



4A

***Budget Testimony Before
The New York State Legislative
Fiscal and Education Committees***

Presented January 28, 2014 by:

***Barbara J. Smith, CPA
Chief Financial Officer & Chief Operating Officer
Buffalo Public Schools***

This page intentionally left blank.

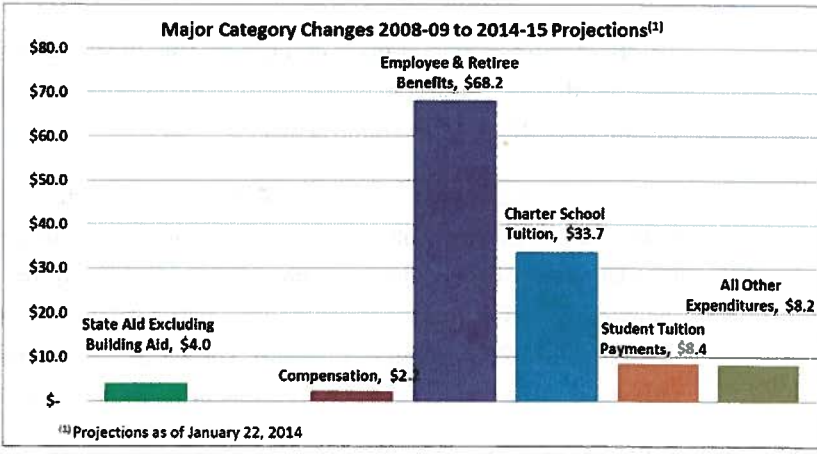
Honorable legislators, thank you for your time and attention today. I am honored to represent the Buffalo Public Schools and advocate for the education of the children of Buffalo.

In the first year and a half of Superintendent Brown’s leadership, substantial gains have been made in key areas. Graduation and attendance rates are up while drop-out rates, short-term suspensions and chronic and severe absenteeism are down. We also have 1,200 more students this year. Through our partnership with Say Yes Buffalo, 83% of graduating seniors applied for Say Yes scholarships, almost all graduating seniors applied to college or vocational schools, and at least 58% of graduating seniors are in college. We recognize these statistics must continue to improve but we are proud to report they are heading in the right direction.

While great things happen in our District each and every day, the fiscal challenges we face will no doubt result in less resources directed to the 34,000 students we are charged with educating. On a daily basis, we proudly welcome students not only to our great City but to this *country*. We have a student population that needs *extra services* to be successful, *not less*.

The District faced many unexpected challenges over the past six months including mandates by the Commissioner to send students from two of our Priority High Schools to BOCES and pay for their tuition and bussing. One of these schools has the highest percentage of English Language Learners in the District. We were also directed by the Commissioner to submit and comply with a Corrective Action Plan (CAP) for Public School Choice options for students. This resulted in the opening of eight new classrooms in our schools in Good Standing, transferring students within the District and to independent charter schools. Under the CAP for 2014-15, the District is seeking proposals for conversion charter schools and has begun discussions to send students to suburban districts. These remedies will come at a financial cost to the District, with unknown educational results. The District also annexed and opened a charter school that was closed less than two weeks before the start of the school year after it lost its legal challenge with SED. This was a significant lift for the District and while you will see this was not the most prudent financial choice, it was the right choice for students and their parents of that former charter school. Instead of enrolling them in open seats across the District so close to the opening of school, District staff worked tirelessly to do what was best for the children and keep them together in the surroundings they were accustomed to. In less than 10 working days the District staffed and set up an entire school in order to welcome the students opening day.

The projected deficit for 2014-15 is currently \$49.7 million. The Governor’s budget proposal provides Buffalo with additional state aid totaling \$15.4 million, of which only \$6.2 million is considered basic operating aid in the form of the Gap Elimination Adjustment Restoration. Employee and Retiree Benefits are projected to increase \$16.7 million ALONE next year. While these comparisons should be alarming, when one considers that since 2008-09, state aid excluding building aid has increased only \$4.0 million and employee and retiree benefits have increased \$68.2 million, the word “crisis” may be more appropriate. The chart shows the comparison of state aid and



categories of expenditure growth since 2008-09.

This “crisis” stems from rich employee and retiree benefits that continue to increase even absent a current collective bargaining agreement, fundamental formula flaws and other mandated cost increases coupled with an inability to raise our own revenues. The District’s general operating fund relies 80% on state aid. While New York State may spend more on education than its counterparts, this spending is largely driven by costs beyond the control of individual school districts and is not directly reaching the classroom. By way of example, Buffalo spends over \$2,100 per pupil on retiree health insurance. These are dollars that do not reach the classroom. Absent legislative action, the District will continue to be strapped with contractual obligations negotiated decades ago. The collective bargaining agreements for teachers and administrators expired in 2004.

While we recognize that the State has to maintain a reasonable and balanced budget, we do ask that if funding to education cannot be increased sufficient enough to support basic services to students then legislative changes for the major structural deficit drivers should be made. This is not a new request. Bold and sweeping legislative changes to address these issues will face many challengers, but to focus education dollars to the students, these changes are imperative.

In looking to 2014-15, Buffalo has two specific requests around the Charter School Transition Aid and charter school dissolution/closure legislation and one general aid request. These requests are based on events that transpired this fiscal year.

Specifically:

- 1. Amend the Charter School Transition Aid (CSTA) formula to include schools chartered/sponsored by the Buffalo Board of Education.**

Rationale:

- A. While it may be unintentional, the current formula is a disincentive to collaborate with and/or create district sponsored or conversion charter schools.

The charter school that lost its legal challenge with SED and was closed two weeks prior to school opening (discussed above) will result in a loss of \$3.6 million in CSTA to Buffalo in 2014-15. The current formula does not allow for a transition out period. However, the District is incurring \$3.4 million in costs in 2013-14 by doing what was best for parents and students and annexing their school. The District is currently considering the options for the school for next year.

To offset the financial impact created by this predicament, we ask that the 2013-14 enrollment of the two schools that are considered to be district sponsored, with a combined enrollment of 935 students, be included for 2014-15 CSTA purposes.

- B. As part of our compliance with the CAP for Public School Choice approved by the Commissioner, the District issued a request for proposals for conversion charter schools. Under the current provisions of law, while the District would be required to pay tuition to the charter school operators, those students would not be included for CSTA purposes. Given that the district would be entering into the conversion charter model to comply with SED mandates, these students should be counted for charter transition aid purposes. Otherwise, this results in another significantly under-funded mandate.

Financial impact for the two existing schools: \$7.6 million for 2014-15

- 2. Amend State Education Law §2851 such that upon charter school dissolution or closure, the net assets that remain are distributed to follow the students that had been enrolled in the charter school.**

Rationale:

The former Pinnacle Charter School located in the City of Buffalo had accumulated net assets totaling \$3.5 million at the close of the 2011-12 fiscal year. Their annual expenditures were \$7.0 million so they had accumulated net assets totaling 50% of their total operating budget. We have not received financial information for 2012-13. As mentioned previously, the school lost its legal challenge with SED and was closed August 30, 2013. Even though the District retained over 80% of its 520 former students at a cost of \$3.4 million in 2013-14, the independent not for profit board of directors currently intends to distribute the remaining net assets to other charter schools via a proposal process that the District is not qualified to apply for. This is very concerning on several levels. First and foremost, the net assets are primarily the result of having received **public** dollars from the District that were not spent. Secondly, these net assets were accumulated for the benefit of students at that school, not a separate entity. And lastly, the latitude for a group of individuals to choose the distribution of what may be \$3.5 million of public funding with little to no accountability raises legal and ethical questions.

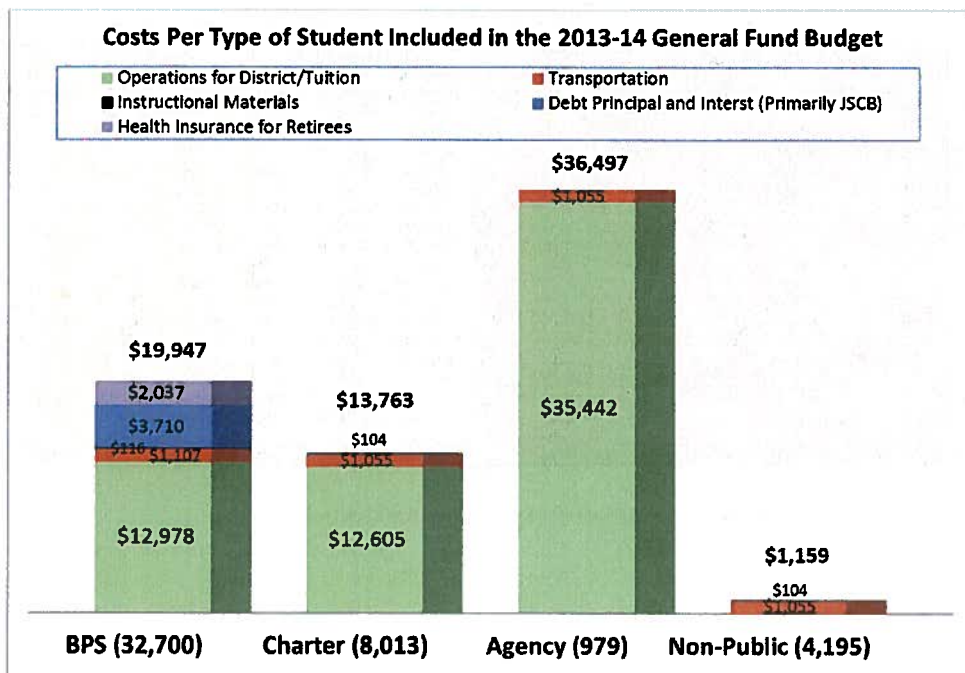
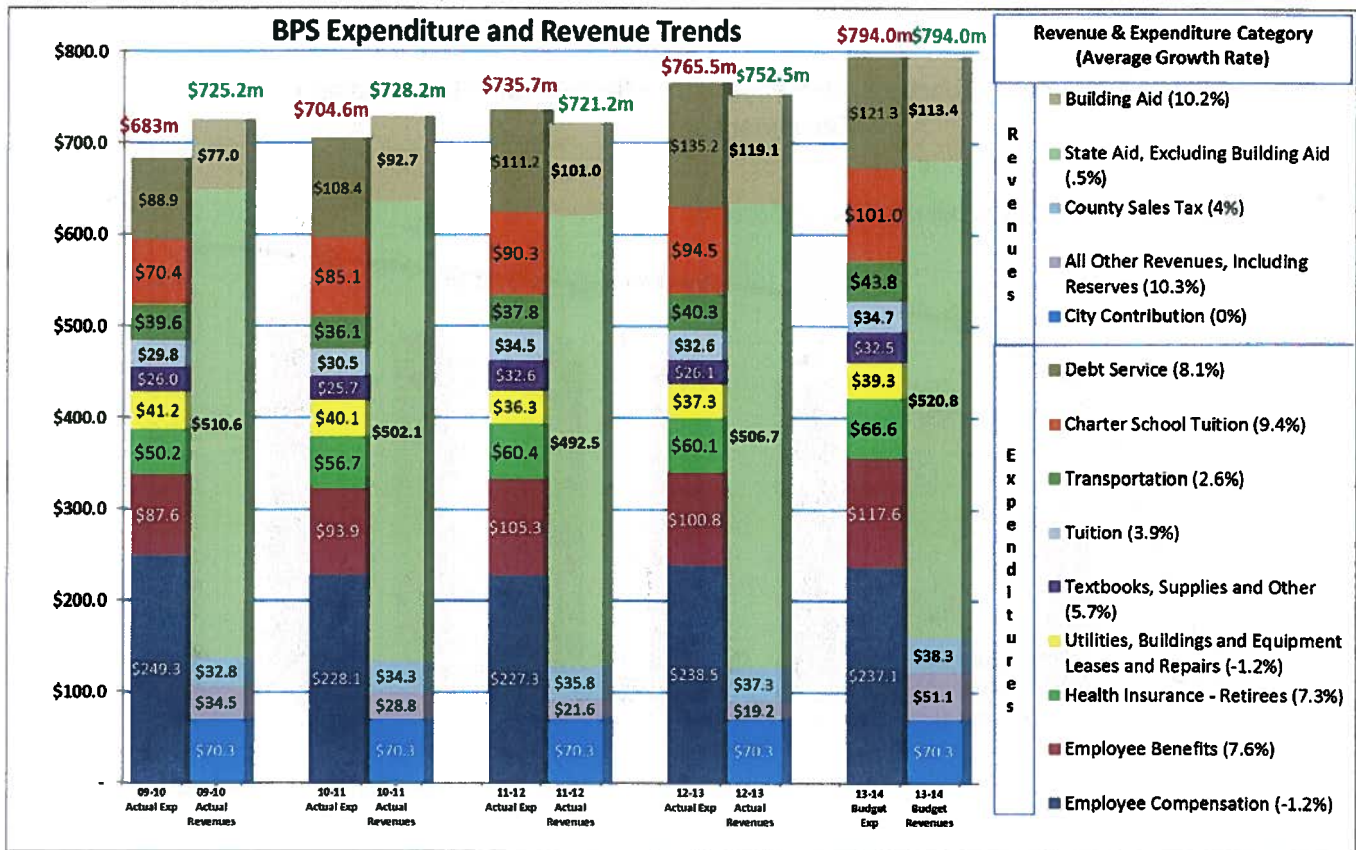
- 3. Lastly, we would ask that there be some restoration of Foundation Aid that will account for enrollment increases.**

Rationale:

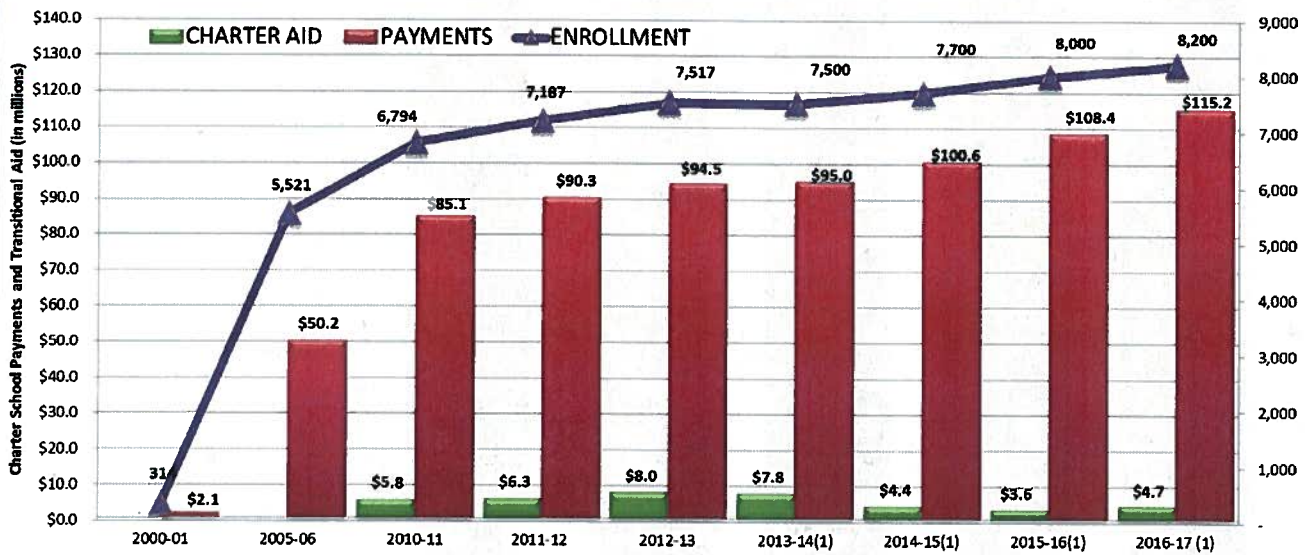
Over the last two years, the total enrollment for the District including charter schools has increased approximately 1,500; however state aid formulas have not adequately accounted for these enrollment increases.

On behalf of Buffalo's children and their education, I thank you for your time and efforts today and in the future.

Supplemental Information



Buffalo Public Schools - Charter School Payments, Charter Transitional Aid and Enrollment



(1)Based on projections as of January 2014

Charter School Net Asset Balances Trend Since 2008-09

Charter School	Change since 2008-09	Year 2012 - 2013			Year 2011 - 2012			Year 2010 - 2011			Year 2009 - 2010			Year 2008 - 2009		
		Unrestricted Net Assets	Total Expenses	Percent	Unrestricted Net Assets	Total Expenses	Percent	Unrestricted Net Assets	Total Expenses	Percent	Unrestricted Net Assets	Total Expenses	Percent	Unrestricted Net Assets	Total Expenses	Percent
Academy of Science	877,411	1,377,905	5,031,513	27%	825,731	4,754,006	17%	544,740	4,404,273	12%	933,768	4,093,797	23%	500,494	4,391,809	11%
Aloma	N/A	989,081	3,552,133	28%	735,902	3,523,111	21%	421,562	3,281,611	13%	(324,483)	2,570,473	-13%	N/A	N/A	N/A
Applied Technology	616,735	9,474,397	24,482,649	39%	10,501,217	23,114,962	45%	10,915,245	20,376,869	54%	9,515,854	19,597,916	49%	8,857,662	18,171,958	49%
Buffalo United (1)	25,640	26,005	8,861,645	0%	7,869	8,869,812	0%	7,525	8,580,074	0%	-	7,466,158	0%	365	7,190,335	0%
Community	1,321,452	3,755,564	5,090,020	74%	4,450,701	3,629,899	123%	3,830,783	3,745,277	102%	2,912,032	3,098,543	94%	2,434,112	2,980,796	82%
Elmwood Village	2,082,052	3,158,112	3,522,586	90%	2,388,943	2,712,184	88%	1,739,594	2,124,818	82%	1,199,787	1,978,490	61%	1,076,060	1,776,945	61%
Enterprise	2,466,116	4,089,973	5,398,290	76%	3,535,247	5,270,065	67%	2,707,341	4,927,760	55%	1,792,186	5,165,310	35%	1,623,857	5,193,432	31%
Global Concepts	3,175,516	6,203,136	9,983,629	62%	5,371,920	8,960,796	60%	5,196,273	7,494,216	69%	3,496,620	5,819,860	60%	3,027,620	5,248,842	58%
Health Science	N/A	(773,339)	5,192,612	-15%	(374,882)	3,492,779	-11%	(65,840)	2,122,935	-3%	N/A	N/A	N/A	N/A	N/A	N/A
King Center	1,261,524	1,883,796	3,121,040	60%	1,688,661	2,625,690	64%	1,204,958	2,057,453	59%	837,944	1,378,381	61%	622,272	1,090,538	57%
Oracle	719,713	1,670,858	4,858,495	34%	1,560,951	4,598,377	34%	1,267,790	4,153,189	31%	995,902	4,156,958	24%	951,145	3,797,111	25%
Pinnacle	2,295,267	N/A	N/A	N/A	3,480,494	7,028,185	50%	3,062,236	6,066,317	50%	1,883,039	5,680,993	33%	1,185,227	5,306,697	22%
South Buffalo	7,284,146	14,956,644	7,794,621	192%	13,702,929	6,840,258	200%	11,663,556	6,556,349	178%	9,137,102	6,484,802	141%	7,672,498	5,928,515	129%
Tapestry	97,516	1,285,552	10,243,262	13%	1,324,755	9,561,787	14%	1,325,293	7,272,310	18%	1,297,405	6,258,298	21%	1,188,036	5,028,462	24%
West Buffalo	N/A	276,217	2,089,013	13%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Westminster (2)	(2,889,932)	4,204,242	8,934,791	47%	5,567,825	8,031,653	69%	8,026,253	7,299,968	110%	7,875,221	6,741,614	117%	7,094,174	5,524,377	128%
WNY Maritime	693,807	1,041,702	4,316,052	24%	1,256,211	4,225,382	30%	920,542	4,043,760	23%	618,364	3,938,022	16%	347,895	3,957,171	9%
Total	20,026,963	53,619,845	112,472,351	48%	56,024,474	107,238,936	52%	52,767,851	94,507,179	56%	42,170,741	84,429,615	50%	36,581,417	75,586,988	48%

(1) All profits are annually sent to National Heritage

(2) In 2012 Westminster began breaking Accrued Retirement Obligations out of Unrestricted Net Assets, and added Accrued Retirement to their Total Expenses