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

**JOINT LEGISLATIVE PUBLIC HEARING
ON 2012-2013 EXECUTIVE BUDGET PROPOSAL:
ELEMENTARY & SECONDARY EDUCATION
TESTIMONY SUBMITTED TO THE
ASSEMBLY WAYS AND MEANS, SENATE FINANCE AND
ASSEMBLY AND SENATE EDUCATION COMMITTEES
JANUARY 23, 2012**

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, Betsey Swan, Issues Vice President, Sally Robinson, Legislative Director, Barbara Bartoletti, our State Board and full membership on Pre-K through 12 budget analysis, including the State's School Tax Relief (STAR) program and the League's stance on the impact of 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 2012-2013 proposed lower 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.
- 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.¹

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 related reforms:

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 preliminary district-by-district proposed allocations once again show an appeasement philosophy at work, with a promise of an average of 4% being very difficult to identify for all high needs districts. A cursory examination of the inexplicably high allocations to low-needs districts heightens the need to question the allocations. If last year's Gap Elimination Adjustments were fairly rationed "across the board," it is not particularly transparent why some districts are now deemed retroactively to have been more harshly impacted with the GEA and therefore, notwithstanding district wealth, allocated compensating amounts this year, even before Building Aid. 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. **Building Aid Reforms.** Building Aid allocations, which have, by and large, ignored the correlation between need and reimbursement, should also adhere to a need-based standard. The Regents have recently reported that Building Aid, a \$2.4 billion state reimbursement program, has grown 10% per year since 2005, due to the Legislature's unwillingness to strictly allocate capital resources.² Building Aid formulas such as the 1998 10% incentive aid and the Selected Building Aid Ratio have exacerbated the poor targeting of these funds.³ The legislature should adopt the Regents' recommendations to reform Building Aid.

¹ See lwny.org, http://lwny.org/advocacy/impact/SF_Full.pdf.

² Ken Slentz, memorandum to Subcommittee on State Aid and Full Board, December 12, 2011, and "Regents Proposal on State Aid to School Districts for School Year 2012-2013," 21-23. <http://www.regents.nysed.gov/meetings/2011Meetings/December2011/1212saal.doc>.

³ Slentz, 22-23.

3. **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 it was first implemented, the League has recommended substituting a comprehensive property tax circuit breaker for the STAR program, which poorly correlates property tax relief with individual taxpayer ability to pay. According to the Governor's budget, the estimated cost of this \$3.3 billion 2013 program will be \$3.5 billion in 2014, \$3.7 billion in 2015, and \$3.8 billion in 2016. 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.⁴ 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 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

⁴ <http://publications.budget.ny.gov/eBudget1213/financialPlan/FinPlan.pdf>, p. 36.

have these inefficiencies nor produce such unintended consequences because it would only target relief to individual taxpayers with demonstrated needs.

4. **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.
5. **Reconsider the Way the Property Tax Cap Should Work.** The League opposed the property tax cap, notwithstanding its agreement that management efficiencies and consolidation of services to schools should be strongly encouraged. As the Regents showed, 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. See Appendix A for an excerpt from an analysis performed by the Statewide School Finance Consortium. According to the Regents' recent calculations, the wealthiest districts would be allowed a levy increase approximately nine times greater than the poorest districts. The property tax cap as designed (at the lesser of 2% or the Consumer Price Index, which for the twelve months ended December 2011 was 3.0%)⁵ 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 foundations⁶ or through ad hoc organizations,⁷ which will disproportionately benefit the wealthier districts in the State. A list of substantial supporters of the Harrison, New York Educational Foundation⁸ is an example of this trend. Public schools located where the adjusted gross income of its residents is high can 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 The Consumer Price Index for the 12 months ended December 2011 was 3.0%, up from 1.5% in 2010. <http://www.bls.gov/news.release/cpi.nr0.htm>, Table A, % changes for All Urban Consumers (CPI-U) U.S. city average.

⁶ Harrison, Garrison, Haldane, Ossining, Briarcliff, Croton, and Peekskill all have such foundations, according to Assemblywoman Sandra Galef.

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 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. <http://www.harrisoned.org/>.

6. **Reconsider the Competitive Grant Pool's Size.** While not intending to discourage innovation and economies of scale, the League questions the proportion of the \$800 million proposed increase (\$250 million) being set aside in the Governor's budget for competitive management efficiency/innovation grants. In light of the tight time frame for review of Article VII language, it remains unclear to us what specific proposed practices would entitle districts to receive such grants, and what size they might be. The League's concern is that districts that do not receive adequate funding to provide a sound basic education, given their students' needs, will be further penalized for the failure to meet those needs, thus creating a perfect Catch 22. A more transparent tie-back to the costing-out studies emanating from the CFE case is warranted.

Summary of Recommendations

Having generously increased aid to all districts throughout a period of over at least two decades, you now face the reality of reversing or undermining the implementation of a 2003 Campaign for Fiscal Equity decision of the New York State Court of Appeals. Many of you supported the principles of this case; the League provided amicus curiae briefs and League members lobbied for implementation for over a decade. It is ironic that our State had the money to implement CFE in the 1990s, but now, having spent it on aid increases not solely targeted at the intended CFE beneficiaries, it claims that it does not. The League's recommended reserve funds and multi-year funding approaches were not implemented, even when ample resources were available in the early 2000's.

There remains, nonetheless, a store of wealth in our State, in the form of real and intangible property as well as substantial personal earning power as compared to most other states. If properly and fairly apportioned, school finance experts including Allan Odden of the University of Wisconsin would tell us⁹ that we have the means to allocate adequate funds to provide a sound, basic education to all of our students. Information about how to best use these stores of wealth must, however, be comprehensively considered rather than viewed separately as they tend to be now. If the Legislature cannot synthesize a complete picture of the state's taxpayers' ability to pay, as well as the total tax burden of the individual taxpayer, it will remain difficult for the legislature to determine which taxpayers' burdens are excessive. As one Westchester legislator once said to me after a property tax complainer disrupted her hearing endlessly, "I'm not sure we're obligated to keep every owner of an expensive home in that home, forever." In my capacity within the League, I have often heard similar complaints from the supposedly

⁹ Personal interview with Marian Bott in connection with doctoral studies at Teachers College, Columbia University, December 2010.

property rich/income poor at public forums, just to discover later that the individual is complaining about their vacation home. Without examining hard data on a complainant's total property holdings and total sources of income, legislators cannot be sure whether a hardship case exists or not. Property tax circuit breakers properly tied to both property wealth and income would address this problem.

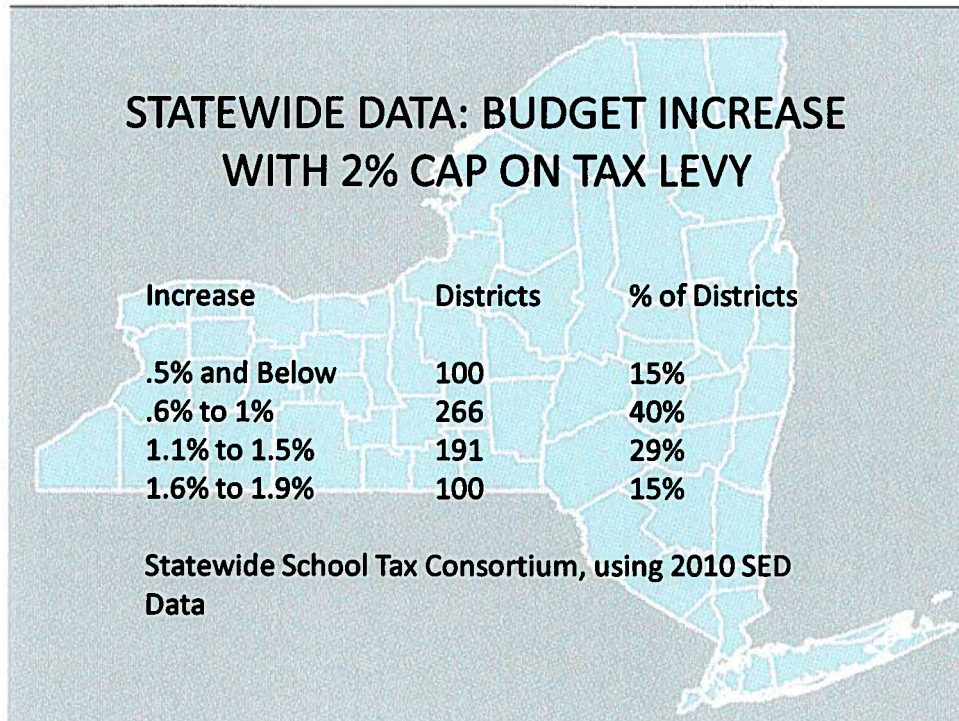
New York State has been viewed for decades by prominent education finance scholars such as Michael Kirst of Stanford University as one of the more difficult states to reform, due to entrenched Albany politics. When Kirst and others were first identifying states where school finance reform was likely to be achievable, New York was low on their list, and the Levittown decision and lengthy and acrimonious proceedings in the Campaign for Fiscal Equity case have only confirmed their earlier views. New York, unlike Kentucky, has consistently lacked a supportive voice from the corporate community due to the large penetration of private schools in wealthier communities as well as in New York City. In part, the reform challenge is one of selling long-term benefits to short-sighted consumers. Taxpayers understand their property and income tax bills, but the societal benefit of properly educating 3 million young citizens is often far less important unless school-aged children are residing in their household. Henry M. Levin and Clive Belfield have analyzed both the benefits of an educated population as well as detriments of an ill-educated population, but the audience for their hortatory recommendations is all too often limited to fellow academics and those of us who tout good government rather than being required to stand for re-election.

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

Thank you for your time today.

Appendix A

Excerpt from League of Women Voters Power Point November 2011 presentation on Property Tax Cap. See www.lwvny.org for full presentation.



Source: Statewide School Finance Consortium (formerly Midstates Consortium). www.statewideonline.org.

