

RURAL SCHOOLS 2018 STATE AID PREVIEW

And

CALL to ACTION!

Knowing your district's state aid picture ahead of time is always helpful. While no one has a crystal ball (at least one that works!) we do have several good indicators of what state leaders will factor in when preparing 2018-19 state aid for our schools.

The first factor will be the state's fiscal outlook and financial condition next March. Right now, income tax revenues are coming in under projected levels. If the new state budget holds state spending totals to 2% as in recent years, the state is facing a projected deficit of \$1.7 billion for next year (and a total projected deficit of over \$4 billion in subsequent years, provided no changes are made to spending.) While this doesn't look good for a large state aid increase, there are other factors at work. First, a healthy "shopping season" may lead to healthy market gains (which in turn lead to weightier Wall Street bonuses that the state counts on for additional tax revenue.) In other words, don't set that deficit in stone just yet.

Secondly, the state budget is a political, as well as a financial document. While it might be hard to imagine the state paying even larger sums for public education (when it already spends the most per student in the nation, at twice the national average) and while the state is anxious about the potential for federal budget cuts that would raise state spending for programs (like Medicaid), it is an election year. The politics of the recent local elections showed shifts in public priorities and state legislators are never eager to run for re-election on the heels of a fiscal crisis in their local schools. The tax cap has made our districts very dependent on state aid, so the lack of a healthy increase would throw many of our districts into a tailspin of cuts that make politicians nervous. Local unrest over schools can translate into expressions of frustration at the polls in November.

This year, it will take about \$1.5 billion in new revenue to pay for existing school programs and services. That's not taking into account anything new whatever-just what's needed to continue paying for what we have now. School district payments to the state retirement systems will increase, as will the cap on the local property tax levy (about 1.26%.) Our local districts should be able to raise about \$400 million under the tax cap, leaving us needing a state aid increase of about \$1.1 billion to keep heads above water. Of course, we know that our students are not in a position to merely keep their heads above water, as they've been waiting for significant improvements and additions to programming since before the Great Recession!

We all know that we need reform of the state aid formula if we are to improve distribution in a system that is frequently ranked nationally at the very bottom in assessing equity. Our schools desperately need adjustments to the way poverty is calculated, how ELL students are funded, as well as a rational adjustment to address the actual costs of providing services to our schools.

None of these factors have been updated in years and times have changed since the formula was last adjusted.

Perhaps the most important correction in the formula is the way we address enrollment. Many districts have lost a significant percentage of their enrollment. Yet, this doesn't mean that they've reduced an equivalent amount of school district costs. If we approach this budget year without adjusting for enrollment losses, New York City (which has gained in population) will garner an even greater share of the total state aid. While we don't begrudge any school the funds they need, our schools have been historically underserved. This needs to be rectified before additional increases are granted to those that have not been so constrained. In short, we may have fewer kids, but the costs per student have gone up dramatically. Higher rates of poverty and the greater depth of poverty per family are driving up district costs. Without reform, more of our schools will be designated as Save Harmless and receive only insignificant increases in aid. You don't have to be wealthy to "held harmless", just have fewer kids than you used to.

We also have to consider factors beyond our own borders. If Congress authorizes an income tax revision that does away with or severely limits the income deduction for state and local taxes (SALT), our schools will face a difficult time both financially and in obtaining voter approval of local budgets. Imagine this: There is no more deduction for state and local taxes and a local school voter learns this when they file their federal taxes in the middle of April. Then, only a few short weeks later, their schools are asking for a tax increase. Hard on the heels of having a significant increase in their federal taxes (based largely on the loss of a deduction for their school taxes) they may be unlikely to vote for any increase in those same school taxes.

Our last remaining hurdle this budget season is the perception on the part of our state leaders that our schools have a record level of reserves on hand. We all know the reasons why...state aid is volatile and Generally Accepted Accounting Principles consider our meager 4% legal limit exceedingly insufficient to ensure sound fiscal planning. But the law is the law and lawmakers often take a pretty simplistic view: It goes like this: If schools already have more reserves on hand than the law allows, they don't need a big increase very badly. Our job is to educate them about the things we face that demand we keep those reserves at the ready; like high cost special education students transferring into the district after the budget is set, spikes in fuel costs or the dreaded mid-year cuts the governor has eluded to if Congress cuts state funding. Our state gets over \$1 billion in federal Medicaid payments. Our schools alone receive \$270 million for providing Medicaid services to students and both of these figures are on the proposed chopping block.

In the wake of federal cuts, there are only a few places the state can look to if it wants to make up the loss and continue those programs and services. (Keep in mind that the cuts in funding are unlikely to come with a release from the federal requirement that the state still provide those programs and services...their version of an unfunded mandate.) The state will look to public education because (like John Dillinger robbing banks because that's where the money was) outside of public health care, the state spends most of its discretionary money on education.

Lower aid initially, or higher aid that comes with later cuts are not outside the realm of possibility if Congress follows through on its threatened reductions in state funding.

Public education literally can't afford that. While the perception is that our state has "Universal Pre-K", the reality is that in our schools, the number of children actually served by school based pre-k is astronomically low. We need greater access to offset learning deficiencies caused by poverty and transience. So far, the state requires underfunded schools to pony up the funds to start a pre-k program and then wait for state reimbursement. That doesn't work for us. We also need funding for the transportation to get the kids to these programs. We can only help the ones who get to us and right now, we can't go get them. **The state's school aid distribution policies are creating a two tiered class system that neither our hearts nor our heads can tolerate.**

It's going to be a tough year. There's not a lot of state money to begin with and our leaders will be hesitant to dole it out, with the possibility of having to take it back looming over them. Every other aspect of state spending (senior citizens, prisons, roads and bridges, economic development) has been held frozen for several years already to make room for higher aid increases for public education. Proving our need for additional revenue won't be easy, but it will be absolutely necessary if we are to provide our students their constitutional right to an education that allows them a chance at meaningful employment or higher education. Our state's future depends on us! The time to start that effort is now, while the state budget is being prepared!

Ask for your state senator at 518-455-2800 and tell their staff that your students can't afford another year of being ignored!

Ask for your Member of Assembly at 518-455-4100 and tell them their first obligation is to the health of our state-and that hinges on the future of our children!

Questions about this analysis can be directed to RSA Executive Director David Little at 518-888-4598.