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THE LEAGUE
OF WOMEN VOTERS
of New York State

JOINT LEGISLATIVE PUBLIC HEARING
ON 2013-2014 EXECUTIVE BUDGET PROPOSAL:
ELEMENTARY & SECONDARY EDUCATION
TESTIMONY SUBMITTED TO THE
ASSEMBLY WAYS AND MEANS, SENATE FINANCE AND
ASSEMBLY AND SENATE EDUCATION COMMITTEES
JANUARY 29, 2013

Good afternoon. I am Marian Bott, Education Finance Issue Specialist for the League of Women Voters of New York State. In this role I work with our President, Sally Robinson, Legislative Director, Barbara Bartoletti, our State Board and full membership to perform Pre-K through 12 budget analysis. Our State Finances position[1] encompasses the operation and impact of 1) state school aid distribution, 2) the State's School Tax Relief (STAR) and property tax cap programs, and 3) charter schools. The League is a nonpartisan political organization devoted to promoting active and informed involvement of individuals in government. We thank the Legislature for this opportunity to provide recommendations about the 2013-2014 proposed Pre-K-12 education budget.

This testimony is informed by League positions, affirmed consistently since the 1970s, and most recently by a statewide study in 2005-2006:

- We support the use of state aid to narrow the expenditure gap between wealthy and poor school districts, taking into account regional cost and student need differences.

[1] See lwvny.org, http://lwvny.org/advocacy/impact/SF_Full.pdf.

- Funding of education should be progressive, with a higher portion of the cost paid by those school districts and taxpayers having greater ability to pay. To the extent that incremental State funds are required, they should be provided by the personal income tax, which should be implemented in a progressive fashion.
- Taxpayers' contributions to education finance should be reasonably related to their ability to pay.

These positions result in our strong support for specific types of legislative responses, and we have consistently, although not always successfully, requested that the New York State legislature implement some basic and reforms to education funding:

1. **Aid Distribution.** Particularly in challenging fiscal times, increases in state aid should be targeted to high needs districts rather than to all school districts. This year's proposed aid distribution as set forth in S.2603/A.3003 and in computer runs BT131-4 show a failure to adhere to the spirit of the Regents' and many other organizations' recommendations that one simplified foundation formula be the starting point for legislative debate. Particularly blatant this year is the recommendation to place over $200 million in additional state aid outside this metric. While Gap Elimination Adjustments and Restorations were progressively handled generally, certain hold harmless features have deleterious impact on the equity in the overall plan. The December 2012 Regents' recommendations for reform of Building Aid remain unheeded. Two tiers of aid to "high tax" districts persist, outside of foundation aid, skewing aid distribution. The legislature should deal first with the phase-in of compliance with the Campaign for Fiscal Equity lawsuit's mandates for foundation aid support for the neediest school districts, rather than holding districts harmless retroactively.

   Because analysis time was limited to one week this year, we have prepared questions that we would like this Joint Committee to address for the benefit of the public, in

effect asking the "inside baseball" questions but also raising broad policy questions. They are attached to this testimony (see Attachment 1).

2. **Circuit Breakers, not STAR**. Real property tax relief should be granted to individuals, not school districts, through a circuit breaker approach, adjusted for changes in the cost of living. Since shortly after STAR was implemented in the late 1990s, the League has recommended substituting a comprehensive property tax circuit breaker. STAR (see Attachment 2) poorly correlates property tax relief with individual taxpayer ability to pay. According to the Governor's budget, the estimated cost of this $3.4 billion 2013-14 program, which increased by $100 million since last year, will continue to grow to $3.8 billion in 2017. Given the high proportion of this aid that goes to low needs districts, if the legislature does not choose to eliminate this program altogether, the League continues to urge that it implement even stronger limitations on STAR expenditures than those that have been passed so far, based on individual taxpayers' ability to pay.[2] Most of you who were legislators in the 1990s remember this history, but if you were not or do not, you should consider that it was implemented in a trade which was to include funding of pre-Kindergarten, minor maintenance, and class size reduction programs, called LADDER. LADDER was an attempted response to issues raised initially in the 1993 Campaign for Fiscal Equity lawsuit. Neither LADDER, nor the more comprehensive concept referred to as Foundation Aid (a proxy for the State's portion of the cost of a "sound basic education") has yet to be fully phased in. However, STAR was fully phased in, initially without means testing for the majority of its recipients. Only the fiscal crisis curtailed this fiscally imprudent but popular practice. In our League 2005-06 study of the STAR program, members reported that the STAR program did not completely solve most taxpayers' property tax problems, but it was perceived to solve legislators' problems of dealing with taxpayers' complaints. This became blatantly clear in the late 1990s, when it

[2] http://www.budget.ny.gov, Five-Year Financial Plan.

was proposed that the Governor's name should appear on taxpayers' refund checks, and New York City followed the State's lead. By reinforcing the sense of personal savings, STAR had the unintended consequence of allowing most school districts to increase spending with few taxpayer complaints, exacerbating differences in spending between the wealthiest and poorest districts due to poor formula design, while still failing to address intra-district inequities in tax burdens. A circuit breaker, properly designed, would neither have these inefficiencies nor produce such unintended consequences because it would only target relief to individual taxpayers with demonstrated needs.

3. **Assessment and Collection Reforms**. As an important corollary to the League's property tax circuit breaker recommendation, the League urges the legislature to consider instituting accountability measures for counties and municipalities which have not yet reformed and modernized their real property tax assessment and collection methods.

4. **Reconsider the Way the Property Tax Cap Should Work**. The League opposed the property tax cap, notwithstanding our agreement that management efficiencies and consolidation of services to schools should be strongly encouraged. As the Regents showed (see Attachment 3), the tax levy cap "heightens the need for equitable distribution of funding," because a *percentage cap* is affected by the size of the levy, which varies considerably among districts. According to the Regents' calculations, the wealthiest districts would be allowed a levy increase approximately nine times greater than the poorest districts. The property tax cap as designed, while intended to encourage fiscal discipline, will highly likely encourage cap evasion behavior, exacerbating the difference in total resources available to students in wealthier vs. poorer districts. The League predicts the growth of private efforts, be they through local education tax-exempt foundations[3] or through ad hoc organizations,[4] which will disproportionately benefit the

[3] Harrison, Garrison, Haldane, Ossining, Briarcliff, Croton, and Peekskill all have such foundations, according to Assemblywoman Sandra Galef.

wealthier districts in the State. A list of substantial supporters of the Harrison, New York Educational Foundation[5] is an example of this trend. Public schools located where the adjusted gross income of its residents is high may amass sizeable amounts, with the added benefit of a federal and state tax charitable deduction. That is far less likely to happen in poorer districts.

5. **Reconsider the Fiscal Stabilization Grant** The League questions the proportion of the $889 million proposed increase ($203 million) being set aside in the Governor's budget for fiscal stabilization—it seems to have been plugged in after the failure of New York City to agree on the APPR teacher evaluation plan. It remains unclear what specific districts would receive fiscal stabilization grants, and why.
6. **Seriously fund Pre-K.** A competitive grant program does not conform with the recommendations of the recently-convened New New York Education Reform Commission. Given the extensive research on the benefits of pre-kindergarten education, particularly for high-needs students, the legislature owes it to those children to avoid pitting Buffalo against Syracuse, or Rochester against Albany.

We urge you to consider these views of a good government organization which stands to gain nothing but a better educated citizenry, capable of participating fully in the civic and economic future of New York State.

Thank you for your time today.

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[4] Rye school district parents recently raised funds privately for sports facilities, yet in the same year Rye taxpayers narrowly defeated a proposed bond issue for the renovation of its 40 year old science laboratories.

[5] Thirty donors gave the Harrison Educational Foundation, a 501(c)(3) charitable organization, $1,500 or more for the year 2010-2011, the top bracket of six giving in excess of $5,000 each. Thirty-six donors contributed to this Foundation in 2011-12, the top bracket of nine giving in excess of $5,000 each. http://www.harrisoned.org/.

Questions for Legislators on Education and Fiscal Committees

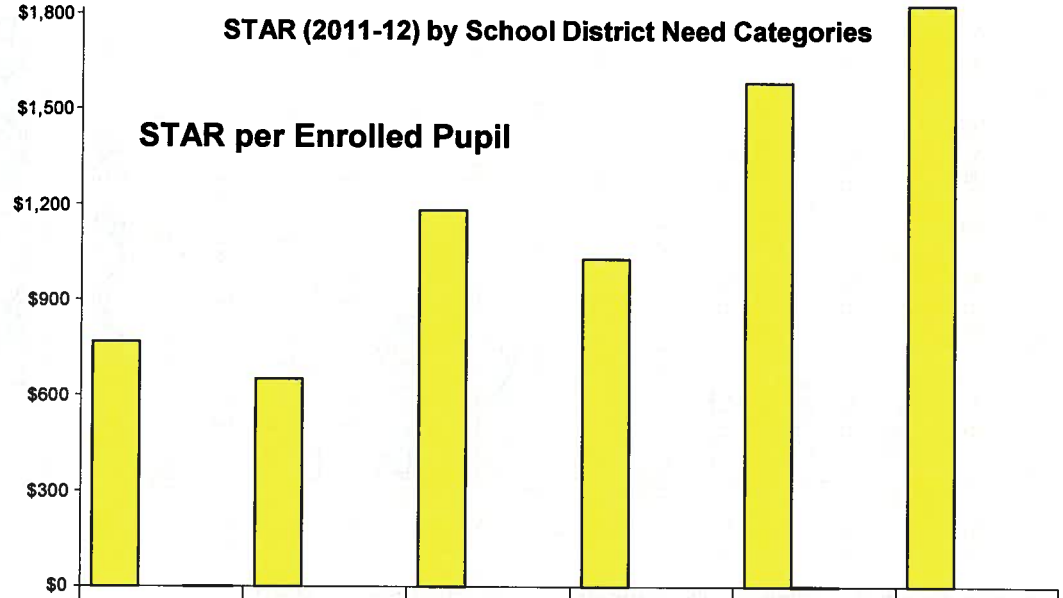
GENERAL	Answer	Source of Answer including contact information
1) **Consolidation:** State Ed data shows only about 7 school districts have consolidated since 2007—we still have nearly 700 districts. Is there something else that needs to be done to encourage consolidation? The reorganization formula seems generous enough; are punitive financial measures needed instead if small, adjacent suburban districts don't share administrative services by a given date in the future?		
2) **High Tax Aid:** What is the financial justification and function of the two-tiered high tax aid formula? Where (specifically which school districts) does it drive aid under 2012-13 vs. 2013-14, and why? What is the total allocation for this line item by region, and by wealth decile? Since Tier 3 was eliminated this year, why not eliminate the whole thing and fold it into the "wealth" decile policymaking sphere?		
3) **School Aid Shares:** What is the current delineation of regions for political "shares" purposes, and how does the new Senate independent coalition change that policy outcome driver? Where are these shares calculations shown in any publicly available documents? Where are they shown in private documents, and who has them? Who maintains at SED the lists of school districts by shares/region, and how are they being used/transmitted to legislators this year in negotiations?		
4) **Charter School Transition Support:** What is the objective (politically) of subsidizing "transitions" by districts to charter schools by offering an option of increased enrollment or increased expense differentials? Who asked for this mechanism and why? (see p. 40 of School Aid booklet)		
5) **Disaster Relief:** How much Hurricane Sandy aid is in the projected school budget in connection with schools that lost days, needed repairs, incurred extraordinary expenses? $5.2 billion (increase from $41.8 to 47.0 bill in line item called "Federal Grants" (see T-39 in Executive FY 2014 Excel spreadsheets)? Where is there shown an allocation for the New York City schools and any others that were damaged by the storm?		
6) **Transparency in Education Budget:** Who to talk to about use of the new OpenBudget.ny.gov materials, specifically regarding requests for analysis assistance re PreK-12 education analyses by good government/outside groups?		

FROM THE GOVERNOR'S EXECUTIVE BUDGET SUMMARY: http://publications.budget.ny.gov/eBudget1314/fy1314littlebook/briefingbookSections.html (Education and the Arts)	Answer	Source of Answer including contact information
1) What is the breakdown statewide between special education and general education expenditures in the $18,618 average quoted (p.25) as the "highest in the nation"—is the general education expenditure out of line after special ed is taken into consideration? Why does admin. use this statistic—does it want to reduce it?		
2) Cap on property taxes: Of the 7.2% of districts that went above the cap, what was the breakdown of their combined wealth ratio characteristics?		
3) What % above the national average is the special education budget per pupil? What accounts for that—legal compliance or regional cost differences or both?		
4) What if "highest in the nation" data was regionally cost adjusted?		
5) Pre-school special education as percentage of total special education—if it is $1.1 billion, what is realistic expectation for new restrictions?		
FROM 13-14 SCHOOL AID EXPLANATION BOOKLET, "Description of 2013-14 New York State Executive Budget Recommendations for Elementary and Secondary Education :		
1) Gap Elimination Adjustment policy of Hold Harmless—why not get back to letting Foundation Aid run as designed? Are complex floors and ceilings needed? Explain the "maximum adjustment will not exceed 41.5% multiplied by the district's 2012-13 Gap Elimination Adjustment" SEE LWVNYS spreadsheet, Attachment 5 to Testimony dated January 29, 2013		
2) Re Excess Cost Aid for Private School Pupils: why is the ratio 1 – (CWR x .15) with a minimum of .50? How will this work if there is a rush to Yeshivas and other parochial schools in the case that the "home environment/family values" legislation comes back this year? a. For example: NYC = CWR about 1.00, therefore Excess Cost Aid Ratio = 1 – (1 x .15) or .85 while "Aidable cost" = Tuition – (Basic Contribution per enrolled pupil) and Basic Contribution ="a district's tax levy based on its property and non-property taxes divided by its base year (2012-13) resident enrollment. b. What is the policy intention with this aid category?		

3) Re Building Aid: Why does exec budget still carry the choice of aid ratios back to 1981-1982? Thought this was past history—much testimony has criticized this.		
4) Re New York Safe Act: why give incentives only for projects approved by the Commissioner on or after 7/1/2013? What is wrong with getting approval before that time? How many schools have/don't have metal detectors now? What is the intent of the Safe Act in terms of adding equipment or other safety measures?		
5) Re Incentives to Reorganize/Consolidate: : **See GENERAL Q.1** Which districts are on the State's reorganization Master Plan and what "efficiency factor" would apply if districts "elect not to reorganize in the next two years"? (see language in the Regents' State Aid Proposal dated Dec. 6, 2012, p. 23)		
6) What is Lottery Textbook Aid? What is the actual cost of textbooks, per annum per student, compared to the textbook aid $58.25 allocation from State Aid? Why are non-public enrolled students counted?		
7) Re: Full-Day Kindergarten: What are the statistics on such enrollment statewide? How many students are already in full day? What is the policy concern about making the language contain reference to 1996-97—we know that is when LADDER programs began, but isn't it arbitrary to make incentive aid tie to whether a school district had ANY full day programs 16 years ago?		
8) Re New York City: says budget (see T-108 in Executive Budget details Excel format) is impacted by $257 million, including $224 million increase in school aid "allocated" for City Fiscal Year 2013-2014. (7/1/13-6/30/14) what about 2012-13?		
9) Fiscal Stabilization Fund of $203 million—looks as though this amount became available in lieu of what would have gone to NYC had the city finished its APPR negotiations with the union. How can this large unallocated amount be justified, not tied to the spirit of foundation aid being driven to neediest districts?		
10) Re Star: $3,276 vs. $3,419 in STAR (dedicated deposits)—how to find the detail regarding the breakout of projected increases, by school district decile? Scheduled to go back up to $3.8 in FY 2017. What is the projected level of progressivity in distribution?		

Attachment 2
League of Women Voters of New York State
January 29, 2013 Testimony to Education/Fiscal Committees

Figure 5
Low Need Districts Receive the Largest School Tax Relief (STAR) per Pupil

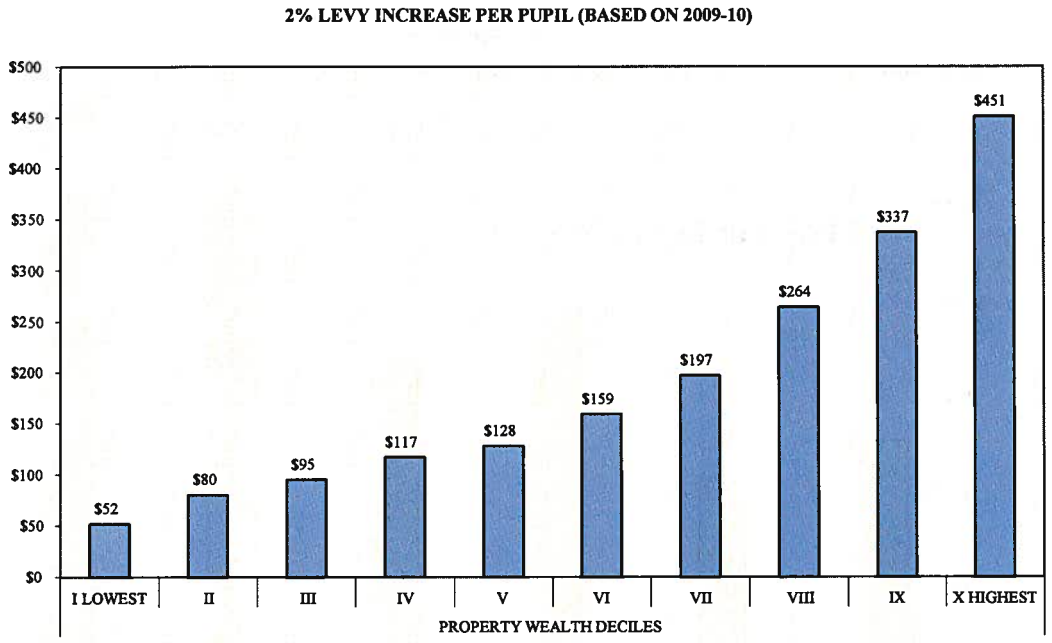


	New York City	Large Cities	High N/RC Urb/Sub	High N/RC Rural	Average N/RC	Low N/RC
STAR per Pupil	$767	$650	$1,181	$1,028	$1,581	$1,823
Share of STAR Aid	24.4%	2.4%	8.1%	4.9%	38.4%	21.8%
Share of Enrollment	38.2%	4.4%	8.2%	5.7%	29.2%	14.3%

Source: Regents Proposal on State Aid to School Districts for School Year 2013-14, p. 14 (1212saa1.pdf).

Attachment 3
League of Women Voters of New York State
January 29, 2013 Testimony to Education/Fiscal Committees

Figure 3
Per Pupil Tax Levy by Property Wealth Under the Property Tax Levy Cap



Source: Regents Proposal on State Aid to School Districts for School Year 2013-14, p. 13

Attachment 4
League of Women Voters of New York State
January 29, 2013 Testimony to Education/Fiscal Committees

Figure 8

UPK Enrollment by Need Resource Capacity Category: 2011-12

Need Resource Capacity Category	Percent of All Four-year-olds Served in UPK Program	Percent of UPK Students in Half-Day Programs	Percent of UPK Students in Full-Day Programs
High Need Urban/Suburban	67%	74%	26%
New York City	77%	73%	27%
Big 4 cities	85%	61%	39%
High Need Rural	52%	80%	20%
Average Need	33%	91%	9%
Low Need	10%	99%	1%

Source: Regents Proposal on State Aid to School Districts for School Year 2013-14, p. 21

Attachment 5
League of Women Voters of New York State
January 29, 2013 Testimony to Education/Fiscal Committees

2013-14 Executive Budget Proposal for PreK-12 Education in New York State
Gap Elimination Adjustment and Restoration's Impact on Big Five and Two Selected Suburban School Districts

League of Women Voters of New York State 1-19-13 Testimony

Impact of Budget Gap Elimination on Selected New York State School Districts

Executive Budget Proposal 1-22-13 (BT131-4 Computer Runs) (with rounding differences)

	Largest Five School Districts (Big Five)					Sample Suburban Comparison High Needs v. Low Needs	
2013-14 Estimated Aids :	Buffalo	Rochester	Syracuse	Yonkers	New York City	Rye	Port Chester
Foundation Aid	$ 435,408,801	$354,015,457	$218,936,662	$168,832,031	$6,234,285,191	$1,944,371	$11,852,780
Full Day K Conversion	0	0	0	0	0	0	0
Universal PreKindergarten	12,759,425	10,817,469	7,431,250	4,269,388	224,946,630	0	0
BOCES + Special Services	17,583,426	12,415,821	10,021,540	7,916,006	147,517,812	204,860	1,032,489
High Cost Excess Cost	2,067,885	7,302,804	7,478,908	5,609,372	225,970,855	249,529	951,061
Private Excess Cost	21,911,702	10,134,102	331,654	6,603,857	178,929,156		486,713
Hardware & Technology	932,166	743,038	460,831	345,009	14,957,482	41,819	40,200
Software, Library, Textbook	3,516,285	2,870,678	1,824,547	2,426,757	101,902,112	0	375,082
Transportation Incl Summer	37,285,619	50,259,703	16,254,743	21,381,146	529,872,730	317,080	1,338,179
Operating Reorg Incentive	0	0	0	0	0	52,975	0
Charter School Transitional	8,396,297	9,925,890	1,646,340	0	0	0	0
Academic Enhancement	0	0	2,328,394	17,500,000	1,200,000	0	0
High Tax Aid	0	0	0	0	0	0	422,717
Supplemental Public Excess Cost	0	0	0	552,736	0	0	0
Gap Elimin. Adjmt (SA 1213)	(24,314,395)	(17,644,274)	(14,124,462)	(24,410,815)	(685,786,420)	(537,404)	(2,282,952)
GAP Restoration	10,090,473	7,322,373	5,861,654	3,200,543	133,593,771	6,547	438,868
GEA Elimination Adjmt 2013-14	(14,223,922)	(10,321,901)	(8,262,811)	(21,210,272)	(552,192,649)	(530,857)	(1,844,084)
Subtotal before Building and Bldg Reorg Incent	**525,637,681**	**448,163,061**	**258,452,058**	**214,226,030**	**7,107,389,319**	**2,291,922**	**14,655,137**
Additional: Building + Bldg Reorg Incent	113,429,889	32,997,785	20,760,689	8,401,282	1,013,516,641	616,374	2,239,247
Total	**$ 639,067,570**	**481,160,846**	**279,212,747**	**222,627,312**	**8,120,905,960**	**2,908,296**	**16,894,384**
Subtotal '13-'14 State Aid Per Enrolled Student	$13,359	$13,418	$11,989	$8,546	$6,848	$705	$3,388
Total 13-14 State Aid Per Enrolled Student	$16,242	$14,406	$12,952	$8,881	$7,824	$894	$3,906
$ Change '13-'14 Minus '12-'13	5,461,453	23,690,888	7,551,919	9,520,181	223,989,276	107,843	372,091
% Change in Total Aid	0.86	5.18	2.78	4.47	2.84	3.85	2.25
$ Chg w/o Bldg, Reorg Bldg Aid	11,064,509	14,337,538	7,321,605	9,223,850	175,983,384	107,843	494,034
% Chg w/o Bldg, Reorg Bldg Aid	2.15	3.30	2.92	4.50	2.54	4.94	3.49
From Backup Runs BT131-4 dated 1/22/13:							
2012-13 Public Enrollment Est. (PE1213)	39,347	33,400	21,558	25,067	1,037,944	3,252	4,325
Gap Elimination Adjustment 2012-13 (GEA1213)	$ (24,314,395)	$ (17,644,274)	$ (14,124,462)	$ (24,410,815)	$ (685,786,420)	$ (537,404)	$ (2,282,952)
Scaled Needs-Based Restoration Calculations for "A" :							
Extraordinary Needs Ratio (ENR)	0.859	0.898	0.804	0.670	0.783	0.048	0.658

	Largest Five School Districts (Big Five)					Sample Suburban Comparison High Needs v. Low Needs	
	Buffalo	Rochester	Syracuse	Yonkers	New York City	Rye	Port Chester
ENR/.534 = "ENR Index"	1.6086	1.6816	1.5056	1.2547	1.466	0.0899	1.232
ENR "Index" * $210.20 = Adjusted Amount (AdjA)	$338	353.48	316.48	263.73	308.2146067	18.71	258.966
State Sharing Ratio (SSR)	0.90000	0.90000	0.90000	0.44000	0.40000	0.000	0.382
PE1213*AdjA*SSR **this is "A"** (p. 89 of S.2603)	$11,973,986	$10,625,681	$6,140,426	$2,908,850	$127,963,801	$0	427851
Gap Elimination Restoration 12-13 (GEA Rest1213)	$8,730,492	$6,338,109	$5,374,250	$3,705,663	$154,767,694	$16,369	$519,359
.4 GEA Rest1213 **this is "B"** (p. 89 of S.2603)	$3,492,197	$2,535,244	$2,149,700	$1,482,265	$61,907,078	$6,548	$207,744
Greater of "A" or "B"	$11,973,986	$10,625,681	$6,140,426	$2,908,850	$127,963,801	$6,548	$427,851
Wealth-Based Restoration Calculations (for "C")							
Combined Wealth Ratio	0.349	0.302	0.319	0.924	1.026	3.55	1.073
1.23 * CWR	0.42927	0.37146	0.39237	1.13652	1.26198	4.3665	1.3198
1.37 less prior line	0.94073	0.99854	0.97763	0.23348	0.10802	0	0.05021
PE1213*$50* prior line **this is "C"**	1,850,745	1,667,562	1,053,787	292,632	5,605,936	-	10,858
Total of "A" and "C"	$ 13,824,731	$ 12,293,243	$ 7,194,213	$ 3,201,482	$ 133,569,736	$ 6,548	$ 438,709
MAX Gap Rest (ngt .415 of GEA 12-13) **this is "D"**	$10,090,474	$7,322,374	$5,861,652	$10,130,488	$284,601,364	$223,023	$947,425
District affected by Max Gap?	yes	yes	yes	no	no	no	no
Cost of "D" as limit on Restoration	$ 3,734,257.44	$ 4,970,869	$ 1,332,561				