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Fringe Benefits Challenge New York School Budgets

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By Carol Kellermann

Public elementary and secondary education in New York State is a \$55 billion enterprise. Total spending on education in 2013 averaged \$19,818 per student in New York, 85 percent higher than the national average of \$10,700, exceeding all other states and the District of Columbia. In contrast to New York's top-ranked spending in the nation, according to the latest "Quality Counts" report from Education Week, the state places 20th for student achievement. The problems facing school districts are complex, but one common challenge is the unrelenting rise in fringe benefit costs. As school districts have accommodated growth in employee benefits, other areas of school spending, including those more important to educational quality and student learning, have been constrained.

A new analysis by the Citizens Budget Commission (CBC) -- "Fringe Benefits Pushed New York Education Spending Higher in 2013" -- highlights the challenge. Based on the latest data available for school year 2012-2013, the analysis by CBC's Tammy Gamerman and Haley Zernich includes an interactive map of the state, showing school spending per pupil by school district. While that spending varied significantly among New York's 681 school districts, all districts exceeded the national average.

The CBC analysis reveals the amount New York schools spend on fringe benefits and the speed with which it is growing, even compared to teachers' salaries. New York schools on average allocated 22 percent of their 2013 budgets to instructional staff fringe benefits, compared to a national average of 15 percent. Those benefits totaled \$4,412 per student for the average New York school district in 2013 -- nearly triple the national average of \$1,609.

Teacher salaries and wages were also much higher than the national average but to a lesser extent than fringe benefits. New York schools spent an average of \$8,359 per student on instructional salaries and wages -- nearly double the national average of \$4,305. In comparison school budgets included \$5,646 per student for support services, such as administration, pupil transportation, and social work -- 50 percent more than the national average of \$3,762.

While teacher salaries and wages in New York grew at an average annual rate of 3.4 percent from 2003 to 2013, instructional employee benefits increased 9.4 percent annually. The effect of high growth in fringe benefits is cuts in other areas of school budgets, particularly with the implementation of a property tax cap in 2012. From 2012 to 2013, for instance, non-compensation



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spending for instruction, including classroom supplies and materials, declined 5.0 percent from \$1,037 to \$985 per student. School spending on teacher salaries and wages essentially remained flat, growing only 0.6 percent in 2013; fringe benefits for teachers, however, rose 4.2 percent.

Limiting the cost of fringe benefits is a challenge for New York's school districts, because much of that cost is beyond their control. School districts negotiate health insurance benefits for active employees through collective bargaining, but pension benefits for teachers and other school staff are set by the State Legislature. In addition, outside of New York City retiree health insurance benefits cannot be diminished below the level provided to active workers.

As the State Legislature debates its role in public education, employee benefits should be part of the conversation. Until these high growth rates are curbed, benefits will consume an ever greater share of school budgets, and schools will be unable to fund investments essential to improving quality and outcomes for students.