

TESTIMONY
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JOINT BUDGET HEARING
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Good morning Chairman DeFrancisco, Chairman Farrell, distinguished members of the committees. I am Robert Megna, Director of the Budget. On behalf of Governor Andrew Cuomo, I would like to thank each of you for the opportunity to come before you today to talk about the very important issues facing our State.

In his Executive Budget presentation last Tuesday, Governor Cuomo described a crisis in education and the fact that addressing this crisis is his priority mission. New York public schools spend \$18,126 per pupil – more than any other state – and 73 percent above the national average. Yet New York ranks 38th in high school graduation rates. The Governor is insisting that we focus on student achievement rather than funding the education bureaucracy as a measure of success.

The failure to adopt and implement a meaningful teacher evaluation system is indicative of protecting the priorities of the bureaucracy over the needs of the students.

In 2010, President Obama established a competitive educational funding program at the Federal level called Race to the Top. States competing for funding through this program are required to implement a real teacher evaluation program. New York State enacted legislation to establish teacher evaluations and, as a result, we were awarded \$700 million in Race to the Top funds.

However, the teachers' unions and the State Education Department have failed to reach agreement on an evaluation system and are currently in litigation. Arne Duncan, the U.S. Secretary of Education, has stated that New York has failed to meet its obligations under the Race to the Top Program and is at risk of losing the \$700 million it was awarded under this program.

The Governor has stated simply that this is unacceptable. The teacher evaluation system is a critical component in strengthening accountability in our schools. As important, this funding is critical to our support for the schools. Losing the \$700 million in federal funding would almost erase the \$805 million increase that is included in the budget.

As such, the Governor's Executive Budget takes decisive steps to ensure that a meaningful teacher evaluation system is implemented expeditiously both to preserve the Federal funding and to improve the quality of education for our students.

First, the Governor has given the State Education Department and the unions 30 days to end the lawsuit and reach agreement on a meaningful teacher evaluation system. If no agreement is reached in that timeframe, he will submit legislation to implement such a system as a 30-day amendment to the Executive Budget.

Second, school districts that implement a teacher evaluation system by September 1, 2012 will be eligible for bonus points for competitive performance funding.

Finally, any school district that has not implemented a teacher evaluation system by January 17, 2013 – one year from now – will not receive any increase in school aid. We must move quickly to implement teacher evaluation systems in every school district. The stakes are far too high.

Last year, we took steps to make taxpayer support for education predictable and sustainable at both the state and local levels. The Legislature enacted the Governor's proposed two-year appropriation for School Aid and included a statutory commitment to provide annual increases beginning in 2012-13 tied to the rate of growth in New York State personal income. The Executive Budget honors this commitment, providing a 4.1 percent increase -- \$805 million – in School Aid for the 2012-13 school year and an appropriation for the 2013-14 school year with an additional 3.5 percent increase based on current projections of personal income growth.

The budget allocates \$290 million based on a formula designed to allocate aid equitably, but as we have done in the past, it drives the most aid -- both the operational and the expense-based aids -- to low wealth, high need districts. In fact, 76 percent of increased allocable aid will go to these districts. An additional \$265 million is available for expense-based aids such as Building Aid, Transportation Aid and BOCES aid.

We also began to change the education funding paradigm last year and created competitive grants based on performance. Working together, we initiated reforms to create incentives for schools to adopt innovative programs to promote student achievement and greater efficiencies in school district management. I am pleased to report that the first \$50 million round of grants will be awarded in the coming months. This year, the Governor has proposed that we increase this commitment to reward performance by dedicating an additional \$200 million for these competitive grants.

The Executive Budget also addresses other educational programs in desperate need of reform. The Preschool Special Education Program will cost the State and counties \$1.8 billion for the 2012-13 school year. Program costs have grown an average of 7.3% annually over the past 10 years – an unsustainable level. School districts, through the Committees on Preschool Special Education, determine eligibility and service levels but counties and the State pay 100 percent of the cost. None of the reforms recommended by the Governor affect children's eligibility for Preschool Special Education services or the level of services they receive. Instead, the Governor's Budget seeks to address these issues by proposing basic reforms to the program and a modest shift in the funding structure to place some responsibility for payment with the school districts.

Specifically, the Executive Budget caps county spending at current school year levels and provides that the county share of all future program growth be split evenly between the State, the counties and the school districts. There is no savings to the State as a result of this proposal, in fact the State share will gradually increase. But school districts will begin to bear a small share of program growth.

Other recommended reforms include eliminating the potential for conflict of interest between evaluators who determine what services a child needs and the providers who deliver those services.

Finally, I want to mention reforms the Governor is recommending in the area of Teacher Disciplinary Arbitration Hearings. This is a system that is clearly broken and is another example, like Preschool Special Education, of the disconnect between who controls the program and who pays for it. Currently, the arbitration hearing process takes an average of 653 days – that’s nearly 2 years. The statutory timeframe is 155 days, but neither side has a stake in meeting that timeframe.

The Executive Budget includes a number of reforms to fix this broken system, including allowing the State Education Department to set reasonable limits on the costs of disciplinary hearings, disqualification of arbitrators who fail to meet statutory deadlines and changing the payment structure to encourage speedier outcomes. Teachers will receive the due process they are entitled to under the law, without unnecessary delays. Costs would be shared by the school districts and the employee’s bargaining unit, which have a stake in the outcome of the process. State savings would be reinvested to reduce the backlog of payments owed to arbitrators.

Last year, we worked closely with the legislature to address extraordinarily difficult challenges. We faced a crisis in finances, as well as a crisis in confidence.

Working together, we not only closed a \$10 billion budget gap, but we did so in a way that addressed many of the causes of our annual gaps in hopes that this year we would not have to sit across from each other to discuss reductions that none of us wanted to do.

As Governor Cuomo said in his budget presentation, the budget we present this year is not just a budget, but a reform plan. The reforms in this Budget build upon measures implemented last year to create an educational system that ensures every child has an opportunity to succeed, and holds schools and teachers accountable for the results they achieve. We look forward to working with you on behalf of our most important constituents – the students. Together, we will direct more resources into the classroom, strengthen the confidence of the public for our work, and make New York a great place to live for the next generation.