

PERU CENTRAL SCHOOL DISTRICT

FORECAST OF DRIVING FACTORS FOR BUDGET DEVELOPMENT



FOR BOARD AND STAKEHOLDER DISCUSSION

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PERU CENTRAL BUDGET DEVELOPMENT

DRIVING FACTORS FOR 2012-2013

DRIVING FACTORS & PERSPECTIVES ASSOCIATED WITH STATEWIDE BUDGET DEVELOPMENT

1. Within the **'Annual Report on Local Governments'** released January 2012, State Comptroller Thomas P. DiNapoli's executive summary said 'Significant upward pressure on the cost side of the equation also continues to restrict budgetary flexibility. ... Given that the property tax has historically been the largest, most dependable and predictable source of revenue for local governments, the **property tax cap will undoubtedly require tough budget choices moving forward**'.
2. Each of the state's municipalities and school districts need to determine their **'tax cap'** by a multi-step formula that includes factors such as growth in the local tax base and particular exemptions or factors such as increases in the state-mandated employer contribution rates for teacher and employee pensions that exceed two percentage points. **It's not simply a 'two percent cap'**. The new law applies to the tax levy, rather than tax rates or individual tax bills.
3. Federal **'stimulus dollars'** for public education through the American Recovery and Reinvestment Act of 2009, and subsequent federal **'Jobs Stabilization Act'** monies **run out as of June 30, 2012**.
4. **'Giving and Getting'**, the recent study on regional distribution of revenue and spending in the New York State budget, published by the Nelson A. Rockefeller Institute of Government at SUNY Albany, said **'Overall, the geographic distribution of revenues reflects a policy balance:** While every region contributes significantly to the state budget, those regions that enjoy larger shares of New York State's income and economic activity also pay more to Albany. For example, state aid for public schools is delivered based on formulas that are inversely related to communities' ability to pay. **Yet the final calculation of aid for each district** also is influenced by current and historic levels of local school expenditures. These naturally are higher in districts with greater wealth, thus **partially offsetting formulas that are intended to deliver more dollars to lower-income communities**.
5. In its January 20, 2012 feature article on the Auburn Enlarged City School District, the Auburn Citizen quoted Superintendent J.D. Pabis: 'Although the district has adjusted to lower enrollments, improved staffing and supplies efficiencies and kept its expenses in check, **revenue from state aid has dwindled disproportionately to the district's need**. We've been proactive over the years. The revenue's not keeping up with the efficiencies we're making. It's not a complaint. It's a fact'.
6. The January 19, 2012 Syracuse Post-Standard feature story on Governor Cuomo's proposed state aid allocation to Central New York quipped that **if that state aid allocation to Central New York**

school districts ‘were a birthday present, it would be a pair of socks’. Rick Timbs, Executive Director of the Statewide Schools Finance Consortium, said the increases contained in the proposed budget fall short of what districts need. ‘The increases are totally insufficient,’ he said.

7. In his January 19, 2012 blog entry for the Economic Policy Institute, economist Josh Bivens said ‘We should be clear that the pace of labor market recovery since the Great Recession has not been uniquely bad; since the trough of the recession, private sector employment growth has actually been exactly in line with the admittedly too slow recoveries from the recessions of the early 1990’s and 2000s. ... **The root cause of today’s underperforming economy remains insufficient spending by households, businesses and governments to fully employ all those who want a job. And the cure for this is simply policy measures to boost spending.** Yes, I’m sure this has gotten boring for many economy watchers who want newer and more exciting diagnoses and cures, but sometimes what’s true is pretty boring’.
8. In his editorial of January 14, 2012, Stephen Bartlett of ‘The Burgh’ and ‘The North Countryman’ said ‘I know school districts have cut as much as they feel they can already. This budget season does not seem as though it will be any less punishing than year’s past. In fact, **when many school districts have already enacted painful cuts, and costs continue to rise, it will likely be the most difficult budget season yet’.**
9. As to statewide delays in moving ahead with a ‘Race to the Top’ re-vamped teacher evaluation system, U.S. Education Secretary Arne Duncan warns that **delays put New York State at risk of losing its \$700M in ‘Race to the Top’ money,** In it’s January 14, 2012 editorial, the Albany Times Union stated ‘**That should not be a call to resistance, but a challenge** to teachers, administrators, unions and lawmakers to design an evaluation system that makes the rest of the nation say ‘Wow, New York really got it right’. **That will take some risk. That will force a lot of people out of their comfort zones.** It will undoubtedly cost some bad teachers their jobs, and require some marginal teachers to shape up. It will demand, too, that a system that requires teachers to improve devote adequate resources to help them do it’.
10. The March 8, 2011 bulletin from the Economic Policy Institute, a non-profit Washington D.C. think tank, states “At its core, the fierce debate waging in Wisconsin and several other states over public-sector unions can be traced to a single, false argument: that public sector workers are the cause of the budget crises states now face. **In fact, the severe state budget shortfalls around the country are not the result of excessive compensation paid to the teachers, police officers, and firefighters who perform essential services, but to the economic downturn that left millions of workers unemployed while eroding property values.** State and local tax revenues suffered as a result and today, more than three years after the nation plunged into the worst recession since the Great Depression, state and local governments are still trying to recover.”
11. The January 13, 2011 edition of Quality Count’s feature article entitled ‘Educators Regroup in Recession’s Aftermath’ quotes Bob Davis. He is a veteran budget officer with thirty years of fiscal experience. He’s now chief financial officer for Richland School District II in South Carolina, serving 25,000 students. Davis said ‘**The educators who were laid off loved their jobs, and they’re not coming back ... These are the most trying fiscal times I’ve seen in my lifetime.’**

12. The January 2011 **'State of Working America'** annual report from the Economic Policy Institute, states that over the last three decades, inequality has grown by almost all measures. Historically, while those at the top of the income distribution have enjoyed far higher average incomes than everybody else, the gap between the top and the bottom has grown enormously in recent years, driven both by slowdowns in income growth at the bottom and middle, and rapid acceleration of income growth at the top. In addition, there has been a further pulling apart even within uppermost reaches of the income scale, as the richest of the rich have seen significantly faster gains than the merely affluent. These outcomes are true when measured by family income, by wages, and by wealth. Clear disparities exist between racial and ethnic groups, and they have also grown over time in the form of higher poverty rates and larger wealth gaps. **Furthermore, access to "good jobs"—those not only with decent wages, but also access to pensions and health insurance—is far lower among the lower income and non-white groups, and the gulf between access to such benefits is growing over time. This fragmenting of income growth has been accompanied by other fissures, for example, those at the bottom of the income distribution are not only less likely to get ahead financially, but they have also been left behind when it comes to recent gains to overall life expectancy.** In the past three decades, it has been impossible to answer the basic question of "how's the economy doing" without first specifying *for whom*.
13. **The fiscal stress in the coming years will make state budgets very unforgiving of mistakes.** This planning will not be easy or pretty. State programs and agencies that have survived untouched for years could face elimination or consolidation. Successful governors will have to make hamburger out of what have previously been sacred cows, or risk seeing their agendas trampled by the herd, according to John Cape, Senior Fellow, Rockefeller Institute of Government, the his November 2010 report entitled 'Now What? Tough Road Ahead for New Governors'.
14. In his December 2009 'Q&A' interview published by the National Conference of State Legislatures, Jim Collins [former Stanford University Professor and author of best-sellers 'Good to Great' and 'How the Mighty Fall'] talked about mediocrity and mission. **"The signature of mediocrity is not an unwillingness to change. The signature of mediocrity is chronic inconsistency ...** You have the apparatus of city managers and county managers ... school superintendents and so forth. That is where we get the consistency." **As to getting the right people 'on the bus':** "The mission is a noble mission and it is getting real work done. You also should never forget that **the most powerful motivational tool is an Excel spreadsheet.** What I mean by that is **data is enormously powerful.** That notion of being able to show programs or to **identify problems in a deeply empirical way and to allow momentum of actual database results** is tremendous for getting people aligned behind what you are trying to do."

FORECAST OF DRIVING FACTORS AT PERU CSD FOR 2012-13 BUDGET DEVELOPMENT

1. **Greater participation** is an important part of community engagement and helping the school district and school board make the most informed decisions possible.
2. **Each and every vacancy for a full-time position** will continue to be examined extensively and thoughtfully, before the recruitment process for a full-time replacement individual is authorized. Reduction in full-time employment via attrition will generally be of strong interest.
3. **Sustaining solid public education programs** for the children of our community will be top priority.
4. **Re-examining the size of class sections** will be of increasing focus, since some programs & services might be more sustainable for 2012-2013 and beyond if some class sizes are raised.
5. The Governor's proposed 2012-2013 general operating state aid increase of **1.55%** over current state aid will be **insufficient to 'maintain the status quo'** at Peru CSD. The Board and administration might call for modestly increased grades 9-12 **average class sizes**, using statewide class sizes as the benchmark for **Peru CSD average class sizes**, as is already done for grades K-6. Some electives might be offered 'every other year', in cases where student enrollment is insufficient to justify particular sections. Doing so will help **sustain** programs.
6. There will be **revamping & consolidating school bus routes** based on new, more flexible guidelines from the State Education Department [actual ridership plus 10% stretch capacity]; **expanding 12th grade dual enrollment** and **encouraging greater percents of 8th graders to complete accelerated coursework**, as part of increasing rigor and as part of the national & statewide push for a stronger 'common core' of ELA and mathematics achievement in America.
7. **Reducing instructional 'overhead' costs** that over the years have become a greater portion of each grade span's budget line items. Examples: **Reducing** the number of photocopiers and copy centers; **deploying** fewer black & white laser printers and color laser printers across campus [currently more than six dozen]; **powering-up** the flex-time provisions in the collective bargaining agreement to **expand morning instructional time** [for grades K-5 students] and

expand afternoon instructional time [for grades 6-12 students]. **Consider** various **'out of the box' strategies from stakeholders** to reduce such instructional 'overhead' costs that are part of supporting our 'common core' of curriculum & instruction within each content area.

8. Peru CSD and most of the this region's other public school districts will experience **yet another formidable budget development season**, resulting from heavy reliance among the state's less wealthy communities on state aid for operating revenues; the additional impact of federal 'stimulus' disappearing as of this coming July, and the juxtaposition of an honorable mission of strengthening programs and services for children.
9. In the same fashion the Board and administration strived in years past to better position the school district for fiscal adversity, **the Board and administration will continue taking prudent steps** in response to whatever actions the Governor and Legislature take in the months ahead for winter and spring 2012.
10. There will continue to be **differences of opinion among those who have the interests of children in mind** about whether particular programs, services, employment and average class size thresholds should continue at current, increased or diminished funding levels.
11. **Peru CSD continues to be dependent on state aid revenues** to fund the majority of our public education programs, services and employees.
12. The annual vote of May 2012 will be the **first year of implementing the State's new tax levy cap legislation** requiring that any proposed property tax increase beyond an eight-step calculated property tax 'cap' threshold be supported by a 60% voter approval rate. This new legislation **will likely cause many school boards to limit property tax levy increases** to the level of the eight-step calculated property tax 'cap' threshold.
13. **Downstate and urban interests** for a larger share of public education funding are **putting at greater risk the funding portions for rural and upstate communities**, like the North Country.
14. **Costs** associated with salaries, employer contributions, energy prices, essential goods, materials and service rates **continue to rise**, while relegating other items to a **'freeze'** or **'cut'** for 2012-13.