

STATE FINANCES

FINANCING EDUCATION (K-12) and STAR

LWVNYS involvement in school finances began with the national League position for equal educational opportunity. (*LWVUS Impact on Issues, 2014-2016, pp. 61*) The state League adopted a position in the **1950s** for greater state sharing in school funding.

In **1972** the state League's fiscal policies study focused on financing education. A position resulted which favored full state funding of education using a state property tax and a progressive income tax.

In **1983**, an LWVNYS re-evaluation of financing education in the state dropped the full state funding and state property tax advocacy and called instead for a slight increase, if necessary, in all state taxes to achieve greater equity in school funding. It also supported increased state funding of the state aid formula and called for reduced funding of dis-equalizing forms of aid.

Delegates to the **1995** state convention adopted a two-year study of public financing of school education through Grade 12 including examination of alternative sources of funding and distribution formulas. Delegates felt many changes had occurred since the League's 1983 re-evaluation of financing education, and that it was time to re-evaluate our position in an area that affects all citizens. Much had changed since the last study. State aid to education, once the largest part of the state budget, had decreased and represented only 1/5 of the New York State budget. Transportation aid formulas had been changed. Questions were being raised regarding the expenditure of state education aid by cities. Our goal had been to ensure that aid reflects our commitment to both equity and excellence; however, the disparity between wealthy and poor districts continued. Equity in state aid was being challenged in the Court of Appeals in *Campaign for Fiscal Equity v. State of New York* (CFE) and the distribution formula was expected to change. There was new pressure to have aid given to non-public schools. Many areas of the state placed more reliance on property taxes and taxpayer alliances were seeking reductions in taxes. There was renewed interest in finding alternate methods of funding education. At the same time, there were growing challenges to the current assessments.

Under the direction of a state-wide committee, local Leagues throughout the state participated in this study of financing education. Leagues conducted interviews of local school and community leaders. The data and opinions gathered produced a survey of 56 school districts, eight percent of the more than 700 school districts in the state. Suburban, small cities, large cities, and rural school districts were represented in the survey. The purpose of the survey was to learn the components of school finance, the problems in achieving more equitable financial support for all school children and explore the changes being advocated by educators and community activists.

Scope:

Phase I: Examine and evaluate the current distribution formulas for allocating state aid, study alternate methods.

Phase II: Examine and evaluate the current sources of funding at both the local and state levels, study alternate sources.

In 2005 LWFVNY delegates to the State Convention again determined to study K-12 financing of education. The Court of Appeals had issued a ruling in CFE (see next section), and additionally, since the prior study in 1995, the state had implemented the School Tax Relief (STAR) Program in 1997. Delegates continued to voice concern about the growth of charter schools and public funding of private schools. Accordingly, these two topics were the focus of the new study. The first phase was completed and announced in spring of 2006; the second phase on charter schools was completed and announced in late 2006. The scope of the two-year study was originally to include an analysis of potential increased use of gambling revenues to support education, but this facet of the study was never staffed, because the bulk of member interest was in the first two topics. In 2006, the current position language, including its new position in opposition to STAR, was announced by the State Board.

2005-2006 Statewide Study of K-12 Education
Amendment of Financing Public Education K-12, and Adoption of a Position on Charter Schools

During the first year of the study (September, 2005 to May, 2006) the League considered how the State should raise the additional funds required to implement the CFE order on a statewide basis and the role of the STAR Program (School Tax Relief) on the funding of education. Local Leagues completed the consensus process in May 2006 and the Board amended Financing Public Education K-12 and Real Property Taxation positions in July 2006 to reflect the consensus results.

Briefly stated, the League amended its Financing Education position (K-12) to support greater equity in education financing for both pupils and taxpayers, removal of education from the political arena by adoption of a foundation approach to education finance, recognition of savings by replacement of the STAR program with a meaningful needs-based circuit breaker program with annual cost of living adjustment, increased stability of education finance by creation of a dedicated education reserve to make up shortfalls in times of economic downturn, and the raising funds to provide New York's children with a sound basic education through increases in the New York State personal income tax, implemented in a progressive fashion.

The League amended its real property tax position to provide for replacement of existing residential property tax relief programs, in which relief was designed to go to all regardless of need (such as basic STAR until 2011), with programs based on need, adjusted annually in accordance with changes in the cost of living.

During the second phase of the study (September to November, 2006) the League considered whether to adopt a charter school position as part of its overall financing education positions. Local Leagues completed the consensus process in November 2006 and the Board adopted a Charter School position in November 2006 to reflect the consensus results, which were then posted on the website. In December 2006, the League cancelled the third phase of its study, the use of gambling revenues to finance education, for lack of sufficient local League interest.

FINANCING EDUCATION K-12

Statement of Position

As announced by the State Board, June, 1997

And amended in July, 2006

The State's Obligation

New York State bears a constitutional responsibility for the education of its children. This duty has been defined by litigation of more than a decade's duration, during which the Court of Appeals has held the State must provide all children with a sound basic education, defined as the opportunity for a meaningful high school education, consisting of the basic literacy, calculating, and verbal skills necessary to enable them to eventually function productively as civic participants capable of voting and serving on a jury. Included in the goods and services that constitute a sound basic education are minimally adequate physical facilities and classrooms which provide enough light, space, heat, and air to permit children to learn, minimally adequate instrumentalities of learning such as desks, chairs, pencils, and reasonably current textbooks, and minimally adequate teaching of reasonably up-to-date basic curricula such as reading, writing, mathematics, science, and social studies, by sufficient personnel adequately trained to teach those subject areas.

This duty extends to all the State's children, and to the extent that children with special needs (students with disabilities, with limited English proficiency, and in poverty) require a greater input of funds to obtain their constitutional due, the State must support that input.

While ultimate responsibility for adequate funding of education rests with the State, it may fulfill its obligation by requiring a local contribution to education that is reasonably correlated to a district's ability to pay.

Means of Raising Money

The State's system of financing education should be progressive, with a higher portion of the cost paid by those having greater ability to pay. The means of raising money should incorporate the principles of simplicity and transparency, stability, insofar as progressivity is not sacrificed, and exportability, either in terms of payment by out-of-state residents or by partially offsetting any increase in State taxes with a decrease in federal taxes. In general, the means of raising money should incorporate principles of horizontal equity, with similar groups of taxpayers being treated equally and similar goods and services being taxed equally, provided that such treatment neither violates other League positions nor renders a tax more regressive.

Additional funds necessary to provide the State's children with a sound basic education should be raised through increases in the State personal income tax, implemented in a progressive fashion. Stability of income tax should be increased by creating a substantial reserve dedicated to education, sufficient to maintain uniform stream of State revenues for funding of education in times of economic downturn.

Statement of Position
As announced by the State Board, June 1997
And amended in July, 2006 (continued)

Distribution and Use of Monies for K-12 Education

The goal for distribution of additional state aid should be to narrow the expenditures gap between wealthy and poor districts.

Although additional aid does not preclude a decrease in local real estate tax, the school district is expected to maintain its local tax effort to sustain or improve its performance in meeting educational standards.

Additional state aid should be used not only for basic operating expenses, but also for funding the construction and rehabilitation of school buildings, the acquisition of technology and the fulfillment of state mandates.

Aid for operating costs should enable school districts to provide all their children with a sound basic education and to fulfill educational standards established by the State Education Department. Aid should incorporate a district's ability to pay, regional cost differences, population sparsity, and transitional adjustments to bridge large reductions in aid caused by sudden changes. Extra costs incurred for students with special [learning] needs (i.e., learning disabilities, limited English proficiency and poverty) should be factored into basic operating costs as well, in order to keep categorical grants to a minimum.

The League supports implementation of educational efficiencies in the provision of a sound basic education, provided that the proposed efficiencies do not affect adequacy of education. State aid policies should promote cost-effective measures such as consolidation of services, shared services, shared resources and other management efficiencies.

Property Tax Relief and its Impact on K-12 Education

Local financial support for the schools will continue to depend, in part, upon real estate taxation but several measures are essential to eliminate the inequities that unfairly burden taxpayers.

The League supports reform of the real property assessment system on which school district taxes are based, alleviation of the tax burden for low-income individuals through such measures as an increase in the circuit breaker tax relief benefit, along with automatic annual cost of living adjustments to the maximum income provision and the maximum property value provision of the circuit breaker tax relief benefit. The League supports an equitable redistribution of non-residential real estate taxes to the schools within a region or county.

Major efficiencies should be recognized by replacement of programs that provide residential real property tax relief irrespective of ability to pay with programs that target local residential real property tax relief to those most in need, with lower income individuals receiving the greatest relief.

FINANCING EDUCATION K-12
Statement of Position
As announced by the State Board, June 1997
And amended in July, 2006 (continued)

Reform of the present system and administration real property assessment requires that it be:

- 1. Equitable in its distribution of the tax burden,**
- 2. Based on uniform standards,**
- 3. State assisted, monitored and enforced,**
- 4. Easily understandable and accessible to taxpayers; and**
- 5. Kept current by periodic reassessments.**

Use of Public Funds for Non-Public Schools

The League is opposed in principle to the use of public funds to support non-public schools. The League would not deny public funding for existing services to students who attend private schools. However, we believe public funds should be used to support public schools.

Schools as Community Centers

The League supports efforts to utilize schools as community centers to integrate the delivery of social services so long as these services are funded separately from the education budget.

Dependent (Big Five) School Districts

The League believes that the integrity of state education funding applies as well to the Big Five school districts where education and municipal funds are co-mingled in a single budget. State aid should not be used to divert local education dollars to cover other municipal expenses.

Recent League Activity

The **2015** legislative session began in the first week of January with the Governor's State of the State address. The Governor proposed a linking of formulaic percentage school aid increases to controversial revisions in teacher evaluation policies. Unlike 2014, the Governor also proposed the funding of \$100 million of "education investment tax credit" initiatives, allowing individuals and corporations to receive a state income tax credit in exchange for directed donations. On the day of the State of the State address, in fact delaying it due to heated debate, the State Senate introduced and passed its own Education Investment Incentives Act, which the League had successfully opposed (in similar form) in 2014.

As in 2014, in response the League convened education and civic groups to prepare for a vigorous lobbying campaign. The League moderated three press conferences, and the coalition opposed to this tax giveaway grew to over 40 organizations. We worked with Assembly Speaker Sheldon Silver's staff and, following his sudden resignation as Speaker, that of the newly member-elected Speaker, Carl Heastie, to prevent this measure from being included in the budget passed in early April. After the Governor indicated that this credit would be addressed "post budget," the state and local Leagues continued (until the end of June) to vigorously lobby in opposition of this tax credit scheme. The coalition was ultimately successful, but the education tax credit is sure to resurface in 2015-16. The League will continue to vigorously oppose legislation which diverts public funds from public education.

At the end of 2015 session the Governor and legislative leaders agreed to a STAR Rebate for property owners up to \$250,000 income with a onetime \$185 check to all homeowners in October 2016 with incomes below \$100,000. The League participated in a coalition which instead supports a circuit breaker.

During the **2014** legislative session the League and its coalition partners successfully defeated the so-called “education investment tax credit” proposal. This credit would support private school scholarships as an indirect form of a tuition voucher. It emanates from ALEC (American Legislative Exchange Council) model legislation. In prior years there was little Assembly support but in 2014, increased pressure from religious groups and charter schools coalesced. Substantial differences existed between the two houses’ versions. Until session-end, the League successfully partnered with over two dozen other organizations, hosting several press conferences, and testifying before the Assembly Ways and Means, Senate Finance, and Assembly and Senate Education Committees, to stall the initiative. See http://www.lwvny.org/advocacy/education/2014/ed-finance-testimony_0114.pdf.

In **2014**, the League also actively opposed legislation related to financing of special education services in private schools in New York City. The League had successfully fought this same bill in 2013 when it was to be implemented statewide. In 2014, it reappeared limited only to New York City. The League along with the New York City League continued to fight this bill because it would impose an additional monetary burden (over \$200 million) on City schools during appeals of special education placements. The legislation passed in the Senate but an agreement to settle this issue administratively was agreed to without legislative action.

In both 2015 and 2014, the League also testified to the Assembly Ways and Means, Senate Finance and Assembly and Senate Education Committees regarding its continued support for a property tax circuit breaker, its opposition to the state’s School Tax Relief (STAR) and its opposition to the property tax cap. See http://www.lwvny.org/advocacy/education/2015/ed-finance-testimony_0115.pdf.

Another education related issue that the League actively opposed related to financing of special education services in New York City. The League successfully fought this bill last year when it was to be implemented statewide; it reappeared this year limited to New York City. The League continued to fight this bill because it would impose an additional monetary burden (over \$200 million) on City schools during appeals of special education placements. This bill passed in the Senate but it never came to the floor of the Assembly for a vote. For additional information, see: http://www.lwvny.org/advocacy/education/2014/ed-finance-testimony_0114.pdf

In 2007-12, LWVNYS continued to advocate for full implementation of the foundation aid formula, developed in response to the CFE litigation. After the issuance of the New York State Commission on Property Tax Relief (known as the Suozzi Report) in 2008, the League issued a statement in opposition to tax caps unless and until foundation aid, with regular updates based on student need and income and property wealth, is fully implemented. The League recommended the replacement of the STAR programs with a property tax circuit breaker, which would tie property tax relief to the taxpayer’s ability to pay.

Testimony was provided at the joint legislative education and finance hearings in February of each of those years. See separate discussion under the caption Real Property Taxation herein for

a fuller discussion of the League's advocacy related to STAR. In 2010, the middle class STAR program was revised, curtailing some benefits to wealthier taxpayers, and imposing an income limitation of \$500,000 beginning in 2011 on refunds. However, the Legislature still did not seriously consider substituting a property tax circuit breaker, but rather discussed it as an additional program. In 2012, the League testified at the public hearings of the Governor's New York Education Reform Commission, focusing primarily on League support for implementing the CFE decision and pointing to problems with the newly instituted tax cap.

In 2013, the League continued to lobby for reforms consistent with our position statement. Lobbying included providing testimony at the joint legislative fiscal hearings on elementary and secondary education on January 29, highlighting a) inequities in the Governor's budget proposal for state aid distribution, b) our recommendation for a targeted circuit breaker property tax relief program instead of the current STAR program, c) our recommendation that local property tax assessment and collection processes be reformed, d) our opposition to the property tax cap as structured, e) our questioning of \$203 million out of \$889 million of increased funds to be devoted to "fiscal stabilization" unspecified and f) our objection to a proposed program of competitive grants for pre-Kindergarten programs, which we believe should instead be universally funded. At the end of the 2013 legislative session, the League lobbied against the passage of A.7786/S5842, concerning the guidelines for granting tuition vouchers to parents for certain special needs students to attend parochial schools. Following League lobbying efforts, similar legislation had been vetoed by the Governor at the end of the 2012 legislative session.

Past League Activity

In **2007** the League successfully supported Governor Spitzer's proposal to move to a foundation approach for the funding of education that included a financial commitment to universal pre-K and full-day kindergarten and pledged a new focus on early childhood development, with emphasis on children from birth to age 3. The League supported these initiatives, which were largely reflected in the enacted budget. It was unsuccessful, however, in its attempts to stop legislative tinkering that increased STAR benefits and provided other educational benefits to Long Island districts. The addition of tax relief and other benefits maintained the traditional shares approach in distribution of state education aid. The League lobbied unsuccessfully to prevent an increase of the STAR program. The League lobbied successfully for adoption of a transition assistance program for school districts severely financially affected by charter schools, but was unsuccessful in its attempts to prevent an increase of the number of charter schools allowed.