



Alliance for Quality Education Testimony to the Joint Senate Finance, Assembly Ways and Means Budget Hearing on Elementary and Secondary Education Section of the Executive Budget by Jasmine Gripper, Executive Director

Thank you for the opportunity to testify before you today. This year's executive budget includes an education funding increase that sounds impressive, but when you look at the scope of long term funding for New York's students and schools, this budget proposal creates a \$1.3 billion cut in state aid. In order for districts to adequately plan for 2021 and beyond our schools need reliable and sustainable funding for this year and years to come. This budget leaves students and schools without an additional billion dollars from federal aid for schools in order to close the state budget deficit. Governor Cuomo has his priorities all wrong, he would rather reduce funding to schools, and protect billionaires from tax increase. It's time to protect students, not billionaires.

In my testimony, I will provide AQE's analysis of the impact of the current crisis NY student's face and the executive budget, with special emphasis on the impact on Black, Brown and low income students. But, I will start with a reminder:

Our communities have long suffered from the consequences of systemic racism. The chronic underfunding of our public schools and the perpetuation of the school-to-prison pipeline, the lack of investment in our communities, police brutality, and in the last few months, the COVID-19 pandemic all disproportionately affects Black, Brown, Indigenous, and low income families. While to us this is not news, the pandemic illuminated all the inequities that existed for decades.

Schools need funding to purchase computers and enable connectivity for all students. The New York State Education Department found through a recent survey that more than half of all students do not have access to a device at home. Teachers found themselves in need of greater training to be able to teach remotely effectively. Parents found themselves at a place where they needed to work but also to assist their children, particularly young children, with remote

learning. Tens of thousands of families have lost loved ones and need to heal before focusing on anything academic.

Our basic demands are clear, reasonable, unsurprising, and based in the basic expectation of equity. Justice in this moment demands equity –racial equity. What we want to see for our schools – whether to a school building or online – and beyond, to and through the following school years, is what already exists for children of wealth and privilege. We want what has been kept from us for too long, and what exists in many high-wealth, majority-white suburban school districts: the conditions that the scientific community has already established as necessary to support the cognitive development of our children and their social and emotional well-being. There is no way to have just schools without sustained equitable funding. Many students are desperate to get back to in person learning, but districts like Schenectady and Albany are unable to offer this option, not because of health concerns, but due to financial limitations.

Fourteen years after Foundation Aid was implemented, school districts are still shortchanged by \$4 billion, with the vast majority of that funding owed to school districts educating the majority of Black, Brown and low income students.

Before even diving in the budget proposal as it pertains to education, I would urge you to reject the governor’s continued overreach regarding the power of making cuts outside of the legislative process. You do not have to allow him that power. In fact, if anything, the uncertainty that was created over the summer and fall regarding looming or threatened cuts destabilized school districts, causing them to make cuts at the local level.

First, the executive proposal includes a cut, the Local District Funding Adjustment cut, a \$1.35 billion reduction of state aid. This reduction, if accepted, will be in effect for years to come, even after the federal relief ends. The cut is based on schools districts STAR payment OR the COVID-19 supplemental funding, whichever is less. This reduction comes on the heels of the pandemic adjustment cut enacted in April, which reduced \$1.1 billion in state aid primarily from high needs districts. The new proposed cut, also comes on top of the withholdings to school districts, which by your own analysis comes to a total of \$809 million.¹ It bears repeating so we can all understand how deep school aid was cut and how our schools have suffered – \$1.1 billion, then another \$809 million. While the governor’s budget correctly restores the pandemic adjustment. But, this new proposed cut is larger and permanent.

The supplantation of \$800 million in New York State education funding with stimulus funds, as well as other cost shifts and aid reductions, will limit the ability of New York City schools to meet the needs of students. Our schools have already seen substantial cuts in funding resulting in hundreds of educators layed off. There will be many needs to be addressed in the 2021-2022

¹ <https://nyassembly.gov/Reports/WAM/2021yellow/2021files/2021yellowbook.pdf>

school year, including but not limited to addressing learning loss, social emotional needs, and support services for students in shelter and temporary housing, students with disabilities, and English language learners. While some education stimulus funding will flow to the localities, we need every dollar. Offsetting cuts to state education aid with federal dollars intended for one-time education stimulus funding will shortchange our students from services needed this year, and lead to large budget gaps in future years.

The executive proposal also includes a number of bad policy changes such as the consolidation of expense-based aids into a block grant, while also implementing a cut in those aids. The new “services aid” reduction primarily affects New York City. Of the \$694 million that is cut, \$619 million comes from NYC. This proposal must be rejected, not only because it takes away important funding from school districts, but because it removes the predictability from creating school district budgets and negates the fact that costs rise every year.

There is no new funding for Pre-K, even though the governor proclaims to understand and appreciate the importance of the program. There is also no new funding for community schools, though the set aside within Foundation Aid is maintained. The Community schools model is particularly important during the pandemic. Within a community school, the needs of the whole child can be addressed. Yet, instead of increasing investment to ensure the well-being of our students, the governor does nothing.

Reject these proposals, as you have done in the past, as they do not represent New York values.

Thankfully, after being called out by several groups and community members, the governor proposes to have reductions to charter school tuition payments proportional to the reduction to state aid. These reductions are temporary. At the same time, the governor proposes reducing the supplemental tuition that school districts receive to help pay charters, by 50%, going from \$1000 to \$500 per student. This cost shifting will only create greater financial burden for school districts. This completely wipes out the positive impact of the reduction of tuition that districts pay to charters. The proposal includes the elimination of the reimbursement of New York City for the facilities aid it provides to charter schools. Also shifting nearly \$50 million in cost from the state to New York City. It also proposes to re-issue any charter that was revoked, expired, or surrendered in New York City. The oversaturation of charter schools in any school district creates fiscal instability for the traditional public schools. It is important to maintain the cap on charter schools.

The executive proposal includes a provision to provide broad waivers from laws and regulations regarding class size, behavior intervention plans, and notification of changes in placement. If

passed, this will take away some students' rights. Every year, the legislature rejects this proposal. We urge you this year to do the same. It's plain wrong to take away services from the young children that need them.

The executive does not propose an increase for reimbursement rates for preschool special education providers. At least 10% increase is necessary to ensure that providers are able to keep their doors open and provide services.

There are some programs that were implemented last year that are discontinued this year, small grants that can go a long way for the districts that receive them. There is the \$2 million grant for Safe and Supportive Schools, the \$500,000 to increase teacher diversity in Buffalo by helping teaching assistants of color get certified to be teachers. We urge you to continue funding for these vital programs. Parents and community members across the state identify school climate as one of the most important factors in school success. The grants that are discontinued while small, they are part of a larger investment in positive school climate, one that provides training to teachers and implements alternatives to suspensions which are disproportionately used on Black and Brown students. Our schools need at least \$50 million in investment in positive school climate.

In addition, the small investment of \$1 million in what looks to be culturally responsive education was discontinued. But a robust investment of \$50 million is needed in order to implement culturally responsive education across the state. We urge you to invest in this area with the right policy and adequate funding. If we have learned anything over the last four years and over this past summer's uprising, is that there is a lot of work, work that is rooted in anti-racism that needs to be done. We must absolutely do it, so we stop mourning more victims of brutality and racism.

Literacy is very important for both our children and the adults who either are not native speakers or have fallen through the cracks in the system. The Executive proposal funds Adult Literacy Education at \$6,293,000. This is the same level as in the 2019-2020 executive proposal and it does not carry forward the \$1.5m from the prior budget.

Even though child care does not fall under education, the connection between the early years and the school years is strong and undeniable. The executive proposal included \$46 million of repurposed federal dollars (from the Child Care Development Block Grant):

- \$40 million for child care subsidies and
- \$6 million for startup child care programs in child care deserts.

AQE fully supports the Empire State Campaign for Child Care Asks (AQE is a member)

- Reduce Copays to 10%, a cost of \$70 million

- Increase Uptake by Expanding Eligibility, a cost of \$300 million
- Support for Expulsions and Suspension Ban for our youngest New Yorkers, a cost of \$15 million
- Create a Child Care Workforce Compensation Increase Fund, a cost of \$100 million

The total cost of these investments in child care are \$485 million.

Additionally, the Empire Campaign has created a plan for the \$450 million relief dollars from the federal government

Protect Students Not Billionaires

New York State should raise revenue to successfully invest in public education Pre-K- 12 aid, in Child Care and adult literacy in 2021 to ensure all students across the state, especially for Black, Latinx, immigrant and low income children have access to a high quality education.

Billionaires in New York State (118 of them) have a net worth of \$566.4 billion as of May 2020. Their net worth increased by \$45 billion during the pandemic, while millions of people are out of work and are struggling to keep a roof over their heads and put food on the table. It's time for our state to protect children and their families, not billionaires.

During the pandemic, while New Yorkers were standing in line to receive food and unemployment, 118 billionaires made an additional \$60 billion. A report by the NYS Comptroller shows that Wall Street profits increased by more than 80% in the first six months of 2020. These billionaires, who all live in New York, are worth \$566 billion, more than three times the entire New York State budget (which is about \$175 billion).

Early care and learning programs and public schools desperately need funding to reopen safely and reinstate the hundreds of educators and support personnel who have been laid off during the pandemic.

The legislature, now with Democratic super majorities in both the State Senate and Assembly, have multiple options in front of them. The Invest in Our New York Act raises at least \$50 billion annually.

New York State must reform its tax policy in three ways:

- Tax High Incomes
- Tax Wealth
- Tax Big Business and the Financial Sector

As a state, New York can afford to massively increase its social spending and it can easily absorb significant increases in taxes without upsetting the balance of its economy. It is precisely by increasing taxes on those currently undertaxed that New York can generate the revenue needed to address its increasingly severe crises in housing, health care, education, and climate change. All of these are crises that only the public sector can address. By acting now - in a clear, bold, decisive way - we will be able to secure New York's recovery from the current crisis, and allow New York to become a humane, dignified place for all of us to live.

Six proposals/bills that aim at taxing high incomes, wealth, and big business.

- **Tax high incomes**

Bill #1: Create a progressive income tax system

Bill #2: Tax investment income the same as wages

- **Tax wealth**

Bill #3: Tax inheritances

Bill #4: Amend Constitution to allow a wealth tax + Mark to Market Tax

- **Tax big business and the financial sector**

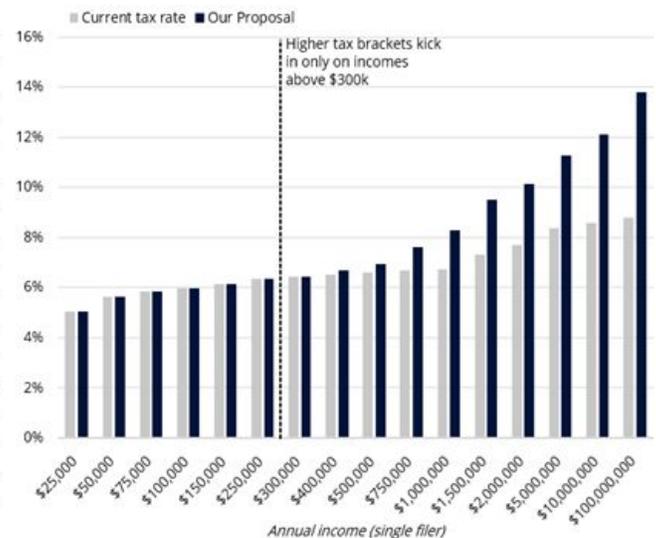
Bill #5: Small tax on Wall St. financial transactions

Bill #6: Offset Trump's corporate tax cuts

Bill #1: Create a progressive income tax system:

With this proposed structure (below), New Yorkers will barely feel the impact, but the state will raise at \$12 billion annually.²

Income	Current tax rate	Our proposal	Additional income tax
\$25,000	5.1%	5.1%	\$0
\$50,000	5.6%	5.6%	\$0
\$75,000	5.8%	5.8%	\$0
\$100,000	6.0%	6.0%	\$0
\$150,000	6.1%	6.1%	\$0
\$250,000	6.3%	6.3%	\$0
\$300,000	6.4%	6.4%	\$0
\$400,000	6.5%	6.7%	\$650
\$500,000	6.6%	7.0%	\$1,800
\$750,000	6.7%	7.6%	\$6,925
\$1,000,000	6.7%	8.3%	\$15,550
\$1,500,000	7.3%	9.5%	\$32,978
\$2,000,000	7.7%	10.1%	\$48,878
\$5,000,000	8.4%	11.3%	\$144,278
\$10,000,000	8.6%	12.1%	\$353,278
\$100,000,000	8.8%	13.8%	\$5,015,278

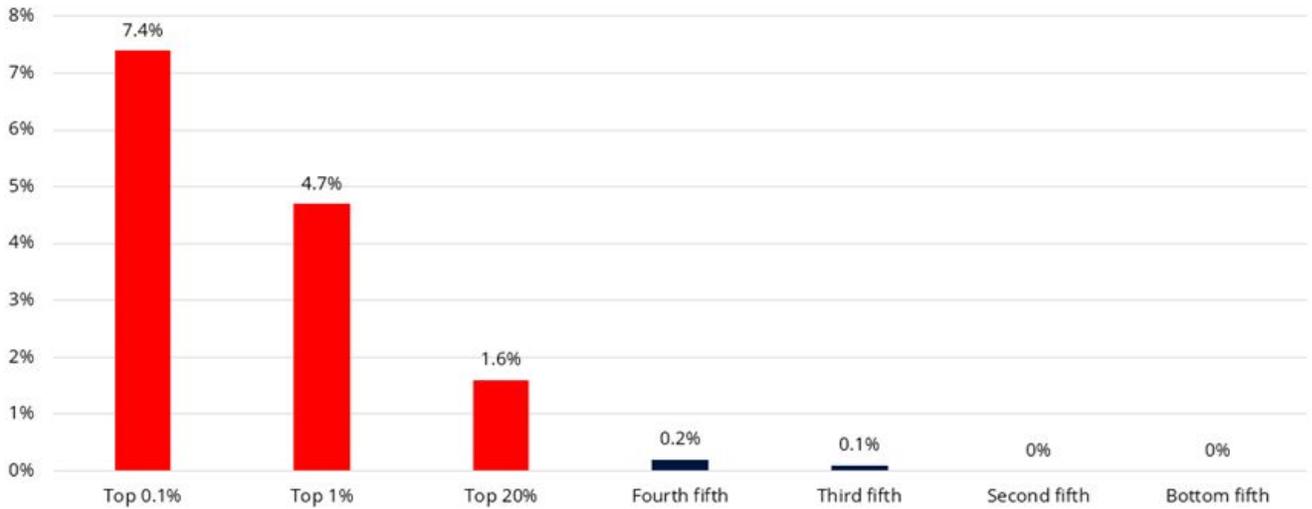


Bill#2: Tax investment income the same as wages

Most rich people make most of their income from investments, not their jobs. This income is referred to as "capital gains" which is taxed at much lower rates than income from wages by

² Data as presented by the Invest In Our New York campaign using data from the NYS Department of Taxation and Finance, the U.S. Internal Revenue Service and Census Bureau.

the federal. New York can add a tax for capital gains income that is equivalent to the break rich people get from the federal government. If New York State were to implement a tax on capital gains, only the wealthiest New Yorkers would be affected (chart below).



Bill #3: Create a meaningful inheritance tax

New Yorkers who inherit large amounts do not pay any taxes. Instead, NYS imposes a very small tax on the person who passes away. It makes more economic sense to tax the person who comes to the inheritance (much like the state taxes someone who wins the lottery). This proposal would create a progressive tax structure on inheritances. If one receives a family house, up to \$1m in house value is exempt. Inheritances paid from pensions or retirement funds are exempt. If one inherits their family’s farm special exemptions modeled after Oregon’s system, which is family farm friendly, can be applied.

Inheritance Amount (post federal estate tax)	Total Effective Tax	Effective Tax Rate	Remaining Inheritance After Tax
\$250,000	\$0	0.00%	\$250,000
\$500,000	\$12,500	2.50%	\$487,500
\$1,000,000	\$87,500	8.75%	\$912,500
\$2,000,000	\$387,500	19.38%	\$1,612,500
\$6,000,000	\$1,987,500	33.13%	\$4,012,500
\$10,000,000	\$3,587,500	35.88%	\$6,412,500
\$20,000,000	\$8,587,500	42.94%	\$11,412,500
\$200,000,000	\$98,587,500	49.29%	\$101,412,500
\$2,000,000,000	\$998,587,500	49.93%	\$1,001,412,500

Bill #4: Amend the constitution to allow a wealth tax and Mark-to-Market tax

To address wealth inequality in a meaningful way, we need a direct tax on large sums of wealth. A constitutional amendment is necessary to be able to tax large sums of intangible wealth in the future.

In the meantime, a Mark to Market tax would treat *gains* in wealth as income, these increases would be taxed at income tax rates.

Bill #5: Create a financial transaction bill

The financial industry is the largest industry in New York State. It makes up 30% of the state economy.

Unlike other major financial centers, like London and Hong Kong, New York currently doesn't place any tax on financial transactions. Our bill places small taxes on all financial transactions involving the trade of stocks, bonds, and derivatives.

Bill #6: Offset the Trump tax cuts

In 2017, Trump's tax cuts reduced the federal corporate income tax rate from 35% to 21% and gave a 20% tax deduction to businesses, like real estate developers. New York can offset these tax cuts so that businesses pay the same tax they did 3 years ago. Our bill would add a surtax of 14% to the New York corporate income tax, and a surtax of 5-7% on business receiving the Trump tax deduction.

We cannot continue to deny children access to the resources they need to succeed. New York State can't cry, broke when it comes to education while simultaneously handing over a blank check to jails and prisons. Budgets are about priorities. Are we going to be a state that prioritizes the education of Black, Brown and poor children? Or will we continue to be a state that prioritizes filling jails and prisons with Black, Brown and poor children? The choice is simple. It's time to end the decades of systemic racism, it's time to end mass incarceration, and it's time to fully fund our public schools.

The 2021 budget is your chance to make right, decades of systemic racism and inequity. Our children are depending on you, members of the State Assembly and Senate to prioritize their education in this year's enacted budget.