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TESTIMONY

The 2020-21 Executive Budget and the Public Schools

Senate Finance Committee
Assembly Ways and Means Committees
January 28, 2021

Chair Krueger, Chair Weinstein, other members of the Senate and Assembly:

I am Robert Lowry, Deputy Director of the New York State Council of School Superintendents. Thank you for this opportunity to speak about Governor Cuomo's proposed state budget and its impact upon our state's public schools and the students and taxpayers they serve.

We will have more to share with you in the days and weeks to come. For today, I will make just a few points.

To start, here are some basic facts about the proposal:

- Combining traditional School Aid, STAR property tax reimbursements, and federal stimulus aid, the budget recommends a $2.1 billion, 7.1% increase in total funding to schools. This is made up of a $607 million reduction in state support, offset by a $2.7 billion increase in federal aid.
- The increase in federal aid reflects the difference between the $1.13 billion in CARES Act funding applied toward School Aid in 2020-21 and the $3.8 billion coming to the state from the stimulus legislation enacted in Washington last month.
- Federal law allows states two years to fully allocate the new $3.8 billion and permits school districts three years in which to spend it. The proposed state budget would apply the entire $3.8 billion toward 2021-22 education funding, creating an expectation that school districts would do the same.
- Foundation Aid would be frozen for the second straight year, leaving the state $4 billion behind in phasing-in that reform. Eleven aid categories would be combined into a "Services Aid" block grant and cut. Other formulas appearing on School Aid runs would be funded according to current law.

Risk of Using All Federal Education Aid in a Single Year

Our first point is that one problem with expending the entire $3.8 billion in federal assistance in one year is that the state would need to raise its contribution by $3.8 billion in the year that follows just to maintain the overall funding level it plans to give schools in the coming year.

That is one reason why our federal advocacy has stressed that more than a single year of federal assistance is needed. It is also why we support actions to raise additional state revenue, including increases in taxes paid by the wealthiest New Yorkers.

The Large Overall Increase Is Not Representative of What Most Districts Would Receive

Our second point is that while a 7.1% increase in School Aid would be the largest percentage funding increase in over a decade, that figure is not at all representative of what most school systems would experience. Again, actual state-supported funding for 2021-22 would be reduced.

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Because federal law requires the stimulus funding to be allocated primarily on the basis of student poverty, that assistance would be strongly targeted to high poverty school districts.

Fewer than one in 10 districts would receive increases of 7% or more. Half the state's school districts would receive increases of 2.1% or less, including nearly one-quarter that would experience year-to-year cuts in funding, notwithstanding the $3.8 billion federal aid infusion.

But even these increases are overstated due to an issue with Transportation Aid that I will explain shortly.

To the extent there are districts which could manage through the coming year without exhausting all their federal aid, we advocate that reserve limits be modified to allow them to save for next year or the year after. Again, we should all be concerned about what will happen when federal aid ceases.

State Funding Reductions—GEA Under New Names

For the state as a whole, the new federal education aid would be partially offset by two proposed reductions in state support:

- a $1.35 billion "Local District Funding Adjustment" applied against STAR property tax reimbursements to school districts; and
- a $693 million cut against what districts would otherwise receive from a collection of 11 aid formulas proposed to consolidated into a Services Aid block grant.

These two reductions would *fully offset* new federal stimulus allocations for over 70% of the state's school districts, so that *none* of Washington's $3.8 billion education aid infusion would be left to help those districts pay extraordinary costs they have borne in trying to both operate safely and spare students from harm to their learning and their well-being.

Our third point is that both these cuts amount to resurrecting the Gap Elimination Adjustment of the last decade—the GEA—under new names.

A Cut Against STAR Property Tax Relief Funding

The budget states that the cut to be made against STAR is intended to be recurring. This forces the question, what do we expect will happen if and when federal aid is no longer available to offset the cut? If state funding were not restored, it would inflict a revenue loss of more than $1 billion for districts subject to annual budget votes. Just to offset a loss of that magnitude, those districts would need to seek local tax increases averaging 5%, or impose spending reductions averaging 3%, or adopt some combination of the two.

Consolidating 11 Formulas Into "Services Aid"

The proposal to consolidate and cut funding from the 11 aid formulas to be folded into Services Aid raises multiple alarms.

Among the 11 aids to be consolidated would be Transportation Aid, BOCES Aid, and Special Services Aid for the Big Five cities and other districts. For next year, aid would be calculated under each of the current formulas, then added together, and then a reduction factor would be applied to cut the combined sum by $693 million, or 17%. After next year, the existing formulas would no longer operate and a new reduction factor would be applied against the new base.

Here are some of our objections to this proposal:

The cuts in funding would be generally regressive, taking the most from New York City and other high need school districts. New York City alone would absorb $620 million out of the $693 million statewide reduction. The City would benefit for at least one year from a large infusion of federal assistance, but not all high need districts share that prospect.

Another objection is that the proposal would make yet one more school funding stream unpredictable.

There has been no way for districts to forecast Foundation Aid—the largest state aid source—from one year to the next. The vagaries of the tax cap have complicated planning for property tax revenues as well. Although commonly advertised as a "2% property tax cap," the basic cap has been less than that in six out of 10 years. It will be 1.23% for the school budgets that districts will ask voters to consider this spring.

Districts have been able to forecast what they could reasonably expect as reimbursement for student transportation expenses, for purchases of shared services from BOCES, and as help in meeting rising charter school tuition payments, to name three of the funding streams to be consolidated. But with this proposal, that remaining predictability would be obliterated.

Reimbursement for Special Transportation Costs

Our fourth point for today is that the budget would provide some help to districts in absorbing some of the exceptional costs they have incurred due to the pandemic, but not enough.

When school buildings were abruptly closed last March, districts swiftly and heroically launched remote instruction to maintain teaching and learning and new models to distribute meals for students. In many cases, districts used their student transportation systems to deliver instructional materials and meals. Some used them to create mobile hotspots for families without internet access. These actions were required by an Executive Order of the Governor.

Some districts also incurred "standby" costs in paying employees and contractors so that the capacity to bring students to school and get them home again would still be there if resuming in-person instruction became possible. The federal CARES Act also directed aid recipients to maintain payrolls, to the extent practicable.

That schools might ever face these expenses was never envisioned before last spring; they have been deemed not aidable under current law. But they should be. The budget does promise to provide at least some reimbursement for the exceptional service delivery expenses, but nothing for "standby" costs.

We will support legislation being developed by the Board of Regents to assist districts with both sets of costs. Because we know districts are incurring similar expenses in the current school year, we will advocate that those costs be aidable as well.

As I noted earlier, this issue has the effect of overstating the total aid increases some districts would receive.

There are districts which show huge increases in the Transportation Aid for 2021-22 that would be folded the Services Aid. It may be that their 2020-21 Transportation Aid amounts are depressed because they have been deemed as having had drastically reduced aidable expenses from mid-March on when school building closed last spring, about a third of the school year. This would make more normal estimates of Transportation Aid for 2021-22 look like greater increases than they truly are.

Lessons Learned from the Last Downturn

In the days and weeks ahead, we will share reactions to other parts of the proposed budget.

For today, I will close by offering a few general observations.

The pandemic has enforced changes in our lives never before experienced by anyone now working. But we have managed and lead through tough economic times before. One of the lessons learned is that the year when special federal assistance finally ends can be the harshest of all.

In the aftermath of the 2009 financial system collapse and the ensuing Great Recession, the 2011-12 state budget was the hardest upon schools. That was the school year when no aid from the federal American Recovery and Reinvestment Act remained to help the state maintain school funding. That was the year when the Gap Elimination Adjustment imposed its deepest cut, reducing School Aid by $2.56 billion below what could have otherwise been paid.

In a 2011 survey, we found that 80% of superintendents reported that their districts had cut teaching positions in their budgets that year. It was the third bad year, so we inquired about the two years that had come before. In 2010, 66% of superintendents said their districts had reduced teaching positions and 44% said they had done so in 2009. As a result, most superintendents—60%—reported that their districts had increased class sizes at least twice in those three years.

Also in 2011, 75% percent of superintendents told us that their school district's financial condition was worse than the year before; only 3% said it had improved. Even as the state's finances recovered, never in nine years of our surveys did more than a third of superintendents answer that their district's financial condition had improved over the before. It seems certain there are many communities whose schools saw little or no recovery from all the damage they suffered in that last severe economic downturn.

The point in recounting these lessons is that we need to budget not just to get through the year ahead, but to plan our finances over multiple years to do our best to avoid the worst of what hit our schools a decade ago.

In all our federal advocacy we have stressed three themes: (1) more than a single year of assistance is needed; (2) schools need assistance in meeting costs imposed by the pandemic; and (3) states need fiscal relief to offset revenue losses driven by the pandemic. To our own members, we have emphasized that federal help for schools alone is not enough.

We will do whatever we can to help our state gain additional federal assistance, both to give the state's own tax revenues time to recover and to assure that the aid Washington targets for schools is used to help schools with the extraordinary costs they have been called upon to bear.

Once again, we will also support state actions to generate additional revenue, including increases in taxes to be paid by the wealthiest New Yorkers.

Thank you very much for your time today and for all your past efforts to support our schools.