

*Submitted Testimony*

**TESTIMONY**

**of**

**The NYS Association of  
Small City School Districts**

**for**

**Joint Legislative Hearing on 2014-15 Executive Budget  
(Elementary and Secondary Education)**

**January 28, 2014**

**Submitted by:**

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New York State Association of Small City School Districts**

**On behalf of the New York State Association of Small City School Districts<sup>i</sup>, we welcome this opportunity to submit testimony on the 2014-15 Executive Budget and its proposals for aid to public elementary and secondary education.**

## **INTRODUCTION**

The 2014-15 Executive Budget for Education Aid asserts its commitment to “improved student outcomes, sustainable cost growth, and an equitable distribution of aid,” goals upon which we can all agree. Moreover, it states that it “continues the work of building an education system that ensures every child has an opportunity for a sound, basic education...”<sup>ii</sup> The phrase ‘sound, basic education’ is a reference to the state’s constitutional responsibility under Article XI, section 1, or the Education Article, and the choice of the word “building” points to an implicit acknowledgment that every child in New York State does not in fact have this most essential opportunity; consequently many children’s rights are and continue to be violated under the current educational system. We agree with this conclusion. Since 2008, large reductions in education aid have resulted in inadequate educational opportunities for our most vulnerable students. New York State has a history of highly inequitable education spending (*School Funding Fairness in New York State: An Update for 2013-14*, Prof. Bruce D. Baker, Rutgers University, Graduate School of Education, copy attached hereto) and such cuts have especially hurt our needier students. The failure to provide adequate education aid to a significant portion of our youth also makes no sense on a societal level, as it is detrimental to the state’s long term economic future. Therefore, as we recover from the Great Recession, restoration of prior cuts to education aid and allocation of new educational dollars must be used to decrease the serious inequality in education spending and redress the inadequate resources in our needier communities. We thus urge the Legislature to commit to correct those denials of educational opportunity where they currently occur: in the state’s higher student need and lower wealth districts, including most small city school districts and those demographically similar to small city districts.

## **DISCUSSION**

We are deeply disappointed with the Executive Budget for its lack of commitment to both an “equitable distribution” of aid and to overall adequate levels of funding.

The Executive Budget recommends the enactment of laudable new programs to encourage smart schools, extended day learning, universal pre-kindergarten, and programs that link high school and college. We welcome these initiatives and the funding that would make these programs possible, to the extent that they serve needier districts.<sup>iii</sup> However, we are gravely concerned that the Executive would add these new initiatives while not funding the general operating aid necessary to support general education K-12. Many lower wealth districts have increased class sizes and reduced essential remedial programs and staffing as a result of recent decreases in state aid. Restoration of general funding is essential for such districts to reverse these cuts in order to provide a sound basic education to the most vulnerable students across the state.

The Executive Budget proposes funding levels (excluding grants) that would result in an average increase of 2.9%. When the \$291 million increase in the separate “categorical” aids of BOCES, High Excess Cost and Private Excess Cost (Special Education), Building, and Transportation aids is deducted, the actual increase devoted to supporting general education programs is 2% over last year. A statewide 2% increase is not nearly enough to keep up with inflation in the basic cost of education, let alone to address the continuing loss of aid through the Gap Elimination Adjustment and the lack of full funding of Foundation Aid.

Moreover, as we represent poorer New York State school districts, we are concerned that the Executive Budget proposals do not provide adequate funds to give our neediest students an education that prepares them for college, careers, and civic participation. Over recent years, the per pupil Gap Elimination Adjustment (GEA) cuts for small city school districts and other below average wealth districts were greater than for above average wealth districts.<sup>iv</sup> Yet the data make clear that this year’s Executive Budget will not make substantive progress in closing the significant funding gap between poorer and wealthier districts. The state average of GEA restoration is 19.73% while GEA restoration in small city school districts, the great majority of which are below average wealth districts, is virtually identical at 19.78%. The Executive Budget does not reflect the type of targeted approach that higher need districts desperately need and that their students deserve.

According to the State's own definitions, in 2009 well over a million children attended school districts not categorized as successful. These "unsuccessful" districts currently spend nearly \$2,000 less per pupil than successful school districts. Moreover, the successful districts have greater local resources, with 55% more wealth, to educate populations with half the student need of unsuccessful districts. National experts have recognized this gross misalignment in New York between educational resources and student need; the State ranks 42nd in the country in equity of funding between students in wealthier communities and those from poorer communities. The consequence of this regressive system is the yawning student performance gap because gross inequity in funding creates inadequacy in funding, i.e. insufficient resources to provide a sound, basic education in poorer districts. The large magnitude of inequality in educational opportunities is not just unfair and morally wrong, it is very bad public policy.

Furthermore, the transformation of public elementary and secondary education funding under the Gap Elimination Adjustment, Foundation Aid freeze, and tax levy cap<sup>v</sup>, together with the small percentage of education aid increases now proposed insures that this misalignment between need and resources and the resulting student performance gap cannot be remedied in the foreseeable future. The amount of net Foundation Aid small city school districts are to receive on average in 2014-15 is essentially the same as seven years before in 2007-08.<sup>vi</sup> The Executive Budget proposes no increase in Foundation Aid and a restoration of \$323 million out of the existing \$1.6 billion in GEA cuts. Notably, Foundation Aid, which was to be fully phased in by 2011 but has been postponed numerous times, would direct approximately \$5 billion to districts over and above pre-GEA levels. At the rate proposed in the Executive Budget, the promises made in 2007 when Foundation Aid was enacted will probably never be realized.

An example of the egregious consequences of the failure to fund high need/low wealth districts is exemplified by Utica, a small city. Utica City School District has by far the highest student need and the lowest graduation rate in Oneida County. Yet it spends the least per pupil among the county's districts. Utica has low community wealth and the district has been recently classified by the state Comptroller as under "significant fiscal stress," the highest level of financial distress designated in that report. If the State's educational funding system cannot

recognize the burdens facing a district like Utica, it will never be able to make progress toward its stated goal of providing a quality education to all children wherever they reside.

Our Association believes it has the responsibility to bear witness to the enormity of the funding problems poorer/higher need districts face. Unless the state addresses these shortfalls in general K-12 education funding, all other attempts at education reform will be futile.

Therefore we urge the Legislature to target education aid more strongly to needier school districts in order to close the funding gap and the resulting performance gap between poorer and wealthier students.

## **THE SOLUTIONS**

**We therefore urge that you:**

- 1. Begin funding districts at levels which will provide at minimum the resources necessary to provide the opportunity for every child to receive a sound, basic education.**
- 2. Resume full funding of the phase-in provisions of the Foundation Aid formula and improve that formula's targeting to higher student need and lower wealth districts. (See, for example, provisions recommended in A.4609 by M of A Russell and Lupardo)<sup>vii</sup>**
- 3. Restore cuts to education aid made through the Gap Elimination Adjustment.**
- 4. Amend expense driven aids, also known as categorical aids, to target more dollars to higher need/lower wealth school districts.**

## **CONCLUSION**

State education funding has been going in the wrong direction, leaving poorer communities and children behind. Students and tax payers in small city school districts desperately need help to stop the steady erosion in education resources which is the primary cause for the lack of progress in closing the performance gap and the failure to provide the opportunity for a sound, basic education.

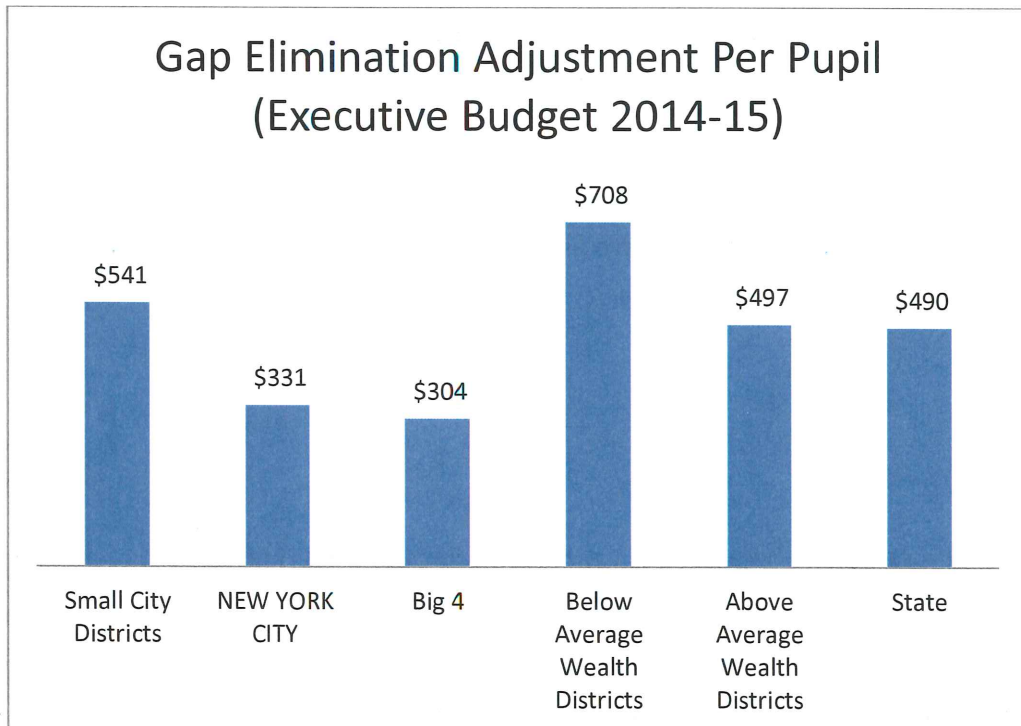
The value judgments and choices made now will have a deep and lasting effect on the lives of millions of children in New York State whose success is essential to their families, their communities and the future of the entire state and beyond. “Education is the most powerful weapon which you can use to change the world.” --Nelson Mandela

We need the Legislature to continue to be the advocate it has been for adequate and equitable funding of our schools.

<sup>i</sup> Small city districts serve nearly a quarter of a million children and 1.5 million residents.

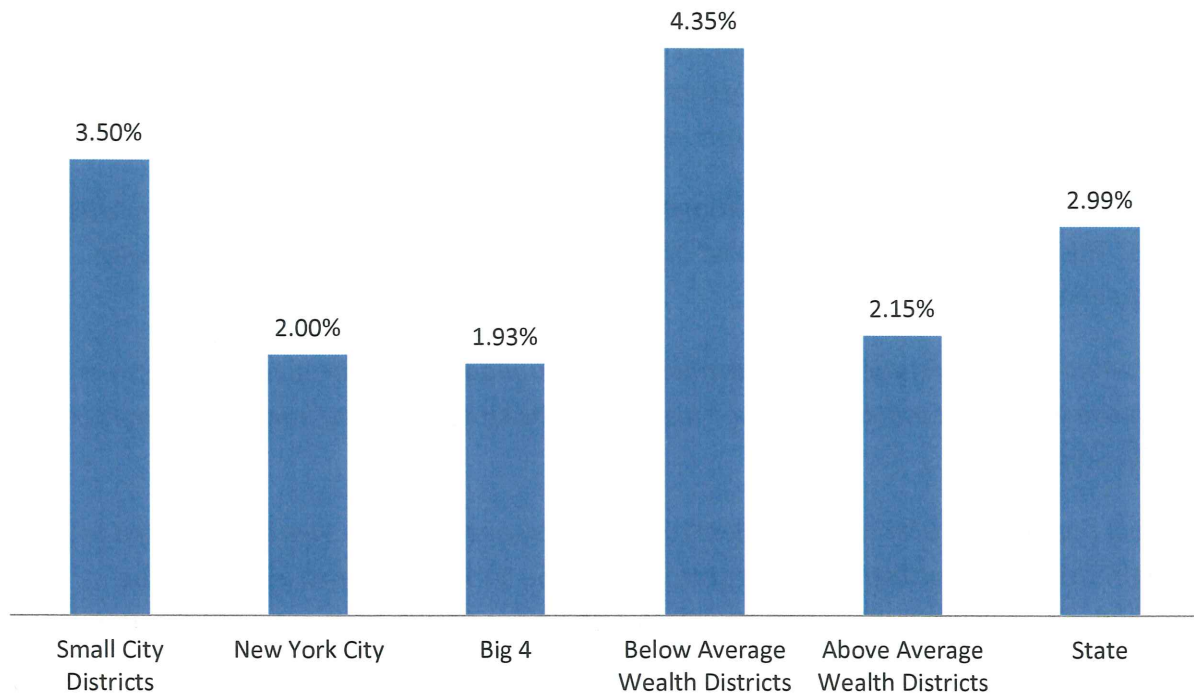
<sup>ii</sup> p. 29, *Briefing Book*, New York State Executive Budget, 2014-15.

<sup>iii</sup> The Smart Schools bond issue is a clear example of the failure to distribute aid to higher student need/lower wealth districts fairly. While there is some targeting of that revenue, the extent to which the \$2 billion in new funding is targeted is woefully inadequate. The average per pupil distribution of bond proceeds is \$742/pupil. While somewhat more is provided for pupils in small city school districts, the additional amount is only 13%, substantially below what is needed and justified in view of the demographics of the small city school districts. For example, small city districts are 44% below the state average wealth as measured by the combined wealth ratio (property and income), 53% higher in student need as measured by Free and Reduced Priced Lunch and two thirds are considered by the successful schools model imbedded in the Foundation Aid formula as not successful (as of 2009). The proposed distribution drives a large proportion of education dollars to districts which already achieving far beyond what is defined as success.



<sup>iv</sup>

## Gap Elimination Adjustment as % of Approved Operating Expense (2014-15 Executive Budget)



<sup>v</sup> The tax levy cap will cause havoc with programming and staffing for years to come. Small city districts learned this lesson when they were subject to the 2% constitutional tax limit before 1985. More than half the 57 small city districts at that time faced possible programmatic and fiscal insolvency and were unable to balance budgets and fund their programs without special aid known as Hurd Aid.

vi

	2006-07 FOUNDATION BASE AID	2007-08 FOUNDATION AID	E(FA0198) 00 2008-09 FOUNDATION AID	E(FA0197) 00 2014-15 FOUNDATION AID	AA(FA0185) 00 2014-15 GAP ELIMINATION ADJUSTMENT	2014 15 FOUNDATION AID MINUS 2014 15 GAP ELIMINATION ADJUSTMENT
SCSD AVERAGE	22,055,703	24,368,258	26,447,710	26,743,732	-2,129,344	24,614,388
SCSD TOTAL	1,257,175,093	1,388,990,691	1,524,392,735	1,524,392,735	-121,372,593	1,403,020,142
BIG 4 AVERAGE	255,419,721	274,566,690	292,317,462	297,759,185	-8,359,229	289,399,955
NON CITY AVERAGE	8,442,789	9,137,712	9,864,217	9,954,660	-1,337,401	8,617,259
NEW YORK CITY	5,063,348,319	5,533,101,299	6,168,608,030	6,374,443,639	-342,185,973	6,032,257,666
STATE TOTALS	12,465,920,433	13,640,051,880	14,873,594,373	15,182,124,758	-1,315,484,748	13,866,640,010

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<sup>vii</sup> *OVERVIEW OF ASSEMBLY BILL NO.4609-key points*

- 1. Increases the Extraordinary Needs Count in the foundation aid formula by increasing the Poverty Count by 50%. This targets more aid to the districts with students from the poorest families and in the poorest communities.*
- 2. Defines the Allocable Growth Amount to include increases in foundation for districts which have not achieved 'successful school district' status. This 'pierces' the PIGI cap on education aid, a cap which prevents foundation aid from being funded.*
- 3. Allows the use of student censuses from the highest of the prior 5 years in the foundation aid formula. This reduces the precipitous loss of foundation aid experienced by districts with declining enrollments.*
- 4. Eliminates the \$500/student save harmless in the foundation aid formula which results in some of the wealthiest and lowest taxed districts in the state receiving hundreds of millions in education aid.*
- 5. Lowers the overall 103% save harmless to 85%. This save harmless was also enacted in 2007 to benefit the wealthier districts in the state. When the NYS Regents first proposed the foundation aid formula in 2004, they recommended 85%. This 85% figure would result in the gradual elimination of districts relying on save harmless and give every district in the state their formula amounts instead. **NOTE THAT THIS PROPOSAL HAS BEEN PARTIALLY ADOPTED IN THE STATE BUDGET. THIS SAVE HARMLESS IS NOW AT 100.06% AND WILL FREE UP TENS OF MILLIONS OF DOLLARS FOR TARGETING TO HIGHER NEED/LOWER WEALTH DISTRICTS.***
- 6. Increases the cap on yearly increases in foundation aid from 15% to 25%. The 25% figure is appropriate for many of the highest need districts which are now dramatically underfunded and is necessary to insure that foundation aid is fully funded over a reasonable period of time, i.e. 4 years.*
- 7. Redefines the foundation amount to equal the average cost of all successful districts, not just the lower spending districts. Limiting the foundation amount to the average of the lower half in spending artificially lowers the foundation amount off which foundation aid is computed.*
- 8. Requires the average cost of education at successful school districts to be computed using research based data for student performance and costs aligned with performance on national tests. Under the current formula, the foundation amount understates the true cost of education.*



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9. Adopts a revised Regional Cost Index reflecting the true cost of living differences between regions in the state. The proposed RCI is that proposed by the NYS Regents and would benefit in particular districts in the lower Hudson Valley.

10. Eliminates the brackets of 1 to 2 in the Pupil Needs Index. This would allow the neediest districts to receive the full amount of aid determined necessary under the foundation aid formula.

11. Lowers the floor in the Income Wealth Index from .65 to .25 (the state average is 1.0) in the foundation aid formula. This would allow the formula to recognize fully the extremely low wealth in some districts in the state. **NOTE THAT THIS PROPOSAL WAS ENACTED IN THE STATE BUDGET, FOR 2013-14 ONLY, BY ELIMINATING THE FLOOR ENTIRELY AND NEEDS TO BE MADE PERMANENT LAW.**

12. Raises the ceiling in the Income Wealth Index from 2.0 to 3.0 (the state average is 1.0) in the foundation aid formula. This would allow the formula to recognize fully the enormous wealth in some districts in the state.

