



**Testimony of the
New York State School Boards Association
to the
Joint Legislative Fiscal Committees
on the
2013-2014 Executive Budget**

**January 29, 2013
Legislative Office Building
Albany, New York**

Chairman Farrell, Chairman DeFrancisco, members of the committee, thank you for this opportunity to share the perspective of the nearly 700 member school districts of the New York State School Boards Association and the over 5000 locally elected school officials who govern them. Allow me to be direct. Each of the past several years have posed unique challenges to our public schools. Yet, despite school districts' sound fiscal stewardship and cuts that have decimated the competitive nature of our educational system, their current situation is like no other year. As you enter budget negotiations, your schools are facing the following situation:

The state has chosen to impose limits on both state aid and local revenue. This year, the combined revenue available from those two sources is roughly \$1.2 billion. The mandated school district contributions to the state Employee Retirement System and Teachers' Retirement System this year amounts to one half of that total. A conservatively budgeted 5% increase in employee and retiree health insurance costs consumes almost all of the remainder. What little is left over is threatened by the potential sequestration of federal funds. This is neither hyperbole nor a failure to recognize additional factors. These few financial obligations alone will use virtually all of the total revenue available to our schools in the coming year. There is no revenue source for increases in energy costs, liability insurance, contractually obligated raises or the myriad other required costs of operating a school district. The impact of this fact will result in the systematic dismantling of our educational system, as these financial circumstances have not come with sufficient mandate relief to enable our schools to cope in any manner than to further reduce school employees and the programs and services they provide to our children. Those cuts will not come in a manner that minimizes the educational impact on students. They will come irrespective of student need and will ignore the state's goals. They will be made according to law, which is to say that those who have served the longest will remain employed, whether or not the skills and methods they employ are relevant to the educational mission.

True, some schools districts will weather this catastrophe better than others. Some will be so eviscerated as a result of their diminished local tax base that they will be unable to provide even the state mandated curriculum. Across the broad spectrum of New York State public education, on the whole, there will be irreparable harm. Already the very best students from some of our schools are denied entrance to our own state colleges and universities. They have accomplished all that they possibly could with what they were given, but what they were given was too narrow to compete against their fellow New Yorkers fortunate enough to reside in a wealthier locality. Simply put, the state has failed in its constitutional responsibility to provide a sound, basic education to all of its children and that failure is compounding dramatically in each successive year. Now we are faced not only with an issue of "have and have nots", but that no school district remains that has not seen decline. Few school districts, finding themselves being supported at the same levels as in 2007, are in a position to provide an education adequate for today's competitive environment. The fact that the state has allowed its percentage of support for education to decline so swiftly, while simultaneously limiting what its local residents may provide, is unprecedented. While it's true that the fiscal challenges faced by the state are also unprecedented, hear the impact of our current policy: Virtually every increased cost since 2007 has either been placed on the backs of local taxpayers or taken from the children of this state. The governor boasts that total spending on public education has doubled the rate of inflation over the past two years, but he omits the fact that schools are mired in a five year decline in support. The governor decries our low ranking among states in our graduation requirement. What he fails to say is that we rank in exactly the same spot in our state's percentage of support for public education.

Last year you provided a new pension tier that over decades will eventually provide fiscal savings. Before that happens, of course, school districts will need to be put in a position to hire new employees and even that will come after employees laid off are by law first returned to their former positions. Relief from the reduced pension costs associated with Tier VI, is appreciated, but distant. You also provided our schools the ability to engage in cooperative purchasing, like all other state and local governments in our nation. Yet, your legislative directive has been met with bureaucratic resistance and no savings have been realized.

You need to declare an unmistakable legislative imperative in your response to the Executive Budget. You must provide an ability of school districts to respond to your fiscal constraints in a manner that minimizes educational harm. You must allow them to take advantage of low interest rates to amortize pension costs in exchange for creating a permanent minimum employer contribution rate. You must establish maximum employer contribution rates for health insurance and provide latitude in the provision of special educational services. Free our schools from outdated restrictions on "student seat time" and the methods of providing digital learning opportunities. Make no mistake. Your failure to provide school districts with the capability to adjust to their new economic circumstances means the deterioration of public education and the devaluing of New York State residency. The downward economic trend can be halted only by prioritizing public education, by fulfilling your sworn constitutional duty to provide those children a sound education, by allowing school districts (that are hungry for efficiency rather than declining performance) to spend their funds wisely.

With 70% of school costs tied to employees, you are well aware of how those efficiencies must be realized. You need to help schools minimize employee costs so that they can keep those employees working and educating. You need to declare an end to demanding that community members who have not seen salary increases in several years pay automatic salary increases to their public employees. You need to prevent half of all school funding increases from being directed to retirement systems. You need to fix a funding

system that is (for lack of action) destroying the fabric of communities and making a cruel joke of educational promise.

The coming year is much more than one more lean year that we must weather while waiting for a return to normal. Local school officials recognize that “normal” is not coming back and they are eager for productive reform. Coping with the resulting fiscal stress has, and will continue to take firm political resolve and the willingness to make the fundamental changes that our taxpayers, our children and our future demand. We believe that the Executive Budget provides an excellent structure for negotiations that will hopefully result in the rescue of our public educational system. With your continued strident support, the 2013-14 State Budget has the potential to set our schools on an efficient and effective pathway to excellence.

We recognize that the Executive Budget proposal is the first step in the budget process.

We fully grasp the severity and gravity of the fiscal crisis that continues to grip our state, as well as the added issues associated with Superstorm Sandy. We don't envy you the responsibility of striking the right balance between our state's many competing priorities in the face of recovering revenues to fund them. We respectfully request that you remember, however, that the public is impatient and demands true reform. We ask that you not simply attempt to minimize aid cuts while failing to provide real change. We must pull out of the state's “death spiral” before the momentum of decline is unrecoverable.

We applaud the governor's commitment to fully funding reimbursable school expenses like BOCES, transportation, special education and building aid. We are equally grateful for eliminating a portion of the Gap Elimination Adjustment and distributing the majority of new revenue to our desperate, high needs districts. But we urge you to moderate the governor's proposal to provide so much of new aid in the form of grants. Having afforded our schools the predictability of two year aid funding, please do not descend into an unknowable scenario where local school budgets are crafted without the certainty demanded by the communities that support them. Fortunately, you have historically seen the wisdom in minimizing this approach and we would once again urge you to wait to see the effect of the current performance grants prior to investing in an as yet unproven approach.

If school districts are to keep their promise of improved academic achievement of our students and wise fiscal stewardship of public funds, you must keep your promise of predictable and adequate funding. Shifting the governor's proposed grant program toward further reduction in the Gap Elimination Adjustment would do a great deal in rescuing many of our school districts from the brink of educational insolvency. Allocating the as yet undesignated \$203 million (in one time aid for extraordinary expenses) to GEA reduction would be the most productive method of distribution.

Make no mistake. We are deeply grateful that additional aid is proposed. We are particularly appreciative of the majority of additional aid being targeted toward high need districts that find themselves teetering on a fiscal abyss. Yet, many school districts have already been forced to take drastic measures that they hoped would be temporary in nature. The feared time has now come when schools have no further means to stave off permanent reductions in educational quality.

Here are some problematic truths to consider:

1. Nearly 25% of all school districts lose aid under the Executive Budget. Many school districts are losing aid because they can no longer afford to spend funds for reimbursable programs like BOCES.

2. The Great Recession has narrowed the wealth gap between high and low wealth districts, resulting in insufficient aid.
3. Districts are losing aid in the reimbursable categories because they no longer have the funds to spend on those programs-resulting in an overall year to year loss of aid.
4. Last year's funding resulted in dire educational consequences and yet this year's proposal provides less. For instance. Last year the GEA reduction was \$400 million. This year the proposal is \$320. Last year there was an additional \$120 million in Foundation Aid, this year there is none.
5. While it is true that High Need Districts receive more of this year's proposed increase, that percentage is based on a reduced total from last year.
6. School District reserves are exhausted and yet there is no proposal to utilize state reserves to help.
7. The APPR mandate has resulted in high implementation costs, as well as higher costs incurred as a result of being forced to collectively bargain the new plan. No funding is provided for that mandate.
8. Last year's budget indicated that schools would receive a 3.5% increase this year, while the Executive Budget proposes a 3% aid cap.
9. The Executive Budget proposes \$25 million for full day kindergarten. This level of funding is woefully inadequate for its intended purpose. Transportation issues alone would more than consume this amount before any program costs were paid. For instance, the state currently pays \$384 million for pre-kindergarten.

The governor once again fails to create an equitable formula for the distribution of Foundation Aid. We urge you in the strongest of terms to correct this glaring omission. Under the Executive Budget, nearly a quarter of school districts will see their aid cut. Many of those districts are receiving less aid than five years ago, despite increases in enrollment and decreases in local property wealth. For instance, Middletown (with one of the highest percentages of students in poverty in the state) is receiving an aid increase of less than 1%, providing it essentially the same aid as it received six years ago (despite having 510 more students.) In the literal wake of Superstorm Sandy, East Rockaway is currently busing its middle and high school students to leased buildings, sending over their lunches each day. They are incurring higher transportation costs, as well as the unanticipated costs of leasing facilities. Amazingly, under the Executive budget, East Rockaway loses aid. Without a working aid formula that correctly assesses the local ability to support public education, the distribution of state aid to education is arbitrary and the result (while generally driving aid to the most desperate districts) creates severe, anomalous consequences.

This year, the governor proposes a modest, haphazardly distributed increase, the federal government will provide no new funding (or worse, will "sequester" federal funds) and local taxes will be capped at a rate incapable of covering legally required expenditures. While the Executive Budget provides a great deal of long term relief by revamping Unemployment and Worker Compensation insurance and while it does no harm by avoiding new mandates and cost shifts on school districts, without your help its total approach to public education will result in the further dismantling of the programs and services that are vital to our state's future.

Is This the Year for Significant Mandate Relief Real for Schools?

There are two sides to the ledger: expenses and revenues. If you can lower your expenses then you can lower the revenues you need. But this does not magically happen at the wave of a wand. Adherence to the old laws that hamstring public employers in bargaining more reasoned salary and benefits for public employees confounds any attempt at stemming rising taxes, or creating an attractive economic environment. Simply put, we urgently plead for you to untie our hands. To prepare for a prosperous future, you must free the schools to do more than fire people.

Governor Cuomo is advancing a number of particularly beneficial major cost saving measures for your consideration. All are worthy of your support. Locally elected school officials fully support Executive Budget proposals to:

1. Provide full day pre-kindergarten, extended learning time, create community schools, support early college high school programs and reward high performing teachers.
2. Increase Building Aid for school security equipment.
3. Continue the predictable, two year funding.
4. Stabilize the Rate Pension Contribution Option (though borrowing authority would be the superior approach.)
5. Eliminate unnecessary reporting requirements.
6. Grant special education waivers.
7. Remove the internal auditor requirement for small school districts.
8. Improve teacher qualification requirements.
9. Allow school districts access to excess EBALR funds.
10. Reform the Unemployment and Worker Compensation systems.

Yet, there is much that could have been considered. Removal of legal barriers to health insurance cooperatives. Clarification of your desire for procurement flexibility, allowing us to piggyback on state and municipal contracts. Removal of automatic salary increases. The ability to use low interest rates to borrow to pay high pension costs (as an option to the riskier plan to “lock in” a comparatively high rate over a generation.) Most importantly, the creation of an equitable aid distribution formula and a ten year averaging of the personal income growth driven state aid cap. Dollars saved here can be redeployed to the classroom and to spare our taxpayers.

What’s Needed?

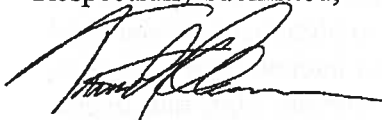
The Executive Budget is a good beginning, but would be a poor final result. So that there is no mistaking what is needed, allow us to simply list the areas that glaringly demand your attention and political will.

- a. Equitable distribution of aid, including the \$203 million extraordinary needs aid proposed by the governor.**
- b. Remove schools from the GEA calculation and comply with the CFE court decision.**
- c. A limit on taxpayer contributions to employee and retiree healthcare premiums.**
- d. Elimination of automatic raises.**
- e. Elimination of seniority as the sole control over staff layoffs.**

- f. A ten year average in calculating the state aid cap, like that provided for health care**
- g. Authority to borrow at low interest rates to pay high pension costs.**
- h. Legitimate allocations for needed new initiatives like pre-kindergarten, longer school day and year.**
- i. Authority to form regional secondary schools.**
- j. Elimination of competitive grants so that all schools benefit.**
- k. Restoration of aid to districts receiving a reduction under the governor's plan.**
- l. Funding for School Resource Officers and safety equipment.**
- m. Relief for school districts experiencing large scale percentage loss of property value.**
- n. A retirement incentive for school district employees to help school districts manage potential layoffs.**
- o. State hearing officers to hear teacher disciplinary cases.**
- p. Creation of school safety zones, so that school districts may transport students through unsafe areas without losing state aid.**
- q. Streamline the school district merger and consolidation process.**
- r. Reject the proposal to implement a new school accountability and management system until details have been made public.**

While there is much to like in the Executive Budget, only you have the opportunity to create a document that will pull our schools from the brink. Please do so before the current decline does irreparable harm to thousands of our children. Thank you for the opportunity to comment at this crucial juncture in the future of public education and indeed, our state.

Respectfully submitted,



TIMOTHY G. KREMER
Executive Director

APPENDIX

2013-14 Executive Budget Proposal State Aid Analysis

1. Here is a summary of districts receiving aid increases and decreases:

	With building aid (\$551 million increase)		Without building aid (\$481.5 million increase)	
#/% of districts that received an increase in state aid	517	76.5%	551	81.5%
#/% of districts that received a decrease in state aid	159	23.5%	125	18.5%
#/% of districts that received level state aid	0	0.0%	0	0.0%
Totals	676	100.0%	676	100.0%

2. Some factoids about the aid increases and decreases:

<u>Districts with state aid decreases:</u>	
Avg. Combined Wealth Ratio (CWR)	3.123
Largest % decrease	34.67% (Putnam)
Largest \$ decrease	\$2,867,916 (Wappingers)
37.6% of the districts were on Long Island	
27.2% of districts had CWRs below the statewide average	

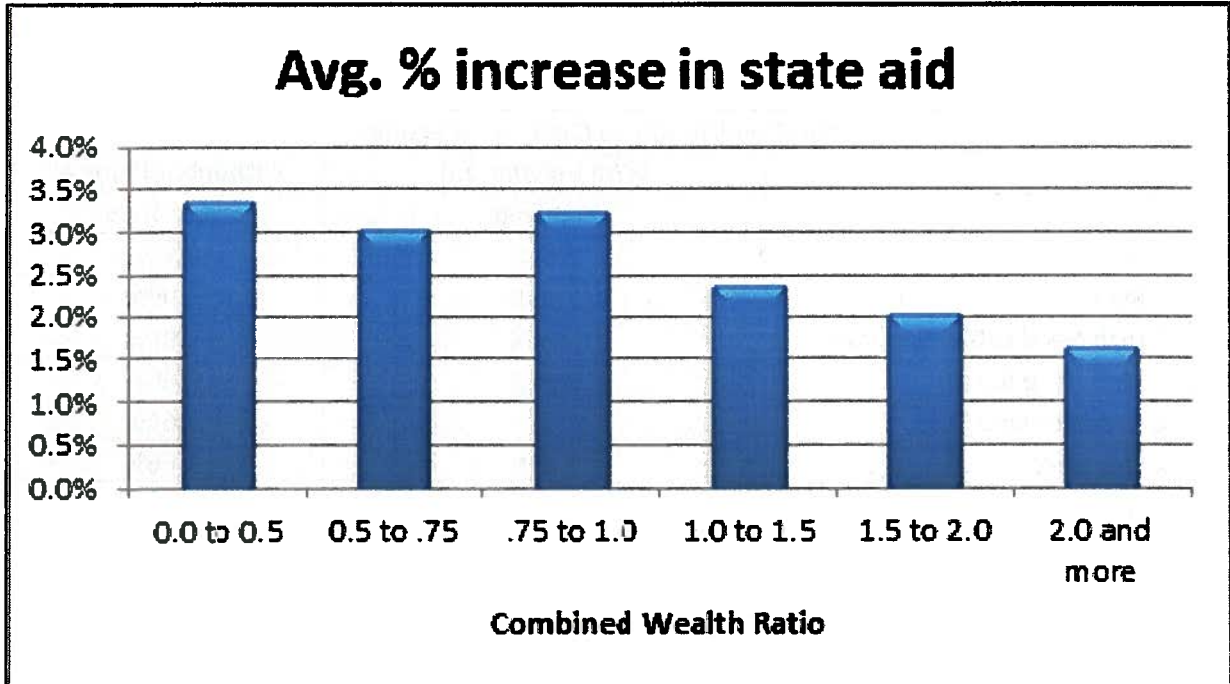
<u>Districts with state aid increases:</u>	
Avg. Combined Wealth Ratio (CWR)	0.7993
Largest % increase	24.5% (Menands)
Largest \$ increase	\$175,983,384 (NYC)
Largest \$ increase outside NYC	\$8,891,849 (Brentwood)
Smallest \$ increase	\$2,076 (Schodack)

3. Here is a summary of how the formula-based aids are to be distributed:

	2012-13	2013-14	\$ change	% change
Foundation Aid	\$15,005,359,281	\$15,005,359,281	\$0	0.0%
Full Day K Conversion	\$7,274,502	\$13,826,383	\$6,551,881	90.1%
Universal Pre-K	\$384,145,269	\$385,034,734	\$889,465	0.2%
BOCES and special services	\$909,601,081	\$929,043,180	\$19,442,099	2.1%
High cost excess costs	\$452,249,815	\$532,044,695	\$79,794,880	17.6%
Private excess cost	\$320,088,894	\$358,977,764	\$38,888,870	12.1%
Hardware and technology	\$38,024,067	\$38,860,799	\$836,732	2.2%
Software, library, textbook	\$243,787,339	\$247,505,888	\$3,718,549	1.5%
Transportation including summer	\$1,661,623,506	\$1,722,491,229	\$60,867,723	3.7%
Operating reorganization incentive	\$2,856,587	\$2,570,929	-\$285,658	-10.0%
Charter school transitional	\$34,607,859	\$33,473,817	-\$1,134,042	-3.3%
Academic enhancement	\$27,024,033	\$27,024,033	\$0	0.0%
High tax aid	\$204,770,097	\$154,735,516	-\$50,034,581	-24.4%
Supplemental Public Excess Cost	\$4,313,167	\$4,313,167	\$0	0.0%
Gap Elimination Adjustment	-\$2,156,286,074	-\$2,156,286,074	\$0	0.0%
GEA Restoration		\$321,554,838		
SUBTOTAL	\$17,139,439,423	\$17,620,530,179	\$481,090,756	2.8%
Building and building reorg incentive	\$2,714,105,597	\$2,783,330,984	\$69,225,387	2.6%
TOTAL	\$19,853,545,020	\$20,403,861,163	\$550,316,143	2.8%

4. Combined Wealth Ratio (CWR) is a measure of district wealth that takes into account by income wealth and property wealth. The statewide average is 1.0. Districts below 1.0 are less wealthy than average. The following table and charts shows average aid increases for districts with various CWRs.

CWR (range)	\$ increase in state aid	% increase in state aid	# of districts
0.0 to 0.5	\$148,376,351	3.36%	233
0.5 to .75	\$77,737,158	3.04%	161
.75 to 1.0	\$54,656,677	3.25%	86
1.0 to 1.5	\$192,540,931	2.39%	86
1.5 to 2.0	\$4,892,964	2.01%	36
2.0 and more	\$2,886,675	1.62%	74
			676



5. Another way to measure district wealth is by Need/Resource Capacity (NRC). The State Education Department groups districts together into the following six categories:

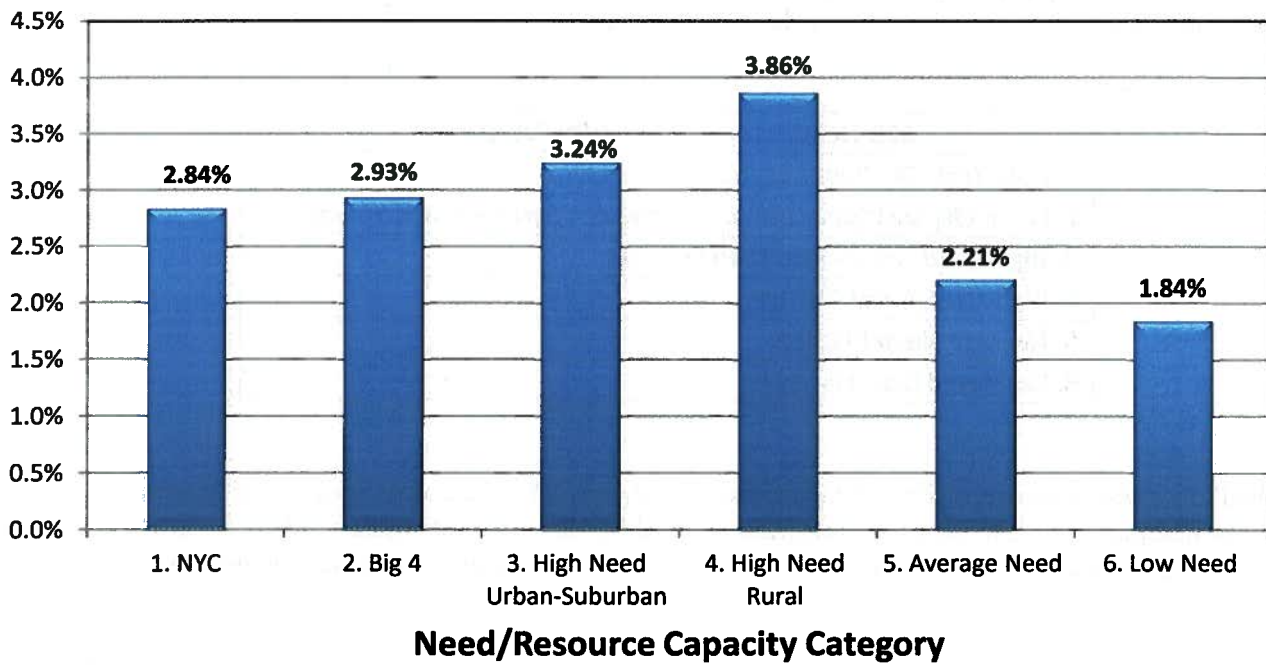
SED Need/Resource Capacity Categories
1. New York City Public Schools
2. Large City Districts – Buffalo, Rochester, Syracuse, and Yonkers
3. High Need Urban-Suburban Districts
4. High Need Rural Districts
5. Average Need Districts
6. Low Need Districts

“High need” indicates a poorer district that requires more state aid because its capacity to raise revenues at the local level is hampered by low property and income wealth. High need districts tend to be in rural and urban areas. “Low need” indicates a greater capacity to raise local revenues and less reliance on state aid.

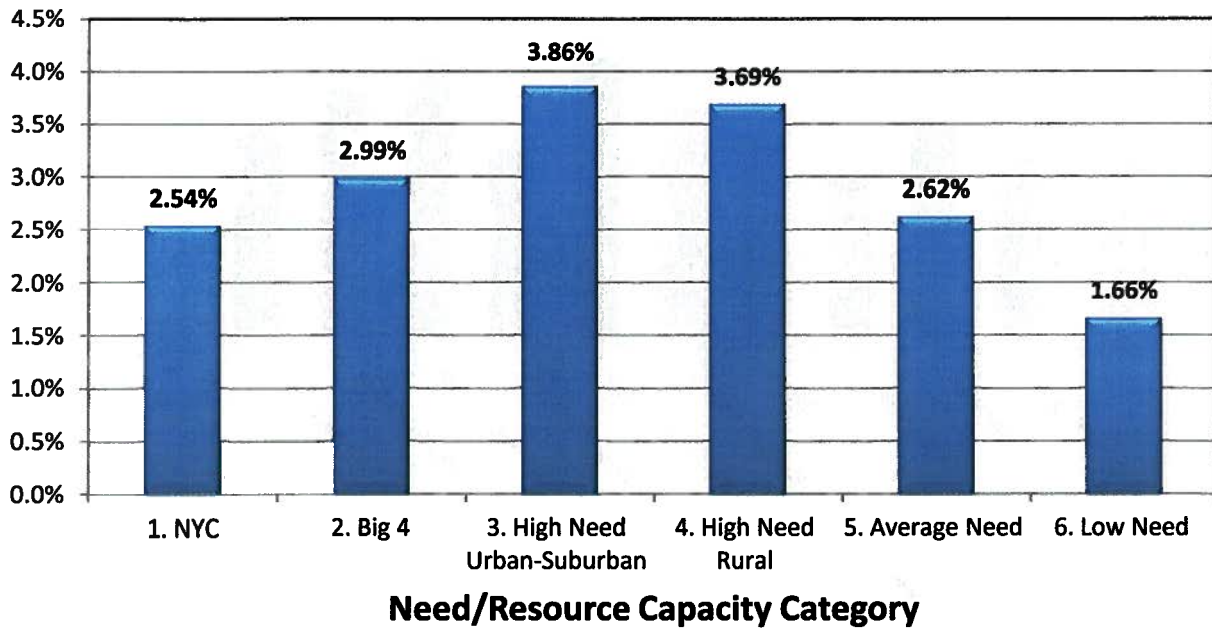
The following table and chart show the average state aid increase in the proposed 2013-14 Executive Budget for school districts in each of the six NRC categories. The table shows the percentage change from 2012-13 for all aids – including Building Aid – and without Building Aid. It appears that the budget does a good job at ensuring that school districts with the greatest need of state aid will receive the largest increases in state aid.

SED Need/Resource Capacity Categories		
	With building aid	Without building aid
	% change	% change
1. NYC	2.84%	2.54%
2. Big 4	2.93%	2.99%
3. High Need Urban-Suburban	3.24%	3.86%
4. High Need Rural	3.86%	3.69%
5. Average Need	2.21%	2.62%
6. Low Need	1.84%	1.66%

% state aid increase by NRC - with building aid

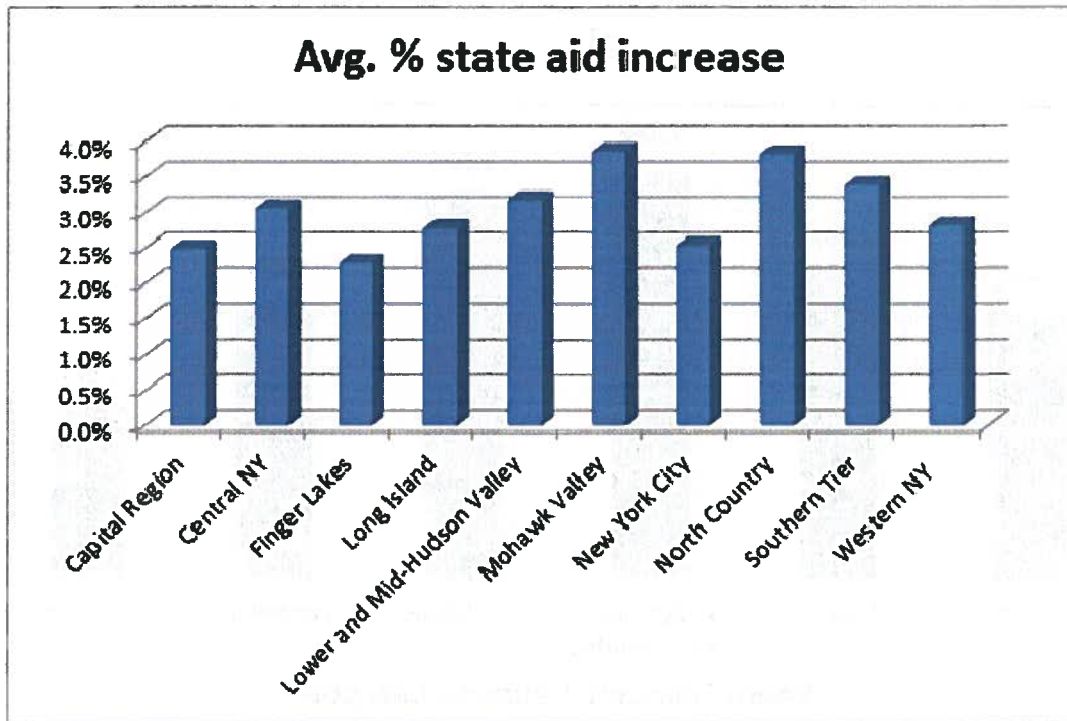


% state aid increase by NRC - without building aid



6. The following table and chart show how state aid is to be distributed by regions of the state:

Region	\$ state aid increase	% state aid increase
Capital Region	\$20,479,462	2.49%
Central NY	\$44,463,584	3.06%
Finger Lakes	\$5,436,358	2.30%
Long Island	\$59,140,043	2.77%
Lower and Mid-Hudson Valley	\$50,981,645	3.17%
Mohawk Valley	\$12,579,028	3.86%
New York City	\$175,983,384	2.54%
North Country	\$20,723,864	3.82%
Southern Tier	\$26,513,457	3.38%
Western NY	\$64,789,931	2.81%



7. High Tax Aid. First, some figures:

- 311 districts will receive High Tax Aid in the 2013-14 budget – up from 291 in 2012-13
- All 291 districts that received High Tax Aid in 2012-13 will again receive High Tax Aid in 2013-14
- 20 districts that did not get High Tax Aid in 2012-13 will receive High Tax Aid in 2013-14
- 363 districts will receive no High Tax Aid in both 2012-13 and 2013-14

The budget makes a concerted effort to allocate High Tax Aid to districts that not only have high property taxes but also low wealth. For example, the 20 districts that did not receive High Tax Aid in 2012-13 but are scheduled to receive High Tax Aid in 2013-14 have an average Combined Wealth Ratio (CWR) of .5573, well below the statewide average. These districts are scheduled to receive an average of \$246,282 in High Tax Aid.

Of the 291 districts that are scheduled to receive High Tax Aid in 2013-14 that also received High Tax Aid in 2012-13, nearly 86 percent (249 of 291) will receive less. These districts have an average CWR of 2.2249, more than twice the statewide average of 1.0. Forty-two of the 291 districts are scheduled to receive an increase in High Tax Aid. These districts have an average CWR of .9032.

The table and chart below show the percentage of High Tax Aid in the 2013-14 budget that is directed to go to school districts in the six difference Need/Resource Capacity categories compared with 2012-13. In 2012-13, about 71 percent of High Tax Aid went to high and average need districts. In 2013-14, nearly 83 percent of High Tax Aid is directed to go to high and average need districts.

High Tax Aid		
By Need/Resource Capacity		
	% of total High Tax Aid 2012-13	% of total High Tax Aid 2013-14
1. NYC	0.0%	0.0%
2. Big 4	0.0%	0.0%
3. High Need Urban-Suburban	22.3%	28.7%
4. High Need Rural	4.4%	6.1%
5. Average Need	44.4%	47.8%
6. Low Need	29.0%	17.4%
	100.0%	100.0%

