 8**  
*2009-10 School District Profile*

**DISTRICT:** Sample District  
**COUNTY:** Sample County  
**NYSUT REGION:** Sample Region

**A. AREA, ENROLLMENT, AND STAFF**

	<u>AREA OF DISTRICT (SQUARE MILES)</u>	<u>ENROLLMENT</u>	<u>FULL-TIME CLASSROOM TEACHERS</u>	<u>FULL-TIME TEACHERS PER 1,000 STUDENTS</u>
Sample District Amount:	21.99	9,996	750	75
Sample District Rank Among Reporting Districts:	477	18	14	566
Middle District:	57.26	1,590	134	85
Highest District:	684.41	1,013,966	73,147	281
Lowest District:	0.82	38	7	50
Number of Districts with Data:	677	677	677	671



## B. WEALTH AND TAX EFFORT

	<u>PROPERTY VALUE PER PUPIL</u>	<u>PERSONAL INCOME PER PUPIL</u>	<u>PERSONAL INCOME PER RETURN</u>	<u>TAX RATE PER \$1,000 OF PROPERTY VALUE</u>
Sample District Amount:	\$ 366,181	\$113,265	\$ 36,900	\$18.84
Sample District Rank Among Reporting Districts:	323	278	456	64
Middle District:	\$350,068	\$100,998	\$42,069	\$14.05
Highest District:	\$37,928,580	\$1,677,893	\$589,596	\$24.30
Lowest District:	\$63,800	\$29,595	\$24,729	\$1.31
Number of Districts with Data:	676	675	677	672

## C. EXPENDITURES

	<u>TOTAL EXPENDITURES</u>	<u>PER PUPIL EXPENDITURES</u>
Sample District Amount:	\$ 188,764,267	\$18,884
Sample District Rank Among Reporting Districts:	12	245
Middle District:	\$26,955,091	\$17,144
Highest District:	\$16,199,871,209	\$134,390
Lowest District:	\$2,074,424	\$11,450
Number of Districts with Data:	677	677

## D. TEACHER SALARIES

	<u>MEDIAN CLASSROOM TEACHER SALARY</u>			
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Sample District Amount:	\$57,972	\$60,591	N/A	61,666
Sample District Rank Among Districts w/Salary Data Reported:	192	177	N/A	202
Middle District:	\$49,148	\$49,245	\$50,176	\$51,437
Highest District:	\$102,255	\$106,516	\$111,398	\$115,346
Lowest District:	\$33,014	\$35,390	\$35,033	\$37,921
Number of Districts with Data:	618	608	593	636
Statewide Median Salary:	\$51,020	\$53,017	\$55,181	\$62,332

### NOTES:

Rankings do not include BOCES, special act districts, and districts that are not eligible for general state aid.

NA — Not available.

**DATA SOURCE:** *New York State Education Department*

# VII. Glossary

## PART A. BUDGET TERMS

**Appropriation:** This is the authorized level of spending for the fiscal year.

**Contingent Account:** Only city school districts may use this account. It is used to record the amount appropriated for contingent purposes. No expenditure shall be charged directly to this account. The Board of Education of the city school district may transfer all or any part of the Contingent Account to other appropriation accounts for expenditure as the need arises.

**Encumbrances:** These are obligations in the form of purchase orders or contracts. The amount of each obligation is reserved at the time the orders are placed.

At the end of the school year, the balance of this account represents the total outstanding obligation for which money has not yet been expended.

**Expenditure:** This is the amount of money actually spent.

**General Fund:** This account handles the basic day-to-day operations of the district. This is the principal fund of the school district and includes all operations not required to be recorded in other accounts, such as School Food Service Programs, Capital Funds, etc.

**Planned Balance:** This item is used by noncity school districts to reserve an amount in the current tax levy to meet the expenses of the first 120 days of the following school year as permitted by Education Law, Section 2021(21). The planned balance is recorded as a deferred revenue in the year it is to be raised and is recorded as a revenue in the subsequent school year.

**Tax Levy:** The tax levy is the total amount of money to be raised locally by the property tax.

**Tax Rate (Full Value):** The tax rate is the tax levy divided by full value of the district. It is usually shown as dollars per \$1,000 of full value.

***Unreserved Fund Balance:*** This item reflects the net result of General Fund operations. Frequently, it is referred to as a “surplus” or “deficit” balance. As a result of legislation, a district **may retain** a “surplus” up to an amount equal to four percent (4%) of the adopted budget for the ensuing year. Any amount above four percent must be appropriated to offset the real property tax obligation.

## **PART B. SELECTED STATE AID TERMS**

***Approved Operating Expense:*** Approved Operating Expense (AOE) consists of the operating expenses for the day-to-day operation of the school. Not included are expenses for building construction, transportation of pupils, some expenditures made to purchase services from a BOCES, tuition payments to other districts, and expenses for programs which do not conform to law or regulation. Money received as federal aid revenue, proceeds of borrowing, and state aid for special programs are first deducted from total annual expenditures when approved operating expenditures are computed.

***Building Aid:*** This program provides aid for expenses incurred in construction of new buildings, additions, alterations or modernization of district-owned buildings; for purchase of existing structures for school purposes; and for school lease payments under certain circumstances.

***Combined Wealth Ratio:*** The Combined Wealth Ratio is the basic measure of school district wealth or revenue-raising capacity. It compares district property wealth per pupil and income per pupil with the state averages (property wealth and income are counted equally). A district with wealth per pupil equal to the state average will have a ratio of 1.000; a district with a ratio of .500 has 50 percent of the average wealth per pupil.

***Private Excess Cost Aid:*** This program supports the costs of educating students with disabilities in private schools.

***Reorganization Incentive Operating and Building Aid:*** Reorganization incentive aid is provided for both operating and building expenses incurred by those school districts which have reorganized.

***Save Harmless:*** This feature assures districts that they will receive the same amount of aid as in the previous year. It should be noted that not all aid categories have a save-harmless provision as part of their formula.

***Transportation Aid:*** This aid is based on a district's approved transportation expenses. The level of aid is based upon a district's wealth.

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