



Testimony

**to the
Senate Finance Committee
and
Assembly Ways and Means Committee
on the
Education Budget
for
Elementary and Secondary Education
January 23, 2012**

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**Representing more than 600,000 professionals in education and health care
Affiliated with the AFT – NEA – AFL-CIO**

**Testimony of
Andrew Pallotta
Executive Vice President
New York State United Teachers
to the
Senate Finance Committee
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Assembly Ways and Means Committee
Chairman DeFrancisco and Chairman Farrell
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My name is Andy Pallotta, Executive Vice President of NYSUT (New York State United Teachers). NYSUT is a statewide union representing more than 600,000 members. Our members are pre-k to 12th grade teachers, school related professionals, higher education faculty, and other professionals in education and health care.

I'd like to thank the chairs of the Joint Fiscal Committees and the Chairs of the Assembly and Senate Education Committees for the opportunity to address you today regarding the Governor's proposed budget for elementary and secondary education.

I would also like to start by thanking the Governor and the Legislature for taking decisive action in December to confront a sizable and growing deficit then estimated at \$3.5 billion that threatened to further erode the state's ability to fund public schools and other vital public services. The modified extension of an income tax surcharge on high wealth individuals was a good start in addressing the structural deficit and beginning to restore fairness to the tax code.

School Aid

NYSUT members are doing everything they can to provide the services students need — finding cost-savings and economies of scale and dealing with the impact of layoffs and position losses. NYSUT and our locals have made it clear, we are willing to work locally and at the state level to preserve essential services. NYSUT believes that, particularly in these troubling economic times, investing in education makes both good fiscal sense and good public policy. Funding targeted to quality public schools will see the greatest return on taxpayer money and will strengthen the entire economy.

Last year's \$1.3 billion in school aid cuts caused class-sizes to balloon, decimated course offerings and after school programs, particularly music, art, physical education, curtailed academic support for at risk children, eliminated counseling services, and rolled back early childhood programs including full day kindergarten and pre K. This current school year we lost 11,400 teaching and support positions, including layoffs of 7,500 educators. Over the course of

the last three years, we have lost 30,000 educator positions in New York's schools. That amounts to almost 10 percent of the entire teaching workforce and 30,000 less adults in our classrooms helping children learn.

Although the Executive honors its commitment to provide an increase of \$805 million or four percent, for the 2012-2013 school year, it strips out \$250 million for competitive grants, leaving only a 2.9 percent school aid increase. Additionally, the Governor's plan to tie proposed school aid increases to agreements on a teacher and principal evaluation system, as well as competitive grants, is problematic and would create an uncertainty that districts cannot afford. Since a school district will not be assured of any increase in aid unless an evaluation system is agreed to, school districts cannot Count on any increase in aid for budget development purposes.

The \$805 million total increase in School Aid for the 2012-13 school year includes a \$265 million increase in expense-based or reimbursable aids, \$290 million for "gap elimination restoration" or general operating aid and \$250 million for Performance Grants.

While we share the Governor's commitment to school performance, we do not support the use of competitive grants as a means of leveraging state aid to provide a sound basic education. These funds are needed to support the core educational programs that all schools and students need and are not limited to certain schools or school districts. The Governor also states that Performance Grants would be released during the 2012-13 school year; however, it is unlikely that funding will be available in time for districts to plan and use these funds *during* the 2012-13 school year.

Operating Aid and Foundation Formula

We ask that the Legislature redirect the \$250 million competitive grants and provide additional funding towards the goal of restoring the \$1.3 billion cut in school aid imposed last year. The redirected aid should be allocated through a targeted formula similar to the one recommended in the Executive budget for general aid. The Executive's approach mirrors the Foundation Formula's effort to target aid to high need districts. Foundation Aid was designed to provide stable and predictable state funding for schools based on the cost of providing a sound basic education and adjusted for the extra costs of educating high needs students, regional cost difference and difference in local wealth. Under the Foundation Formula, additional aid was tied to accountability for meeting state learning standards. The "Contract for Excellence" requires certain districts to raise the achievement of struggling, high needs schools by investing in proven strategies and programs to close the achievement gap.

Simply put, over-reliance on competitive grants undermines the state's ability to meet its moral and constitutional obligations to provide an opportunity for a sound basic education to every student in the state.

Tax Cap

The newly enacted tax cap will pose great challenges to school districts in meeting their obligations to educate every child. The two percent cap is now well below the CPI for the 2011 calendar year which was calculated at 3.16 percent. Living under a tax cap, many middle class and high need districts would receive insufficient school aid increases and lack the financial capacity to stem the tide of additional cuts to classrooms, much less be able to turnaround the disinvestment in classroom services experienced over the last three years. Without significant

additional aid, and a reasonable adjustment to the tax cap for costs beyond their control, many school districts will lack sufficient resources to fund current programs.

Finally, we are deeply troubled by the 60 percent supermajority requirement in terms of its disparate impact on low income and high minority school districts. Research shows that in high minority population school districts whose non-white student population exceeds 70 percent, 60 percent (or six out of ten) did not reach budget approval of 60 percent in 2011.

New York is Competing

Despite what you may have heard, when it comes to current educational attainment, New York is competing. Education Week, an independent and widely respected education watchdog, says when it comes to student performance, the Empire State repeatedly rates near the nation's top. Schools in New York State continue to rank among the best in the nation.

In its annual "Quality Counts" report released this month, New York schools ranked third in the U.S., behind only Maryland and Massachusetts. In each of the six education indicators used for the rankings — chance for success; K-12 achievement; standards, assessments and accountability; teaching profession; school finance analysis; and transitions and alignment — education in New York met or exceeded the national average. Overall, New York received a "grade" of "B;" the national average was "C."

"Quality Counts" was released the day after the announcement of two other indicators that public education in New York is on the right track: CNBC issued a report showing that education in New York was tops in the nation in 2011. The television network, which specializes in business reporting, looked at the state's educated pool of workers; colleges and universities; research and development partnerships; and K-12 schools as a quality of life issue for employees. Additionally, more than 100 students from across the state were named semi-finalists in the prestigious Intel Science Talent Search, the nation's most prestigious pre-college science competition. New York students represent approximately one-third of all the semi-finalists.

While there is much work that still needs to be done, these rankings, right up there with the best, validate what has already been achieved in our state.

Teacher Disciplinary Hearing Process

The Governor proposes to make several changes to control the costs and streamline the teacher disciplinary hearing process. We are strongly opposed to the Executive's proposal to shift the costs of a due process hearing, to school districts and the teachers' bargaining unit or the employee, if he or she is not represented by a bargaining unit. There is absolutely no precedent for imposing hearing costs on an employee or a labor organization for a statutory right to a fair hearing.

Preschool Special Education

The Executive proposes to modify the existing preschool special education financing system by shifting costs to school districts at a time when they can least afford it. It would have an especially negative impact on small and rural school districts. The proposal also changes the existing evaluation system by requiring an explanation when a distant provider is recommended instead of a closer, provider; and prohibiting, in most cases, children being evaluated by the same

agency that provides the child's educational services or by an evaluator with a less-than-arms-length relationship to the agency. This change could present significant challenges in rural areas where there are already a limited number of evaluators and providers.

Close Corporate Tax Loopholes

Just as Governor Cuomo and the Legislature took steps to make sure New Yorkers making \$40,000 per year won't pay the same tax rate as New Yorkers making \$4 million per year, we've got to make sure that local small businesses aren't paying higher corporate tax rates than huge firms like Goldman Sachs and Verizon – corner grocery store and car repair shops shouldn't pay more than hedge funds and big banks.

Teacher Centers

The Executive Budget does not include any funding for Teacher Centers. Funding for these Centers has already been significantly reduced, down to just over \$20 million annually. Now more than ever, investing in education and educational resources is essential not only to our economic recovery, but to continue increasing academic achievement. For years these centers have run one of the most successful public/private collaborations in education because they were designed to bring high quality resources to P-16 institutions while increasing student performance. Teacher Centers historically received \$35 million in funding from the state and leveraged over \$40 million worth of additional in-kind support from outside resources. Funding for Teacher Center should be restored in the 2012-13 state budget.

Proposed Tier VI

The Governor's Executive Budget proposal includes the creation on a new pension tier; only two short years after the creation of the last "new" pension tier. This proposal is also on the heels of the Executive's vetoing legislation, which would have allowed school districts an opportunity to smooth out pension costs over a five year period and save vital educational programs and reduced class size in schools across the state.

In 2009, NYSUT worked collaboratively with the Executive and the Legislature to craft a new pension tier that is on track to provide the state, local governments and school districts with \$35 billion in savings over the course of the next 30 years while maintaining the security of a defined benefit pension plan that will provide real retirement security for some of the most vulnerable populations of the state.

The Executive proposal would give new public employees a Hobson's choice: become a member of a hybrid-defined benefit plan under Tier VI, with its sliding scale of employee contributions that punishes you for making a higher salary and makes you part of a "Risk/Reward" funding scheme or open a state sponsored 401(k) account with little retirement security and be forced to go it alone when it comes to retirement savings.

It cannot be said enough that 401(k) accounts are not pensions and were never designed to replace them. Congress never intended 401(k) accounts to supplant traditional, employer-sponsored, defined benefit pension plans. The fact is that many workers won't be able to save enough for retirement on their own to live in dignity in retirement.

According to the Society of Professional Asset Managers & Record Keepers, the average 401(k) balance is just over \$45,000 and 43 percent of the 73 million Americans with 401(k) accounts have a balance of less than \$10,000.

Additionally, since the start of the Great Recession, 401(k's) have lost over \$1 trillion dollars in value according to the Boston College Center for Retirement Research.

Defined benefit pension plans have historically achieved higher investment returns than defined contribution / 401(k) accounts. This fact is supported by the National Institute for Retirement Security which concluded that economic efficiencies of defined benefit plans make them half the cost of 401(k)-style plans because they are professionally managed at significantly lower cost than 401(k) accounts. The average cost to operate a 401(k) style defined contribution plan is approximately \$2.00 per \$100 of assets. The average cost to operate a defined benefit pension plan is approximately 0.10 cents per \$100 of assets.

Library Aid

Funding for library services throughout the state is currently at \$79 million or 1994 levels. Since 2008, library funding has been reduced by over 22 percent, while library usage has increased from 147 million items borrowed in 2007 to 165 million items borrowed in 2010 -- an 11 percent increase.

Libraries are essential to our communities, our schools and our college campuses. Libraries serve people of all ages and backgrounds and at every phase of their learning development. No other state funded service serves so many people for so few dollars. Library Aid amounts to less than one tenth of one percent of the State Budget, and yet the libraries and library systems this funding supports serve over 12 million New Yorkers.

Cost Saving Proposals

NYSUT recognizes the importance of spending education dollars wisely by reducing non-instructional and administrative costs through greater economies of scale, efficiencies and investment in energy conservation and green buildings.

NYSUT members are also just as concerned about increases in health insurance costs as employers. We have long supported the development of a coordinated bulk drug purchase for all state agencies and local governments. The state should also self-insure for the purpose of prescription drug procurement while protecting mandated benefit levels and eliminate the "risk charge" that siphons rebates to insurance middlemen.

NYSUT also believes that the state should require all new school construction to adopt the New York Collaborative for High Performance in Schools (CHPS) standard developed jointly by SED and NYSERDA. Contrary to what you might believe, green schools do not cost more to build than conventional schools. In fact, green schools cost significantly less money to operate and use less water and energy, freeing up resources to focus on improving student education. A typical green school saves \$100,000 per year in direct costs. If all new school construction and school renovations went green starting today, energy savings alone would total \$20 billion over the next ten years.

In 1997 the Ohio School Facilities Commission launched an ambitious program to rebuild all 3,500 public schools as "green" schools rather than as conventional ones. The Commission found that building green schools would save the state an estimated \$1.4 billion in energy bills alone.

Conclusion

NYSUT is eager to work in partnership with the Executive and the Legislature in order to secure the resources schools need for teachers to teach to high standards and students to learn to high standards.

Investments in education are critical to meeting the workforce demands of a global information and high tech economy and growing the state's economy. There is no better return for taxpayer dollars than maintaining our commitment to an excellent education for all schoolchildren.

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