

*A Research Note from the Association of School Business Officials of New York | ASBO New York*

An ASBO New York analysis of new spending data shows that health care costs continue to pose a significant challenge to school districts. Growth in health care spending outpaced the growth in overall spending, Foundation Aid, and inflation. With the constraints of the Tax Cap and \$3.4 billion in Foundation Aid still due, unsustainable growth in health care costs could force some districts to choose between funding an employee benefit or educational programs for students.

School districts report health care costs on their Annual Financial Report (ST-3) filings with the state.<sup>1</sup> Over five years, total health care costs for New York school districts grew from \$5.8 billion to \$7.1 billion. This accounts for 9.9 percent of overall school spending. Figure 1 shows spending on health care from 2013-14 to 2017-18.

*Figure 1. Spending on Health Care in Millions of Dollars and as a Share of Overall Spending, 2013-14 to 2017-18*

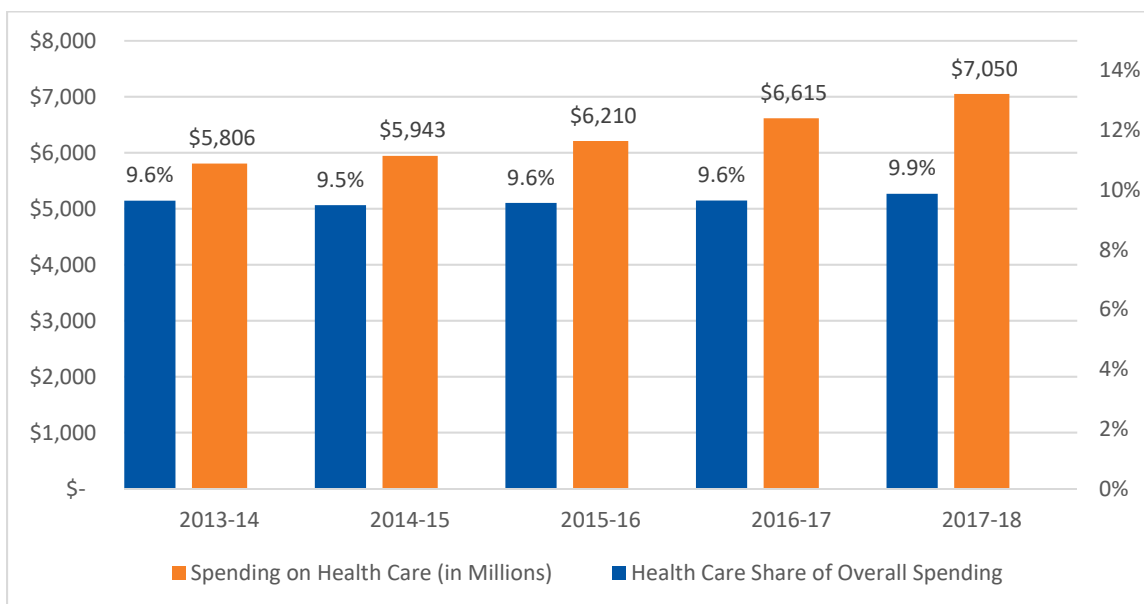


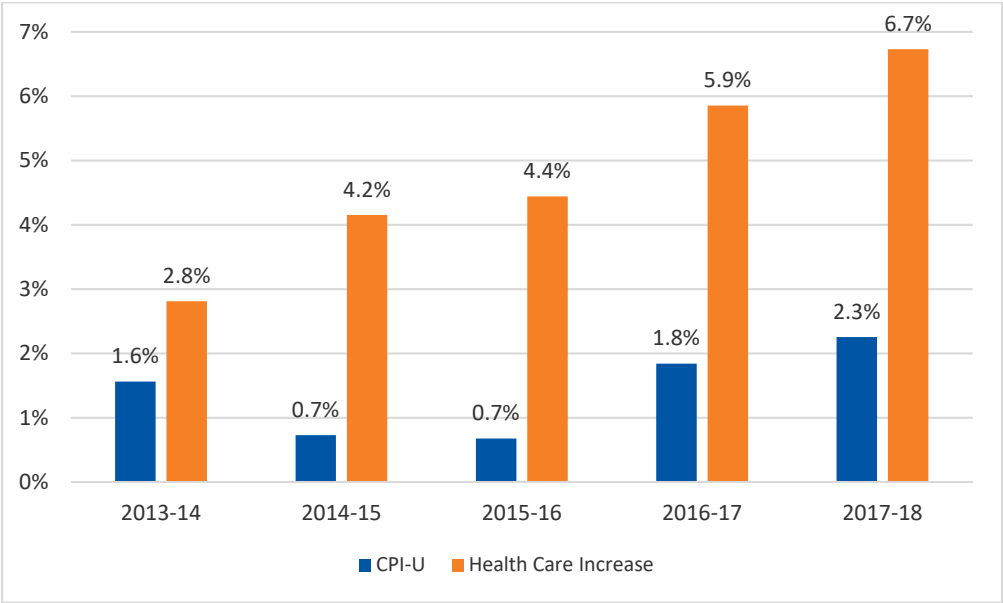
Figure 2 shows that growth in health care costs has far exceeded the inflation rate. Inflation is measured using the change in the Consumer Price Index for urban consumers (CPI-U) as measured by the US Bureau of Labor Statistics.<sup>2</sup> The CPI-U (capped at two percent) is used as the growth factor in calculating a district's tax cap. The gap between health care costs and the tax cap poses a

<sup>1</sup> Health care costs reflect the totals reported for the category "hospital, medical, and dental insurance." Totals include all major school districts. The rates of increase of school district spending data calculated in this report exclude New York City.

<sup>2</sup> Inflation is calculated for the school year indicated (July 1-June 30).

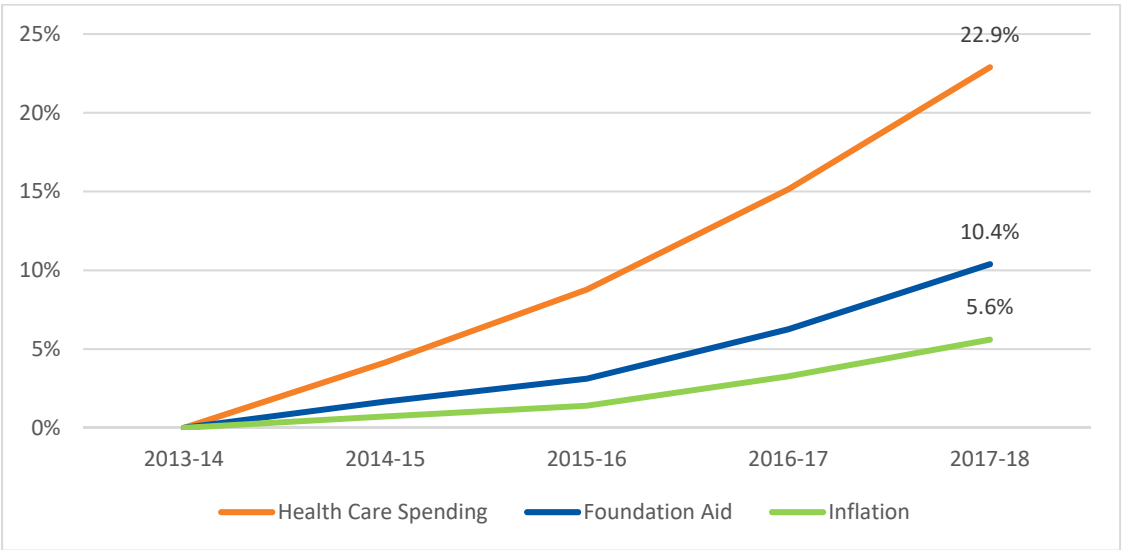
challenge for school districts and illustrates graphically why an inflation measure based on household spending is not a good benchmark to use for policy related to school spending.

Figure 2. Growth in Health Care Costs vs. Inflation, 2013-14 to 2017-18



The impact of health care cost increases often surpasses the entire state aid increase school districts receive. Figure 3 compares the cumulative growth in inflation, Foundation Aid, and health care spending.<sup>3</sup> Since 2013-14, inflation has increased 5.6 percent and Foundation Aid to school districts has grown 10.4 percent. Health care costs have gone up 22.9 percent, nearly tripling the growth in Foundation Aid.

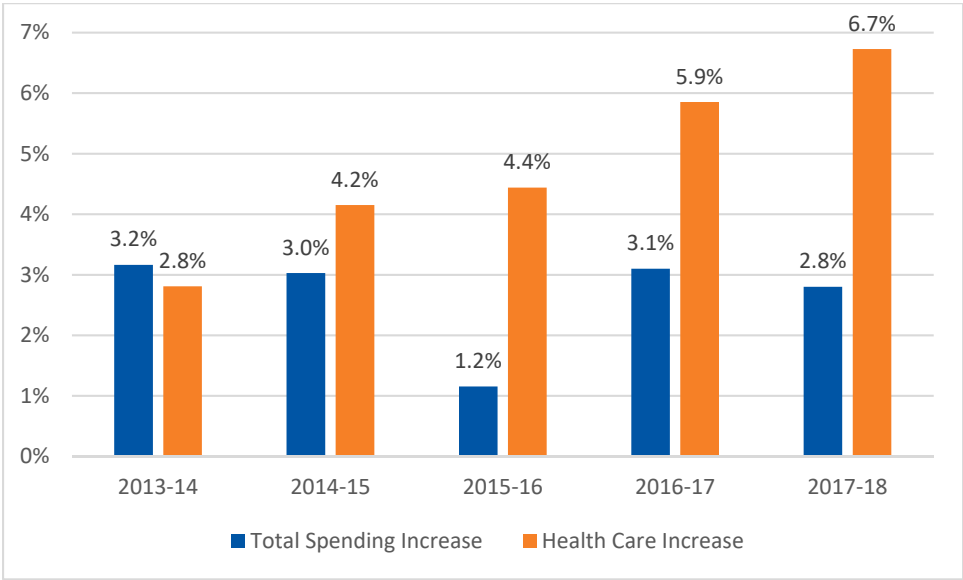
Figure 3. Cumulative Growth from the 2013-14 School Year in Health Scare Spending, Inflation, and Foundation Aid



<sup>3</sup> Health care spending and Foundation Aid increases do not include New York City.

Increases in health care costs are a major driver of increases in school district spending. Figure 4 compares the increases in total spending and health care costs. For the fourth year in a row, in 2017-18 the increase in total school district spending was outpaced by the growth in health care spending. In an environment of scarce resources and modest state aid increases, escalating health care costs significantly strain school district budgets forcing reductions in programs for students.

Figure 4. Increase in Total Spending vs. Health Care Costs



All regions of the state have experienced this growth. Figure 5 shows that the largest one-year growth was in the Hudson Valley, Long Island, and Finger Lakes. Over a five-year period, these regions have also seen the largest levels of growth in health care spending.

Figure 5. One-Year and Five-Year Growth in Health Care Costs by Region

	One-Year Change	Five-Year Change
Capital District	5.4%	26.5%
Central New York	4.3%	18.2%
Finger Lakes	7.2%	31.8%
Hudson Valley	8.6%	29.7%
Long Island	7.4%	27.7%
Mohawk Valley	5.8%	24.3%
New York City	6.2%	15.9%
North Country	5.3%	20.3%
Southern Tier	6.4%	24.4%
Western Region	3.9%	19.8%

In a recent survey, 51 percent of our members said individual health insurance premiums increased at least 4 percent in their districts or BOCES. Among our respondents, the largest increases are in the Mohawk Valley, while the smallest are in the Finger Lakes. Increases are at or over six percent in the Mohawk Valley, the Capital District, Central New York and the North Country, showing that large health care increases are widespread.

*Figure 3. Planned 2019-20 Health Insurance Premium Increases by Region*

Region	2019-20 Insurance Increase
Capital District	6.2%
Central New York	6.2%
Finger Lakes	2.0%
Hudson Valley	4.8%
Long Island	4.8%
Mohawk Valley	6.7%
North Country	6.0%
Southern Tier	4.8%
Western Region	3.5%

The increasing growth in health care costs for school districts is not sustainable. The state needs to help school districts control the growth in health care costs. This burden is particularly heavy for school districts because the Tax Cap limits their ability to raise revenue, and the state has failed to meet its commitment to fully fund Foundation Aid. While there were many positives for school districts in the recently enacted state budget, making the tax cap permanent without modification and a Foundation Aid increase that didn't significantly move towards a full phase-in, means rising health care costs will continue to strain school district budgets. The state could assist school districts with health care costs by facilitating the participation of school districts in health insurance consortiums and providing a statewide alternative for prescription drug purchases.



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