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

**JOINT LEGISLATIVE PUBLIC HEARING  
ON 2011-2012 EXECUTIVE BUDGET PROPOSAL:  
ELEMENTARY & SECONDARY EDUCATION**

**TESTIMONY SUBMITTED TO THE  
CHAIRMAN OF THE WAYS AND MEANS COMMITTEE AND  
SENATE FINANCE COMMITTEES  
*FEBRUARY 15, 2011*  
*Hearing Room B, Albany, New York***

The League of Women Voters of New York State submits this written testimony in response to the Governor's proposed budget for Elementary and Secondary Education. The League is a nonpartisan political organization devoted to promoting active and informed involvement of individuals in government. It is a grassroots organization that influences public policy through advocacy and education. As such, it holds positions on a wide variety of issues, including the finance of elementary and secondary education.

This testimony is informed by the following League positions:

- Support for equity in educational finance both for students and taxpayers, with the goal of increased state aid to narrow the expenditure gap between wealthy and poor school districts and taking into account the fact that it costs more to educate children with special needs;
- Support for funding of education in a progressive fashion, with a higher portion of the cost being paid by those having greater ability to pay. To the extent further State funds are required; they should be raised through the personal income tax, implemented in a progressive fashion;
- Support for funding of education, in part, by local districts, raised primarily by means of real property taxes. The local contribution to education finance, should be reasonably related to a district's ability to pay;

- Support for granting real property tax relief to individuals on a sliding scale based on need;
- Support for implementation of efficiencies in the funding of education by replacement of STAR program, in which property tax relief is not well-correlated to need, with a need- based property tax relief program, adjusted annually by means of a COLA.
- The serious fiscal situation in which New York finds itself presents both a challenge and an opportunity. We are faced not only with the task of balancing the budget, but with the greater challenge of permanently reorganizing state government in a rational and sustainable way that will benefit all New York’s citizens. Consequently, we will not comment on the size of the proposed cuts; rather, we will offer thoughts on the method by which they were determined and suggest alternative methods by which cuts could be apportioned that would be less detrimental to the system as a whole.

## **I. BUDGET FOR THE NEXT TWO INCREMENTS OF FOUNDATION AID BEFORE IMPLEMENTING ACROSS THE BOARD EDUCATION CUTS**

Because New York State never implemented the last two increments of foundation aid, it currently does not provide poorer districts with the money they need to adequately educate their students.<sup>1</sup> With the 2007-08 budget year, the New York legislature adopted a foundation aid formula for the funding of education in response to the Campaign for Fiscal Equity litigation, with phase-in to occur in four annual budgetary increases. For the first time in state history, the foundation aid formula attempted to align state education aid with district need in a way that recognized the cost of educating students of disparate need. It acknowledged that the cost to provide a student with an education was related to the student’s level of need and that property and income poor districts required relatively more state assistance to fund a basic level of education. It is important to note that the foundation aid formula reflected what it would cost to provide a basic level of education – that reasonably designed to enable a child to graduate from high school, engage in meaningful employment, and engage in basic civic tasks, such as voting and serving on a jury.

Over the past two years, New York has strayed from its commitment to foundation aid by failing to implement half the program, while continuing to fund increases in operational aid, which is less calibrated to district need. Last year, after failing to implement either the third or the fourth increments, as originally scheduled, the budget cut aid across the board. The present budget proposal would repeat this methodology, thereby maintaining the disparity between wealthy and poor districts. In the 2008-09 budget year, the schools in need of improvement spent on average \$1,712 less per pupil, or \$37,644 less per classroom than low need (wealthy) schools. This is without adjusting for the increased cost of providing an education to high need students.<sup>ii</sup>

The League believes that, if the state is serious about fulfilling its constitutional obligation to educate its students, it must add the full cost of four years of foundation aid to the budget before calculation of the Gap Elimination Assessment. The depth of this budget crisis and the Governor's promise to do something about it demand that we move from our past practice of giving to all without regard to need to a division of state aid rationally related to the goal at hand – the education of all our state's children. Once all foundation aid has been added in, the appropriate Gap Elimination Assessment can be determined and applied to all districts. To do otherwise, is to return to shell game in which education aid was allocated by shares rather than actual need and poorer districts around the state suffered.<sup>iii</sup>

There is one further reason to fully implement foundation aid. The New York State legislature is seriously considering implementation of a tax cap, as recommended by Governor Cuomo. The final report of the State Commission on Property Tax Relief (Suozzi Commission) recommended immediate passage of tax cap legislation. In doing so the Commission compared California's tax cap, which resulted in massive degradation of the state's schools, with that of Massachusetts, which has enabled Massachusetts to run one of the most effective education

systems in the nation. The major difference between the two systems is that Massachusetts employs a foundation approach to education, so that all districts are adequately funded. The Suozzi Commission, in arguing for the Massachusetts approach, assumed that the New York foundation approach to education would be fully funded in a timely manner. If it is not and a tax cap is implemented, those districts that are not property wealthy will likely fall further behind in their quest to fund a sound basic education for their children, thereby creating a risk that New York's implementation of a tax cap program will look much like that of California than of Massachusetts.

## **II. REPLACE THE STAR PROGRAM, WHICH IS POORLY CORELATED TO NEED, WITH A NEED BASED CIRCUIT BRAKER PROGRAM**

The STAR program, estimated to cost New York \$3.2 billion in the proposed budget, has neither staunched the increase in local taxes nor provided meaningful property tax relief to those most in need. Although it is one of the most politically popular programs in the state, it has been criticized by commentators on the right and left sides of the political spectrum. The current program is both too broadly targeted and insufficient in terms of relief provided to obtain its stated objective. It is as if the state were to alleviate HIV/AIDS by putting all its citizens on reduced doses of anti-retroviral medications. As the Suozzi Commission noted, the upstate/downstate divide results in property values affecting those areas in wildly disparate ways. Westchester, Nassau, and Rockland counties are among the top ten counties nationally in terms of absolute amounts of property taxes paid. Nassau, Westchester, Rockland, and Putnam counties are among the top ten counties nationally in terms of percentage of household income paid for property taxes. By contrast, Niagara, Monroe, Chautauqua, Wayne, Oswego, Onondaga, Erie, and Steuben counties are among the top ten counties nationally in terms of taxes paid as a percentage of home

value. The high rate of taxation in these upstate communities exacerbates the problems they face in attracting business.

By folding the STAR programs into a STAR circuit breaker, of the type proposed by Senator Little and Assemblywoman Galef, relief would be provided when real property taxes comprise a certain percentage of income. This approach would have the advantage of providing help to those most in need and when it is most needed. It would have the additional benefit of providing relief to those in but the top income levels, as long as property taxes surpassed the target percentage of income. This approach would provide further insulation against income fluctuations caused by events such as the loss of jobs by giving meaningful taxpayer relief to individuals when they are least able to afford real property taxes. Money saved by targeting relief to those in need could be used to further fund education aid. Furthermore, the program could be made revenue neutral over the long term by taking a lien for the relief provided, as is the case in Medicaid, and as was suggested in the preliminary Suozzi Commission report.

### **III. WITHOUT FULL IMPLEMENTATION OF FOUNDATION AID THE PROPOSED PROPERTY TAX CAP WILL DEVASTATE PROPERTY POOR DISTRICTS**

The Governor's proposal and the Senate passage of a tax cap, while politically popular, does not get at the root causes of the tax problems that New York State faces. The bill, which would limit increases in school district and governmental tax levies to 2%, or the rate of CPI increase, whichever is lower, does not adequately address either the problems of high taxes or education disparities within the state because the problems differ from one taxing entity to the other. Downstate, the escalation in tax burden is in large part created by the increase in value of real estate. Thus, limitation of rate of increase of the levy will not necessarily solve the tax problems of those for whom inflation in real estate value has outpaced increase in income.

Conversely, the cap will do not necessarily limit percentage increases in property poor districts because a levy increase of a few points will increase individual taxes (in terms of the rate paid per thousand dollars of valuation) by many times that.

Proponents of the proposed 2% property tax cap point to the Massachusetts cap as proof that a cap can be adopted without decimation of a state's school system. However, the Massachusetts cap differed from the proposed New York cap in a number of ways that will potentially affect its overall impact on education within the state. As Phil Oliff and Iris J. Lav noted in *Hidden Consequences: Lessons From Massachusetts for States Considering a Property Tax Cap*, published by the Center on Budget and Policy Priorities and updated in 2010 at <http://www.cbpp.org/files/5-21-08sfp.pdf>, Massachusetts was able to avoid the most devastating effects of a tax cap because Massachusetts has a system of state aid for schools that is highly targeted to poorer districts. In addition to the full funding of a foundation approach to education, Massachusetts is recognized for being the most successful state in the nation in educating all its children, thereby reinforcing the validity of a foundation approach to funding.

As discussed above, on Long Island, the difference in property wealth between rich and poor districts on Long Island is approximately 300%, so that, if a 2% increase in assessment for a wealthy district results in a 2% increase in taxes for the taxpayers, in a poor district it will result in a 6% in assessment. The differential will be even higher for those upstate counties that are the most property poor in the state. Conversely, a tax cap in wealthy districts will not help those who cannot afford property taxes because of inflation in the value of their real estate relative to their income.

New York State also has the advantage of observing how other states have fared as they are faced with tax caps on real property taxes, promises of no new taxes at the state level, and cuts

in state funding of education aid, engendered in large part by nonrenewal of federal stimulus funds. School districts in Texas are planning layoffs of up to 20% of their workforces. California has been at the brink of bankruptcy. While the League fully supports the move to make state government more efficient, it must not do so by jeopardizing the fundamental function of educating our state's children.

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<sup>i</sup> The 2009-10 and the 2010-11 increments were deferred. The Governor's budget again proposes deferral of both increments.

<sup>ii</sup> Unequal Opportunity = Unequal Results, Public Policy and Education Fund, Alliance for Quality Education, 2011 at <http://www.aqeny.org/ny/wp-content/uploads/2011/02/Unequal-Opportunity-Equals-Unequal-Results-2.pdf>.

<sup>iii</sup> Although the shares approach has traditionally ensured a percentage of education aid flows to Long Island. It does not ensure it will flow to those districts most in need, as indicated by the foundation formula. In *School Finance on Long Island: An Analysis of State and Local Funding Patterns*, a 2008 study by Trudi Renwick of the Fiscal Policy Institute, it was noted that the average property wealth per-pupil in poor districts was about one third the average property wealth per-pupil in wealthy districts, with the implication that for an average poor district to raise the same amount of revenue to support its students as wealthy districts, property tax rates must be set at more than three times the rate charged in the wealthy districts. There are similar differences in adjusted gross income - Long Island's wealthy districts average \$801,000 per-pupil while poor districts average \$224,000 per-pupil. According to the May 2008 Real Property Tax Report Cards, school districts on Long Island will spend \$21,853 per student in 2008-09, with a wide range in spending estimates for Long Island districts from a high of \$80,274 per pupil in the tiny school district of Bridgehampton to \$15,623 per-pupil in Floral Park – Bellerose.