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**THE LEAGUE
OF WOMEN VOTERS**
of New York State

**JOINT LEGISLATIVE PUBLIC HEARING
ON 2014-2015 EXECUTIVE BUDGET PROPOSAL:
ELEMENTARY & SECONDARY EDUCATION
TESTIMONY SUBMITTED TO THE
ASSEMBLY WAYS AND MEANS, SENATE FINANCE AND
ASSEMBLY AND SENATE EDUCATION COMMITTEES**

JANUARY 28, 2014

Good afternoon. I am Marian Bott, Education Finance Issue Specialist for the League of Women Voters of New York State. I work with our President, Sally Robinson, Legislative Director, Barbara Bartoletti, our State Board and full membership to analyze the Pre-K through 12 budget. Our State Finances position¹ 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 2014-2015 proposed Pre-K-12 education budget as set forth in Appropriations bills S. 6353 and A. 8553 and related Article VII Education, Labor, Housing and Family Assistance bills (12672-01-4).

This year, we request five substantial reforms and one clarification.

1. **Fund Foundation Aid.** School districts are cutting services and staff throughout the state, hurting the long-term competitive capacity of our state's work force and our ability to create an educated next generation of citizens. The League believes that the function of state school aid should be to ameliorate the grossly disparate fiscal capacities of local school districts. This budget appears to make progress in

¹ The League also holds positions on Election Law, Government, Health Care, Judicial, Natural Resources, Social Policy, Women's Issues. See pp. 158-189, lwvny.org, http://lwvny.org/advocacy/impact/SF_Full.pdf.

that direction, yet fails to restore the \$1.6 billion funding gap² in state school aid. Other parts of the Executive Budget strongly suggest that the State can afford to close it as the Governor foresees the ability to fund \$2 billion in tax relief in an improving state economy. This year's proposed incremental \$603 million aid distribution (as set forth in the proposed [legislation](#), and in [computer runs](#) BT141-5) continues the convoluted Gap Elimination Adjustment while freezing Foundation Aid. Gap Elimination Adjustments and Restorations are progressively handled generally, yet certain hold harmless features have a deleterious impact on the equity in the overall plan. Building Aid still permits the use of 33-year old district statistics,³ exacerbating inequities that have long existed between wealthier and poorer districts. 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.

- 2. Implement Circuit Breakers; Phase Out STAR.** We are pleased that the Governor's budget includes an initiative that we have long recommended. 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 comprises 17% of school aid, substantially skewing the concept of equitable distribution of aid according to need. A taxpayer earning as much as \$500,000 can still receive this tax relief. According to the Governor's budget, the estimated cost of this \$3.4 billion 2014-15 program, will continue to grow to \$3.6 billion in 2018.⁴ 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. 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. It is no accident that policymakers were forced to the conclusion that a cap was the only way to stop districts from increasing their spending as STAR made school tax increases far too easy. 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. We note that the income limitation proposed for the circuit breaker is \$200,000, perhaps a more reasonable limit but now

² This refers to the remaining \$1,638,788,735 "Gap Elimination Adjustment" as shown on Computer Aid runs BT141-5, p. 151. This year's proposed budget eliminates \$323,303,987 of that "Gap", for a remaining \$1,315,484,748 remaining obligation to restore Foundation Aid to the level proposed to be phased in over four years in the 2007-08 budget.

³ School districts may still use data, if more favorable, from 1981-82. See p. 48, 2014-15 school aid explanation, at <http://publications.budget.ny.gov/eBudget1415/fy1415localities/schoolaid/1415schoolaid.pdf>.

⁴ P. 58, Executive Budget Financial Plan.

inconsistent with STAR's \$500,000 threshold. The circuit breaker proposal needs refinement, and we welcome the opportunity to discuss this process with you.

3. **Implement Property Tax 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 the 30% of the State's taxing jurisdictions which have not yet reformed and modernized their real property tax assessment and collection methods. The efficiency and reform [recommendations](#)⁵ included in the Governor's New York State Tax Reform and Fairness Commission report are highly consistent with our long-standing position.

4. **Reverse Unintended Negative Consequences of Tax Levy Cap.** Notwithstanding our agreement that management efficiencies and consolidation of services to schools should be strongly encouraged, the League opposes the "levy percentage" property tax cap, and notes that predictable harm has come to poorer school districts.⁶ A *percentage cap* is affected by the size of the levy, which varies considerably among districts. According to the Regents' calculations last year, 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, encourages cap evasion behavior, exacerbating the difference in total resources available to students in wealthier vs. poorer districts. The League predicts further growth of private efforts, be they through local education tax-exempt foundations or through ad hoc organizations, which will make it difficult to evaluate expenditures per pupil in the future.⁷ 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.⁸ That is far less likely to happen in poorer districts.

5. **Seriously Fund Pre-K.** The Governor's budget lacks detail about the classroom cost and transportation per pupil for a quality five hour program. In suburban Westchester, quality programs range from community-supported organizations with a \$45 membership in Byram Hills (with heavy volunteer parental

⁵ See specifically pp. 29-30. While 70% of the state's 983 local government assessment units were found to have equitable assessment policies, nearly 300 of them do not. This problem is concentrated on Long Island and should be aggressively addressed. This caused property tax cap inequities to be even worse in some school districts. See local Long Island newspaper stories summer 2013 for detailed examples.

⁶ See NYSUT's property tax lawsuit currently in the Albany State Supreme Court for specific examples. See also Marian A. Bott, "Ford Foundation's Efforts to Achieve Educational Equity: Measurable Reform or Quixotic Tilting?" in *Charting Reform, Achieving Equity in a Diverse Nation*, edited by Gail L. Sunderman, pp. 133-160, Charlotte, N.C.: Information Age Publishing, 2013, I compared Rye City School District and Port Chester School District, www.infoagepub.com

⁷ 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.

⁸ The League plans to strongly oppose S4099 and A1826B, both of which propose dollar for dollar tax credits against New York State income tax liability, not just tax deductions, for individual and corporate gifts to schools.

participation) to a \$7,500 tuition-based church-based program in Rye where facilities including playground space are subsidized by parishioners. In New York City, private pre-school costs currently being paid by parents even in church subsidized space are up to \$38,000.⁹ A competitive grant program, even if phased in and maintained by the legislature (unlike the Ladder program which was not) at \$500 million a year (assuming 100,000 incremental students) would leave four-year-olds with a program funded at \$5,000 per student per year in 2019 dollars. With poor districts already severely cramped for space and resources, the budget recommendation (for operating costs alone) does not conform to the findings of researchers of the exemplar programs nationwide. The legislature should avoid pitting Buffalo against Syracuse, or Rochester against Albany, or creating two “classes” of pre-kindergarten programs. Much detail about quality and quantity of staff, and the resultant expected level of personalized attention to the student needs to be disclosed before the state agrees to the “universal” provision of an inferior program, particularly in New York City.

- 6. Clarify the Intent of the Personal Income Tax Cap vis-à-vis Formula Aids vs. Grants.** The overall impact of two years of “competitive grants” at \$50 million and prospectively but not certainly, \$75 million in aid for pre-K in an “allocable growth amount” is unclear as is the intent of \$74 million¹⁰ of “fiscal stabilization grants.” Last year, this seemed to be an indirect way of granting relief funds to New York City, but we would appreciate a fuller understanding of the Executive’s intent here. The language states, for “purposes of calculating the allocable growth amount, competitive grants for 2014-15 and 2015-16 school years shall be \$50 million.” Does this mean that even if grants are not paid out, they will count as expenditures limited by the PIT cap? The cap itself is questionable, but the public should be clear on how it is intended to operate.

Finally, we note that it would have been helpful had the Executive included organizations such as ours in the budget briefings, meetings that used to be open to the public after the delivery of the Executive Budget. That, coupled with seven days’ time to review and comment, made the task of preparing testimony more challenging this year.

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

⁹ See, for example, *Avenues’ Early Learning Center for a state-of-the-art facility in Manhattan.*

¹⁰See p. 90, <http://publications.budget.ny.gov/eBudget1415/fy1415localities/localitiesSchools.html>. The discussion of fiscal stabilization in <http://publications.budget.ny.gov/eBudget1415/fy1415localities/schoolaid/1415schoolaid.pdf> p. 21 is accessible from that link.