



Increase in School District Health Care Costs Exceeds Tax Cap

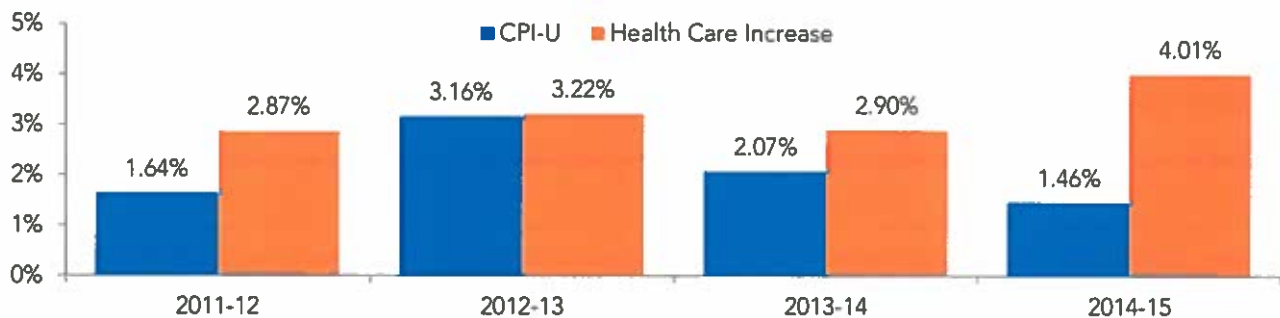
A recent survey of New York State school districts shows that for the 2016-17 school year, New York State schools will be facing an increase statewide of six percent in their health care premiums. See map on next page. In spite of this large increase, the tax cap based on last year's inflation rate only allows school districts a 0.12 percent increase in their local levies. The increase allowed under the tax cap will produce approximately \$25 million. The average annual increase in health care costs over the past five years has been \$127 million.

The state's tax cap is based on an inflation measure determined by the U.S. Bureau of Labor Statistics called the Consumer Price Index for all urban consumers, or CPI-U. The CPI-U reflects the household expenditures of almost all residents of urban or metropolitan areas, but it is based on the buying habits of people, not schools.

A 2015 NYSASBO report on School Spending¹ found that the most rapidly increasing costs for districts are pensions, special education, and health insurance. School district spending on health care reached approximately \$6 billion in 2015, almost ten percent of total school spending.

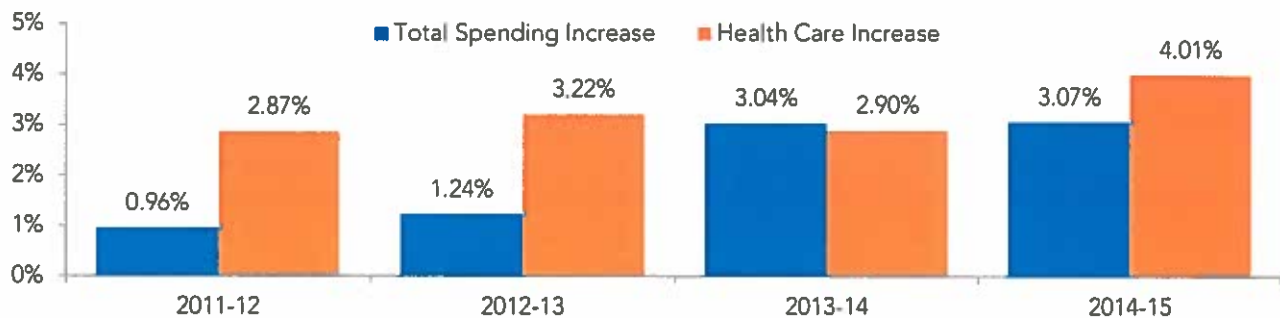
Data from 2011-12 through 2014-15 show that growth in school district health care expenditures has consistently exceeded growth in the CPI-U². In 2014-15, while districts were faced with lower inflation than in the prior year, they also spent much more on health care than in 2013-14.

Health Care Costs vs. Inflation



These increases occur despite attempts by school districts to hold down costs through collectively purchasing health insurance through regional consortiums, often aligned with their BOCES, and opting for self-insurance to reduce premiums. This disproportionate growth means that health care takes on a greater portion of total spending every year, meaning less for general education programs.

Health Care Costs vs. Total Spending

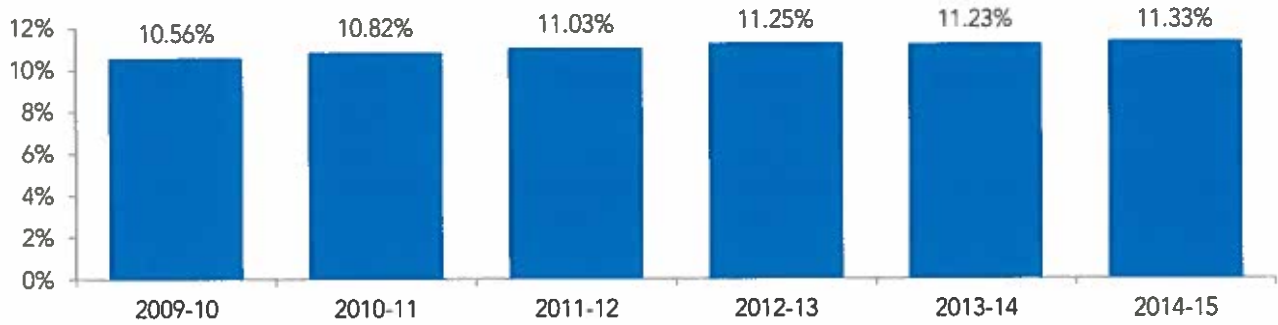


¹ The Education Dollar, September 2015. Can be found at nysasbo.org/reports

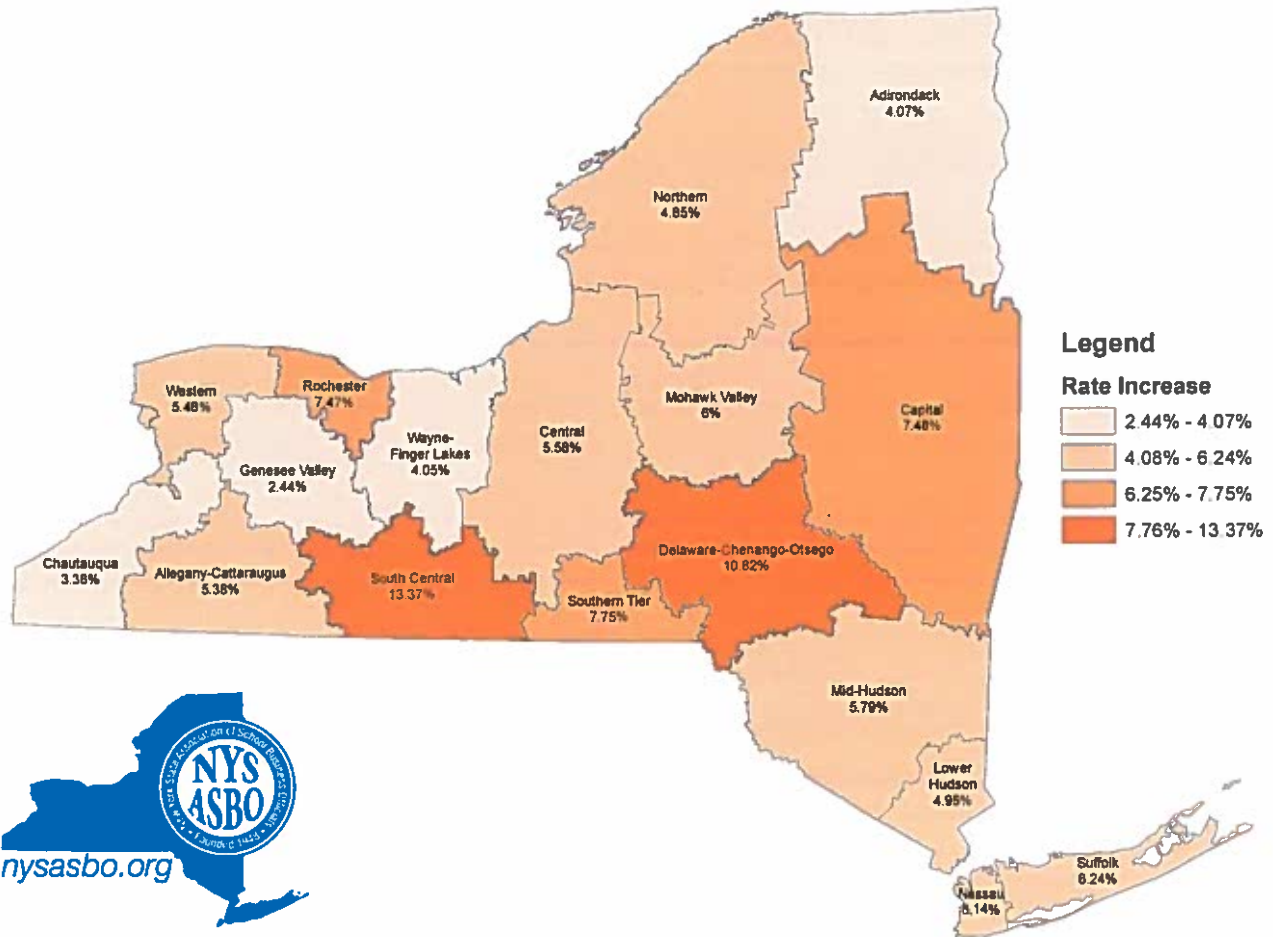
² Source: ST-3 data. Note that this data does not include the "Big 5" districts, as these districts experience different conditions and requirements than smaller districts.

The state needs to use a basket of actual school expenditures to set the CPI for the tax cap or go to a flat 2 percent tax cap. In addition, if the tax cap is not adjusted to reflect actual school costs, the state must make up the difference in increased school aid and take constructive measures to reign in health care and other cost drivers for schools like pensions. In addition, the state can assist school districts in reducing special education spending by strengthening general education with Foundation Aid increases and increases for quality early childhood education.

Health Care as a Percent of Total Spending



2016-17 Insurance Rate Increase by Region



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