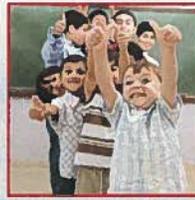


RSA
Rural Schools
Association
of New York State



The Executive Budget Plan

The Barrage has ended...but not the siege

Joint Legislative Budget Hearing
January 27, 2016
Hearing Room B
Legislative Office Building
Albany, NY

Dear State Leaders:

There are no onerous new proposals hanging over the head of public education in this year's Executive Budget. There is no threat of the loss of state aid for noncompliance with those proposals. There are state aid runs for all to see embedded within the language. In short, it does what good Executive Budgets are supposed to do; set a direction for the state, show legislative leaders what the governor wants and how much that would cost. The plan comes in on time and with sufficient information to allow the legislature to deliberate and produce a state budget on time. That's all good news for rural schools and a dramatic improvement over the approach taken in the past. **In other words, with this budget, the trains run on time.**

The problem is, for our rural schools, the train is empty. While we appreciate the end (or at least a break) to the criticism leveled at public education and while we greatly appreciate the ability to use state aid projections to begin the district budgeting process, it is extremely difficult not to be discouraged at what the governor has in store for our schools.

We are not facing an economic crisis this year. We are facing a legislated crisis. Our local property tax cap goes a step beyond any other state in not only capping the local levy, but in linking it to the rate of consumer inflation. Other states (even those that are capped) won't face the impact of that arbitrary restriction this year. **For all practical purposes, we don't have a tax cap this year; we have a local property tax freeze.**

The roughly \$800 million raised by local taxpayers for their schools last year would not be available this year; by design. So despite the fact that the state's economy is growing and despite the fact that it still has an unprecedented \$2.3 billion on hand from the banking settlement, our schools are facing yet another funding crisis. This wouldn't be problematic, provided the state recognizes its obligation to make up the difference and properly fund its schools. This year the Regents pegged that number well north of \$2 billion. So did the Educational Conference Board (which is made up of the state's largest public education organizations.) So did the Rural Schools Association, saying that it would take more than \$2 billion to merely "roll over" the existing programs and services currently in place. Anything

less and our schools will once again face the kind of cuts experienced during the Great Recession. An education is sequential. It steadily builds on itself from year to year. You can't have a funding stream from year to year that looks like an EKG chart. It disrupts the educational process.

Yet, the governor has proposed less than half of what it will take to simply move forward with what we have. No improvements, nothing new, just holding on to what we do now. Not progressing while the world progresses around you is bad enough. To start cutting again when sister states are building would make it harder for our students to compete and to build the kind of New York State economy that the governor promotes.

How bad is it? Well, while the plan reimburses districts the full amount of BOCES, Transportation, Special Ed and Building Aid (rightfully so, since this is money the districts have already spent, based on the state's promise of reimbursement) it provides less than half of what is needed to end the dreaded Gap Elimination Adjustment. (Can someone please explain why our schools have a Gap Elimination Adjustment forced on them when the state hasn't had a budget gap in several years? Can the state only balance its budget if it continues to starve its schools of court ordered funding?) It provides only an increase of \$266 million in Foundation Aid when it owes our schools billions. **In total, it proposes an increase of \$991 million; one third of what its own educational leaders say we need.**

There are some sound proposals contained within the plan. And a state aid increase under normal circumstances would be nothing to scoff at. For instance, it provides \$100 million for Community Schools. Community Schools are phenomenal ideas and may someday be the salvation of rural education. But the governor gives three fourths of the money to persistently struggling urban schools. They need it-desperately, since they only have a couple years to turn things around and their chronic failure is our disgrace. As we know though, our rural schools have many of the same problems experienced by our urban neighbors; teenage drug use, high rates of teen pregnancy and other issues associated with unsupervised youth outside of school. We need a dramatic investment in this program, across all

challenges

tuition tax credits

star rebate program

available banking fines

demographic areas experiencing these problems and now would be the time, not later when the rural loss of enrollment is further compounded by the cost of addressing severe social issues.

There is funding for good ideas like three year old Pre-K, Early College High Schools and expanding early college programs and career and technical education. We're grateful for those suggestions. But then again, there is also money wasted on increasing the funding of charter schools and yet another attempt to provide tuition tax credits for private and parochial school tuition. There is also an increase in direct payments to private schools. And some of the funding under the state aid increase can only be secured through successful grant applications. That's never been a help to rural schools that lack the personnel to devote to writing grant applications.

Here are some of the specifics:

Tuition Tax Credits: The proposal this year is more targeted to low income "donors" and the credit is capped at 75% of up to \$1 million per donation, for a total of \$50 million that otherwise could be used to improve rural schools. However, this year the state will pay private and parochial schools upwards of \$125 million for their prior year aid claims. By contrast, the governor plans to pay our public schools only \$18 million of the hundreds of millions it owes them for prior year aid claims. There's \$20 million included for pre-school and afterschool programs for private and parochial schools. Finally, there's a plan to give parents making less than \$60,000 up to \$500 in a tax credit for tuition for each student. That would cost \$70 million. **Tuition tax credits remain a costly diversion of state funds for private purposes – in essence a gift of public funds. Everyone has the right to send their kid to a private school, but not at the expense of our system of public schools that is the right of every New Yorker.** Capping local taxes, not making up the difference in state aid and then giving away state money for private purposes is inappropriate to say the least, and perhaps unconstitutional.

Serious budget discussions should not be allowed to bog down over this proposal. We understand the political reasons for this plan being front and center year after year, but the state just agreed to pay these schools over \$200 million for prior year aid claims, while its public schools still wait to have their claims paid. Enough.

- 2. The STAR rebate program** would be capped where it stands today and schools would no longer have to wait on the state to reimburse it for reductions in property taxes made by those who qualify. The problem? People will have to pay higher taxes initially and wait to claim the credit on their income taxes. This means those people will be less supportive of local school budgets, knowing that they'll pay the full cost up front.
- 3. Mayoral control of New York City Schools** would be extended until 2019. Putting politicians in charge of the schools is a bad idea and sets a bad example. It's undemocratic and ignores the role of locally elected community representatives. It's been shown to put up barriers to parental involvement. That said, every year that it's not extended to other cities is a good year and there is no proposal to expand mayoral control in the Executive Budget.
- 4. The state is sitting on \$2.3 billion in unprecedented banking fines.** These are not recurring revenues and so we certainly understand why they shouldn't be used for ongoing programs. Public Education amounts to roughly one third of the state's discretionary spending. It would make sense to allocate one third of the fines to help public education recover from years of helping the state pay for its budget gap. You wouldn't have to direct it to the funding base. That would be unsustainable. Understood. So put it toward pre-school construction in rural areas that would never be able to afford to get a pre-school program going otherwise. Pay for pre-school programs up front rather than demanding that small, struggling school districts seek reimbursement after laying out precious local resources. Use it to pay those prior year aid claims the state owes school districts. Rural schools are all for economic development.

continued ►

minimum wage increase

misguided school aid formula

property tax freeze

Nobody needs it more than our rural communities, but if you're going to freeze local revenue, what incentive do rural schools have to support encouraging economic growth; particularly when it's apparently at the expense of desperately needed state aid?

5. Minimum wage increase to \$15. This one's a double edged sword. Raising the minimum wage this dramatically would certainly put a strain on school districts to pay its non-instructional staff. In fact, the plan to pay this much to fast food employees might well force school employees to leave the district in favor of those jobs, disrupting school food service. Raising rural wages might also put stress on the few remaining rural employers and some might be forced out of state. On the other hand, raising the pay of rural residents might also encourage younger rural residents to stay within the community and help stop the outward migration of residents from rural areas.

The great failing of the Executive Budget is the fact that we now have yet another state spending plan without the leadership of restarting a workable, equitable and realistic state aid formula for our schools. A lot has happened since we last had a working formula. The courts ordered lots of money pumped into it. The economy tanked and most communities lost a percentage of their local tax base. Lots of rural schools in particular, have lost enrollment (many of them in dramatic fashion.) We need a formula that accurately reflects the amount a community can afford to contribute and base state aid on that amount; not on what it used to get, not on how politically important the community is or isn't, but on the difference between what a community can pay and what the court has said constitutes a sound basic education for children. Its tough work, but you are smart and dedicated leaders. It's time to do that tough work.

Taken in total, the Executive Budget is a reasoned and reasonable starting point for serious deliberations. While it is seriously "light" in its state aid allocation, Executive Budgets are always light in their state aid allocations. This budget plan is not a bad place to start; much better than in the past couple of years. Having a rational discussion about what's needed, without threats and in the light of full disclosure will be an honest and refreshing approach to the process.

Rural school districts make up nearly half of all districts in the state. How they fare in the state budgeting process will largely be up to the willingness of its state representatives to speak up for their constituents. On behalf of those districts, the job of the Rural Schools Association will be to provide you the information you need to assess the ramifications of proposals, reactions and compromises. We stand with you in the effort to address serious issues affecting public education. Last year that process ended with significant recovery in the position of our rural schools.

Only legislative action can avert a return to cuts in programs and services resulting from the local property tax freeze. Thank you for your kind assistance in this vital effort.

Respectfully submitted,
David A. Little
Executive Director
Rural Schools Association of New York State

Communities Committed
to
Educational Excellence



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