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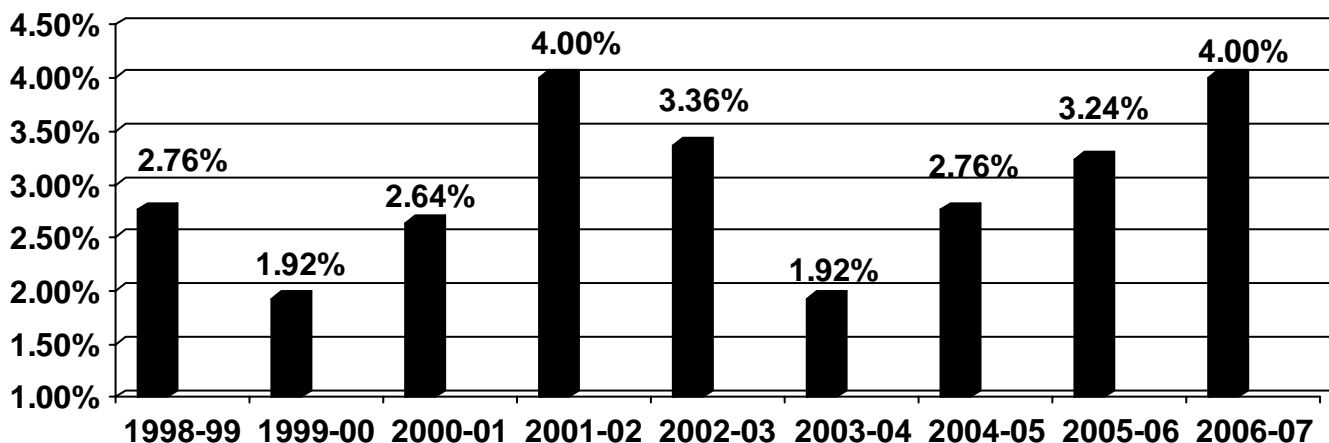
## 4.00% Contingency Budget Cap for 2006-07

School districts that operate under a contingency budget in the 2006-07 school year will have their spending increase capped at 4.00 percent over last year's budget. According to the law, the contingency budget cap is equal to the lesser of 120% of the calendar year average CPI increase or 4.00 percent. In 2005, the average calendar year increase in the CPI was 3.4% and increasing 3.4% by 120% equals 4.08%. Therefore, the contingency budget cap for 2006-07 will be 4.00 percent.

Under a contingency budget, a district may only fund those items that are deemed to be an "ordinary contingent expense." Although an item may be an "ordinary contingent expense," the total amount of a contingency budget may not exceed the contingency budget spending cap. Certain expenditures, such as those for voter-approved capital projects and expenditures attributable to increases in enrollment, are exempt from the contingency budget cap.

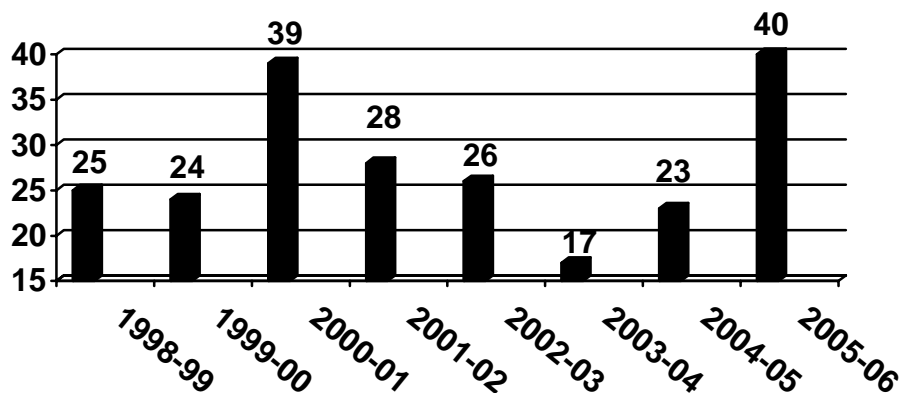
Spending increases for the 2005-06 school year under a contingency budget were capped at 3.24 percent over their 2004-05 budget. The following chart shows what the cap has been in previous years:

*Contingency Budget Cap*



Fortunately, relatively few districts have been subject to the contingency budget cap. The following chart shows the number of districts on a contingency budget since the contingency budget cap took effect.

*Number of Districts on a Contingency Budget*



#### **CONSEQUENCES OF CONTINGENCY BUDGETS —**

An analysis conducted by NYSUT Research and Educational Services of the 40 districts that adopted a contingency budget in 2005-06 found that, in total, there was a \$68.69 million difference between the budgets that were first presented to the voters on May 17, 2005 and the contingency budgets that were adopted by the board of education. This means that as a result of the contingency budget law, these 40 districts were forced to make \$68.69 million in cuts to education spending.

#### **LEGISLATIVE PROPOSALS COULD RESULT IN MORE CONTINGENCY BUDGETS —**

Both the New York State Senate and the Governor have advanced proposals that would eliminate a school district's ability to conduct a second budget vote. Currently, if the initial school budget vote is defeated on the third Tuesday in May, the district may resubmit a budget to the voters (legislation enacted in 2005 requires that all budget revotes occur on the third Tuesday in June) or instead of having a revote, the district may simply adopt a contingency budget. If the voters again reject the budget proposal, the board of education must adopt a contingency budget.

This past year 55 school districts had budgets pass on the second vote. If these districts were denied the opportunity to have a second budget vote, all of them would have been forced to adopt a contingency budget, which would have increased the number of districts on a contingency budget from 40 to 95.

In addition to denying school districts the ability to have a budget revote, the Governor has proposed a new STAR-Plus Program that would reward homeowners with a \$400 rebate check if they live in a school district that adopts a contingency budget or if they live in a school district that voluntarily agrees to adhere to the contingency budget cap.