

Background Briefing Materials for
2007 Legislative Agenda Item:
EQUITY IN SCHOOL FINANCING AND CHARTER SCHOOLS

Equity in School Financing and providing all New York's children with a sound basic education continue as top Legislative Agenda items for 2007. We anticipate that this will be the year that the legislature attempts to implement the Campaign for Fiscal Equity (CFE) order on a statewide basis and that there will be an attempt to increase the cap on charter schools.

The revision of our Financing Education Position K-12 and adoption of a Charter School Position assure our ability to take an active role in the legislative debate. Both positions are attached at the end of these briefing materials.

EQUITY IN SCHOOL FINANCING:

On November 20, 2006, the New York State Court of Appeals reaffirmed the state's responsibility to increase funding for New York City schools. Although its decision established as reasonable an additional funding figure of \$1.9 billion in operating expenses, or \$2.5 billion statewide, adjusted for inflation from 2004, the court noted that the governor and legislature were best able to arrive at the appropriate figure to provide all New York City students with the opportunity for a meaningful high school education. To that end the Campaign for Fiscal Equity, which the League supported in this litigation, has called for additional annual funding of between \$4 and \$6 billion for NYC, a figure previously supported by both Governor Spitzer and former Governor Pataki.

The League's position supports the higher level of funding in two respects. First, it provides that money must be sufficient to enable children to meet all Regents standards in addition to enabling districts to provide a sound basic education, the constitutional minimum. The first Court of Appeals decision in CFE noted that funding need not be at a level sufficient to enable children to meet all Regents standards. While this distinction was relatively unimportant in light of the Appellate Division decision supporting CFE funding in the \$4 to \$6 billion range, it becomes paramount in light of the intervening Court of Appeals decision in support of the lower minimum remedy. Secondly, the LWVUS has a position in support of early childhood education, including preschool, as part of its social policy position advocating early intervention for children at-risk. Studies have shown that at-risk children enter school without the requisite readiness skills, and they are unable to overcome the initial gap. Quality pre-school education can help to alleviate this gap. In keeping with these positions, the League has joined a number of advocacy groups in calling for implementation of the CFE order statewide at a level higher than the minimum amount.

We attach a lobbying piece *Legislate for the Future: Fund Education Now*, and the companion, *Justification of Position*, at the end of these materials. This piece should be

used both to educate yourself about the issues surrounding education finance and as a handout for the legislators you lobby.

We suggest the following talking points in visits to legislators:

1. WHY IS EDUCATION FINANCE REFORM NECESSARY?

- ◆ Over the past 20 years, with decreases in the rate of its personal income tax, NYS has decreased the proportion of education funds provided by the state. School districts must raise an ever-greater portion of funds locally, leading to increased real property taxes. Because property tax, unlike income tax, is unrelated to ability to pay, the increased reliance on property taxes as a means of funding education has created a substantial and ever-increasing hardship for many NY citizens. The STAR program, designed to ameliorate this hardship, has in fact increased it by accelerating increases in local taxes and providing relief to all regardless of need. The imbalance between state and local funding is seen in the respective national ranking of the state in terms of state and local taxes, where it is slightly below average nationally in terms of its state taxes and the among the highest in the nation in terms of local taxes (primarily real property taxes).
- ◆ New York is under a court order to provide additional funds to NYC schools in order to provide children with the opportunity to receive a sound basic education. The means of calculating educational need employed by the court requires that the formula for distribution of education funds be revised on a statewide basis.

2. HOW SHOULD THE STATE FINANCE EDUCATION?

- ◆ Take education out of the political arena by adoption of a foundation approach to education finance. Reduce current local property taxes so all school districts tax at the same rate, with any shortfall in education expenses provided by the State. Enact a meaningful circuit breaker tax relief program, replacing the current non-income based program with one tied to need, adjusted by means of an annual COLA. After providing real property tax relief, raise additional funds required for education by means of the personal income tax, which is a better measure of ability to pay than the real property tax. Adjust the foundation amount annually by means of a COLA.
- ◆ Assure stability of education finance by creation of a dedicated education reserve to make up shortfalls in times of economic downturn.

3. WHAT ARE THE BENEFITS OF A STABLE FOUNDATION APPROACH TO FUNDING EDUCATION?

- ◆ School districts will be able to operate and plan more efficiently because they will be freed from the boom or bust cycle that has long plagued education funding.
- ◆ Decreased reliance on real property taxes as a means of funding education will make NYS more attractive to business.
- ◆ By reducing the reliance on local funding to finance education, NYS will improve educational outcomes for students in poorer districts and enlarge its pool of qualified workers.

4. HOW SHOULD MONEY BE RAISED?

- ◆ Savings recognized by abolition of the STAR program and provision of relief to individuals with a meaningful, circuit breaker program with annual cost of living adjustments.
- ◆ Continue efforts to improve outmoded property tax assessment and collection systems in some parts of the state, e.g., Westchester, Suffolk, Rockland.
- ◆ Savings recognized by closing of tax loopholes and implementation of efficiencies of scale.
- ◆ Additional funds should be raised by means of a personal income tax.

5. WILL IMPLEMENTATION OF THE CFE ORDER ON A STATEWIDE BASIS MEAN THAT UPSTATE NEW YORKERS WILL SUBSIDIZE NEW YORK CITY?

- ◆ Although New York City will receive the most funds because it has the most children, high needs districts throughout the state would benefit. See CFE runs of how each district would benefit for districts in your area that would receive additional funds under the proposed Schools for New York's Future Act.
- ◆ By raising additional funds by means of the personal income tax, those most able to pay would bear responsibility for the majority of funding.

6. NYS ALREADY SPENDS MORE THAN MOST OTHER STATES TO EDUCATE ITS CHILDREN. WON'T POURING MORE MONEY INTO EDUCATION JUST BE A WASTE OF MONEY?

- ◆ Although NYS is among the high spenders nationally in the per capita amount spent to educate its children, it is also the state with the greatest disparity between high and low spending districts in the per capita amount spent on education. Thus, wealthy districts rather than poor districts drive the high cost of education in the state.

7. HOW CAN NYS ASSURE THAT ADDITIONAL MONEYS ARE SPENT WISELY?

- ◆ Create a capacity-building initiative to assist those districts without the current capacity to provide all children with a sound basic education.

Such an initiative should include technical assistance with respect to validated best practices and professional development and facilitation of research to determine best practices in unstudied areas.

CHARTER SCHOOLS:

Governor Spitzer has indicated support for increasing the number of charters, so that this issue will probably emerge when the legislature returns in 2007. We attach a lobbying piece at the end of these materials. This piece should be used both to educate yourself about the issues surrounding education finance and as a handout for the legislators you lobby.

The League opposes raising the cap on the number of charters without inclusion of the following measures in the Charter School Act:

- ◆ The Charter School Act should support quality over quantity. Do not increase the number of charter schools without having conducted research into characteristics that are likely to lead to success or failure. Alternatively, retain the current number of charters at 100, while amending the Charter School Act to provide that a charter may be reissued to another chartering entity upon closure of a charter school.
- ◆ Adopt measures to ameliorate the financial burden charters place on traditional public schools.
- ◆ Assure charter schools more fully realize their educational goals by requiring proof for charter renewal of positive educational outcomes for all children (disaggregated by special needs) exceeding those in traditional public schools. To this end, charters should be required to measure educational growth in individual students as they progress from grade to grade in charter schools (value added approach);
- ◆ Develop public/private partnerships for research into characteristics that lead to charter success and failure, so that overall quality of charters and traditional public schools may be improved.
- ◆ To increase efficiency of operations, authority to grant, oversee, renew and revoke charters, other than those granted in public school conversions, should be vested in a single entity.

If your legislator is a member of the Senate Finance, Senate Education, Assembly Ways and Means, or Assembly Education Committees, or part of senior leadership of their respective legislative body you may want to be prepared with additional details from the background materials. In addition, if you are calling on legislators representing the HIGH NEEDS SCHOOL DISTRICTS or SCHOOL DISTRICTS THAT WOULD BENEFIT FROM IMPLEMENTATION OF THE CFE ORDER ON A STATEWIDE BASIS, they should be alerted to our particular interest in their needs.

Questions/Answers about Equity in School Financing **Updated December 2006**

GOVERNANCE ISSUES AT STATE LEVEL

Who is responsible for our State education system? The Commissioner of Education, Richard P. Mills, the Chancellor, Robert M. Bennett, together with 15 additional Regents of the State University of New York, as well as the Governor and the Legislature. The State Education Department, based in Albany, functions as the central administrative⁵ body.

How does the annual budget process work? The Regents present recommendations for expenditures and policy to the Governor and Legislature, typically for an increased overall level of spending.⁶ Each January, the Governor releases his proposed budget, typically recommending less in the way of education expenditures than the Regents. In the ensuing months, the Legislature is responsible for passing a budget to provide spending for the state's schools, and both the Assembly and the Senate present their own budget proposals in the early winter. **In 2006, legislative hearings were held on February 6th to allow for public testimony, asking for comments on the Governor's budget.** The League of Women Voters of New York State's testimony is online at www.lwnvy.org. Because the Education and Health budgets are the largest of the State's expenditures, timing of overall budget agreement largely depends upon how far apart the parties are on the bottom line number as well as key line items. School years begin July 1. State fiscal years begin April 1.

What Committees of the legislature are important in the process? The Senate Finance and Assembly Ways and Means Committees and the Senate and Assembly Education Committees (Higher Education is handled separately) debate bills and hold hearings. The 2006 Committee Chair for Assembly Ways and Means is Herman D. Farrell, Jr. (D-NYC). The Assembly Education Committee chair is Catherine T. Nolan (D-NY). Committee lists are attached hereto. Committee assignments will change in 2007, and new committee chairs and members may be obtained by going to the Assembly and Senate websites.

GOVERNANCE AND EMPLOYMENT ISSUES AT LOCAL LEVEL:

How many persons are involved in New York State public schools (other than the students)? There are approximately 224,000 teachers and an additional 43,000 other

⁵ The New York State Education Department website, <http://www.nysed.gov> and its Office of Elementary, Middle, Secondary and Continuing Education (EMSC) (www.emsc.nysed.gov/) should be consulted for system and school district information.

⁶ The Regents' *Proposal on State Aid to School Districts for 2007-08*, November, 2006, emsc.nysed.gov/stateaidworkgroup/2007-08rsap/rsap0708.pdf, called for an increase for the school year 2007-08 of \$1.7 billion, from \$17.7 billion in 2006-07 to \$19.4 billion.

professionals.⁷ Therefore, the New York State Union of Teachers (NYSUT), the Council of Supervisors and Administrators (CSA), the New York State School Boards Association (NYSSBA) and numerous other organizations are influential in the budget process.

How does local governance work? The State grants governance power to each of the State's approximately 680 school districts, which have legal authority to tax property locally (but not the power to levy other types of taxes).⁸ These are called INDEPENDENT school districts. However, in New York State five large school districts (Buffalo, New York City, Rochester, Syracuse and Yonkers) are DEPENDENT. They cannot levy tax, but rely on general sources of revenue from the cities on which they are dependent. Attempts to change dependent districts' status to independent have failed repeatedly, but State laws requiring them to maintain fiscal effort directed toward schools have existed since the Stavisky-Goodman law was passed in the 1970's.

STATEWIDE BUDGET SUMMARY INFORMATION:

How much do the State's school districts spend from their three public sources of revenue (local, state and federal)?⁹ Of the \$37.3 billion spent in 2002-03, the State provided \$17.2 billion or 46% including the money districts received through the STAR program¹⁰, which provided \$2.5 billion. Federal sources provided 5.7%, and school districts provided the balance or 48.3%. For 2004-05, the state provided 44% of education funding, with localities contributing 50%.¹¹ This does not include contributions by parents, teachers, or community organizations.

⁷ Table 3.8, *State of Learning* 2005, p. 49.

⁸ According to the New York State Education Department's *State Aid to School Districts: A Primer* (December 2006), page 3: "Small city school districts can impose a utility tax; about one quarter of the 57 small city districts do so. In addition, recent legislation requires that payments in lieu of taxes (PILOTS) be distributed proportionally among the taxing jurisdictions (including school districts) affected by tax exemptions granted by Industrial Development Agencies (IDAs). New York City imposes a modified local income tax on residents, a business and financial tax, and a tax on commercial rent, revenues from which are raised to support the City's budget including schools. The City of Yonkers also imposes an income tax on non-resident commuters." Primer 2006 at www.oms.nysed.gov/faru/Primer/Primer06_07/Primer06-07A.pdf.

⁹ Unless otherwise noted, data is from fall of 2003, excerpted from the State of Learning report of the State Education Department, submitted July 2005. Hereinafter cited as *State of Learning* 2005 and available at <http://www.emsc.nysed.gov/irts/655report/>.

Table 3.6, *State of Learning* 2005, p. 47.

¹⁰ School tax relief legislation, known as STAR, was enacted in 1997-98, providing tax reductions to individual taxpayers, both seniors and non-seniors. Since its inception, STAR has distributed approximately \$18 billion. The Governor's 2006-07 Executive Budget projects an additional distribution of \$3.4 billion, 2006-07 Executive Budget Overview, p. 84. The 2006-07 Executive Budget publications are available at <http://publications.budget.state.ny.us/executive.html>. Wealthier districts receive a substantial percentage of STAR aid because their aggregate property value is higher and the program has no income limitations.

¹¹ *State Aid to School Districts: A Primer* (December 2006)

What is spent per pupil?¹² In 2003-04, the latest year for which figures are available, district expenditure ranged from under \$6,554 per student (AOE per TAPU) to \$50,939. The average of all major districts excluding NYC was \$8,781 (AOE per TAPU for Exp.), the NYC average was \$8,025, or 91% of what the rest of the state pays, and the statewide average for all major districts including NYC was \$8,500. In fact, these average figures represented the spending of districts in the seventh decile of spending, with districts in the fifth (middle) decile spending \$7,748 (AOE per TAPU for Exp.), putting New York more in line with national averages.

Since about half of school revenues come from local property taxes, it follows that differences in spending are closely associated with disparities in property wealth. Higher expenditures per pupil are associated with higher actual property value per pupil. In 2003-04, the average actual value of property per pupil among the lowest spending ten percent of districts was \$161,196, while the average actual value per pupil among the¹³ highest spending ten percent of districts was \$1,264,543, a difference of 684 percent. Because the highest spending districts are also those with the highest property values, they exert the least tax effort. The average tax rate per \$1,000 of actual value for the highest spending, wealthiest districts was only \$10.60, yet the average tax revenue per pupil for those districts was \$13,423. The average tax rate in the lowest spending, property-poorest districts was higher at \$13.99, but the tax revenue per pupil was only \$2,239 per pupil. Communities that desire a high level of educational services, but do not have a large tax base, must bear a disproportionately heavy tax burden in order to provide those services. In addition, school districts serving concentrations of children from poverty backgrounds have a greater *educational* burden to bear, resulting in a greater need to fund programs that provide extra time and help to educate students, thus increasing educational costs.

The wealthiest group of districts received an average of only \$1,685 per pupil in State revenue other than STAR, while the poorest districts received \$5,305. However, the STAR program that was intended to reduce the property tax burden on local taxpayers, particularly the elderly, has provided significantly more revenue per pupil to wealthier districts. The poorest decile received on average \$634 per pupil, while those in the tenth decile received tax relief equivalent to \$1,218 per pupil. Further, the heavy reliance on property taxes to support education has created a situation in which, even with State revenue (other than STAR) per pupil exceeding that of the wealthiest group of districts by 215 percent, the poorest group of districts does not begin to approach the overall spending level of the wealthiest districts.

What is a High Needs District? In order to provide comparative information, the New York State Education Department provides annually a list of the approximately 200

¹² *Analysis of School Finance in New York State School Districts 2003-04*, New York State Education Department, Albany, New York, January 2006, p. 16. This report is available at www.oms.nysed.gov/faru.

¹³ *Analysis of School Finances in New York State School Districts: 2003-04*, New York State Education Department, Albany, New York, January 2006, p. 6.

school districts which are viewed as having “high needs” relative to their available resources. High Need is measured by the percentage of K-6 students eligible for free or reduced price lunch (poverty indicator). Resources are a measure of district wealth that combines property and income wealth into a combined wealth ratio. All five dependent school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers), plus a group of urban-suburban and rural districts at or above the 70th percentile (1.188) in the index, comprise the High Needs School Districts. The list of High Needs School Districts by county is included herein.

2005-06 STATE EDUCATION DEPARTMENT LIST OF
HIGH NEEDS SCHOOL DISTRICTS BY COUNTY¹⁴

Albany:	Albany, Cohoes, Watervliet
Allegany:	Andover, Genesee Valley, Belfast, Canaseraga, Friendship, Fillmore, Whitesville, Cuba-Rushford, Scio, Wellsville, Bolivar-Richburg
Broome:	Binghamton, Harpursville, Deposit, Whitney Point, Johnson City
Cattaraugus:	Franklinville, Hinsdale, Cattaraugus-Little Valley, Olean, Gowanda, Randolph, Salamanca, Yorkshire-Pioneer
Chautauqua:	Cassadaga Valley, Pine Valley, Clymer, Dunkirk, Silver Creek, Forestville, Jamestown, Brocton, Ripley, Sherman, Westfield
Chemung:	Elmira
Chenango:	Afton, Greene, Unadilla, Norwich, Georgetown-South-Otselic, Oxford, Sherburne-Earlville
Clinton:	Ausable Valley, Beekmantown, Northern Adirondack, Plattsburgh
Columbia:	Hudson
Cortland:	Cincinnatus, Cortland, McGraw, Marathon
Delaware:	Charlotte Valley, Franklin, Hancock, Margaretville, Sidney, Stamford, South Kortright, Walton
Dutchess:	Beacon, Poughkeepsie
Erie:	Buffalo, Lackawanna
Essex:	Crown Point, Moriah, Ticonderoga
Franklin:	Chateaugay, Salmon River, Malone, Brushton Moira, St. Regis Falls
Fulton:	Gloversville, Johnstown, Oppenheim Ephratah
Genesee:	Batavia
Greene:	Catskill
Herkimer:	West Canada Valley, Ilion, Mohawk, Herkimer, Little Falls, Dolgeville, Poland, Van Hornsville, Bridgewater-West Winfield
Jefferson:	Indian River, Belleville-Henderson, Lyme, La Fargeville, Watertown, Carthage
Lewis:	Copenhagen, Lowville, South Lewis
Livingston:	Mount Morris, Dalton-Nunda

¹⁴ *Proposal on State Aid to School Districts for 2007-08*, New York State Education Department, November, 2006, p. 29-35.

Madison: Brookfield, De Ruyter, Morrisville Eaton, Stockbridge Valley
Monroe: Rochester
Montgomery: Amsterdam, Canajoharie, Fort Plain, St. Johnsville
Nassau: Hempstead, Roosevelt, Freeport, Westbury
New York City
Niagara: Niagara Falls
Oneida: Adirondack, Camden, Rome, Utica
Onondaga: Syracuse
Ontario: Geneva
Orange: Middletown, Kiryas Joel, Newburgh, Port Jervis

Orleans: Albion, Medina
Oswego: Altmar Parish, Fulton, Hannibal, Pulaski, Sandy Creek
Otsego: Gilbertsville-Mt. Upton, Edmeston, Laurens, Schenevus, Milford, Morris, Otego-Unadilla, Richfield Springs, Cherry Valley-Springfield, Worcester
Rensselaer: Lansingburgh, Rensselaer, Troy
Rockland: East Ramapo
St. Lawrence: Brasher Falls, Clifton Fine, Gouverneur, Hammond, Hermon Dekalb, Lisbon, Madrid Wadding, Massena, Morristown, Norwood Norfolk, Ogdensburg, Heuvelton, Parishville, Edwards-Knox
Schenectady: Schenectady
Schoharie: Jefferson, Middleburgh, Sharon Springs
Schuyler: Odessa Montour
Seneca: South Seneca, Waterloo Center
Steuben: Addison, Avoca, Bath, Bradford, Campbell-Savona, Canisteo-Greenwood, Hornell, Prattsburg, Jasper-Troupsburg
Suffolk: Copiague, Amityville, Wyandanch, William Floyd, Brentwood, Central Islip
Sullivan: Fallsburgh, Liberty, Livingston Manor, Monticello
Tioga: Waverly, Tioga
Tompkins: Newfield
Ulster: Kingston, Ellenville
Warren: Glens Falls Common, Warrensburg
Washington: Fort Edward, Granville, Hudson Falls
Wayne: Newark, Clyde-Savannah, Lyons, Sodus, North Rose-Wolcott, Red Creek
Westchester: Mount Vernon, Peekskill, Port Chester, Yonkers
Yates: Dundee

**FINANCING EDUCATION K-12
STATEMENT OF POSITION
AS ANNOUNCED
BY THE STATE BOARD, 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.

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.

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

- A. Equitable in its distribution of the tax burden,
- B. Based on uniform standards,
- C. State assisted, monitored and enforced,
- D. Easily understandable and accessible to taxpayers; and
- E. 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.

**REAL PROPERTY TAXATION
STATEMENT OF POSITION
AS ANNOUNCED BY THE STATE BOARD, JANUARY 1980
REVISED TO REFLECT STATE CONVENTION ACTION, 1983
AND FURTHER REVISED TO REFLECT LWNYS FINANCING EDUCATION
STUDY 2005-2006**

The League of Women Voters of New York State believes that the assessment of

- A. Real property must be:
- B. Equitable in its distribution of the tax burden;
- C. Based on uniform standards;
- D. State assisted, monitored, and enforced;
- E. Easily understandable and accessible to taxpayers.

The League has determined that the assessment system that best meets these criteria is one that is based upon an initial determination of full value and then applies to those full value assessments differential assessment ratios or tax rates according to class of property. The state legislature should define a limited number of such classes of property and establish a permissible range of assessment ratios for each class. Within that range local legislative bodies would then be able to adopt local assessment ratios, which best meet their land use, economic development and social policies.

Property tax bills should contain all relevant information including: the classification, the assessment ratio, the tax rate, the full value assessment and the classified assessment, as well as the procedure for appealing. Taxpayers should have access to all existing appeals procedures as well as an intermediate non-judicial appeal body in order to protest both their assessments and their classification at low cost.

Administration of the property tax should be improved. The state should provide financial and technical assistance to localities, establish qualifications for assessors, provide training and otherwise monitor and enforce local implementation of more uniform assessment practices. Adequate state funding should be provided to carry out these services.

Tax exemptions extended to charitable, religious and educational institutions should be re-examined to insure continuing eligibility. Annually, each taxing jurisdiction should make public a list of all exempt properties, their true value, and the amount of tax revenue lost to the locality because of each exemption. Owners of tax-exempt properties should pay appropriate fees for services rendered to the exempt property by local government.

Statutes governing exemptions should be reviewed with the intention of severely limiting new classes of exemption and preventing abuse of existing exemptions.

Provisions of law must be clarified and made more stringent so that properties held by nongovernmental tax exempt bodies which are used for profit or for any purpose not directly related to the tax exempt purpose of the organization do not escape taxation.

The State should replace local residential property tax relief programs that grant taxpayers relief regardless of ability to pay with programs in which tax relief is limited to those individuals with a limited ability to pay and made available on a sliding scale according to need. The “circuit breaker” type of relief, in which state funded reimbursement is given to homeowners and renters whose property taxes exceed a certain percentage of income, should be expanded **and should be automatically adjusted on an annual basis to reflect cost of living adjustments to the maximum income limit and maximum property value for eligibility.** The option of tax deferral should be made available to senior citizens with the taxes owed constituting a lien against the sale of the property or the liquidation of the owner’s estate.

The League of Women Voters would like to see voluntary adoption of tax base sharing by counties or regions of the state.

LEGISLATE FOR THE FUTURE---FUND EDUCATION NOW

- ◆ Guarantee New York’s future by improving education now.
- ◆ Implement the Campaign for Fiscal Equity order on a statewide basis, with district accountability for educational outcomes. The Governor and Legislature should exercise their prerogative to fund New York City schools in the \$4 to \$6 billion range.
- ◆ Reduce current local property taxes so all school districts tax at the same rate, with any shortfall in education expenses provided by the State. Enact a meaningful circuit breaker tax relief program, replacing the current non-income based program with one tied to need, adjusted by means of an annual COLA.
- ◆ Take education out of the political arena by adoption of a foundation approach to education finance. After providing real property tax relief, raise additional funds required for education by means of the personal income tax, which is a better measure of ability to pay than the real property tax. Adjust the foundation amount annually by means of a COLA.
- ◆ Assure stability of education finance by creation of a dedicated education reserve to make up shortfalls in times of economic downturn.
- ◆ Create a capacity-building initiative to assist those districts without the current capacity to provide all children with a sound basic education. Such an initiative should include technical assistance with respect to validated best practices and professional development and facilitation of research to determine best practices in unstudied areas.

JUSTIFICATION OF POSITION:

We can no longer afford to operate as a throw away society, in which we fail to plan adequately for the education of all our children. Up to fifty percent of high school students in some urban districts do not graduate with their class. It is anticipated that the United States will have a shortfall 7 million college educated workers by 2012. Performance of United States students on international exams of educational achievement indicates that we are mediocre at best. As Tom Friedman documented in *The World is Flat*, the United States has been able to maintain its technological advantage by attracting the best and the brightest math and science graduate students from around the world and persuading them to stay in the United States, where they comprise a large portion of our math and science elite. Last year China graduated 600,000 engineers, India graduated 350,000, and the United States graduated 75,000. With the flattening of the world, educated scientists, who previously immigrated to the United States for employment, can now find equally attractive employment opportunities at home. China is currently establishing research centers at its universities so that it soon no longer will be necessary to send scientists abroad for the best educational opportunities.

The Court of Appeals recognized in the Campaign for Fiscal Equity litigation that the state has a constitutional obligation to provide all its children with a sound basic education. If it costs more to provide this opportunity to children with special needs, the State has the ultimate responsibility to fund this opportunity. At the same time, schools must be held accountable to assure that additional funds are spent in ways that lead to demonstrably better outcomes.

The CFE order is both a challenge and an opportunity. We must rise to the challenge by re-envisioning our education system, drawing upon New York's considerable expertise in both education and developmental neuroscience to refine our knowledge how children learn and to restructure our system of education in light of that knowledge.

The first step of re-envisioning the system is to adequately fund it.

The current crisis within the real property tax system, which is the largest single source of education funding within the State, arises from the confluence of a series of trends. First, over the past thirty-five years there have been multiple reductions of New York State personal income tax that have shifted funding of services from the more progressive income tax to the more regressive sales and real property taxes. Second, although real property value traditionally had been a good surrogate for income, with cases of individual hardship alleviated by means of circuit breaker tax relief for targeted populations such as the elderly and disabled, with the inflationary real estate market in portions of the state, this is no longer the case. Many working families find real estate taxes consuming an ever-larger portion of their family budget, often as the result of massive increases in the values of their homes. While this increase in value may make them asset rich, it increasingly makes working families cash poor, as taxes see double and triple digit increases as the result of property revaluation. Thus, real property taxation no longer

constitutes a reasonable surrogate for income, and the State's reliance on it to fund education should be rethought.

The wildly popular STAR program is ill conceived from a policy standpoint, for it divorces property tax relief from need. John Yinger and colleagues at Syracuse University's Maxwell School concluded that implementation of the STAR program resulted in average inflation of school district budgets by eight percent, which in turn was funded by average increases in school taxes of 21%. In other words, Yinger *et al.* attribute almost half of recent school tax increases to the STAR program. See Tae Hoe Eom, William Duncombe, and John Yinger, Center for Policy Research Working Paper Number 17, *Unintended Consequences of Property Tax Relief: New York's STAR Program* (2005) at www-cpr.syr.edu/cprwps/pdf/wp71.pdf.

Tax relief should be tied to need or could, alternatively, be restructured as a tax deferral device, with a lien given to the State for the amount of deferred taxes. This approach is similar to that employed by the Medicaid program, in which a lien is taken against a recipient's property for the value of services.

For the 2002 – 03 school year, districts in lowest spending decile had a tax rate on average of \$13.49 per \$1,000 full value assessment and raised \$2,114 per student in real property taxes, while those in the tenth (wealthiest) decile taxed themselves at a rate of \$10.70 and raised \$12,932 per student. Those in the second decile taxed themselves at a rate of \$15.15 and raised \$2,783 per student, while those in the eighth decile taxed themselves at a rate of \$14.08 and raised \$8,412 per student. Thus, wealthier districts were able to raise more money to educate their students by taxing themselves at lower rates.

A foundation approach to financing education, in which the state arrived at a reasonable local contribution based on the ability of the locality to pay, would equal the playing field with State funds, releasing the State's children from dependence on property wealth for quality of education.

The advantage of real property tax over personal income tax as a means of funding education is that it remains stable in times of economic downturn. If the State becomes more reliant on funding education with income tax, it should guarantee stability by means of a dedicated reserve fund for education.

The second step in re-envisioning education is to facilitate capacity building in districts without the current capacity to provide all children with a sound basic education. Richard Elmore of the Harvard University Graduate School of Education wrote about building the capacity for improvement and the type of institutional transformation required of both teachers and administrators in *Bridging the Gap Between Standards and Achievement*, available at www.ashankerinst.org/downloads/Bridging_Gap.pdf. He noted that many low achieving districts do not have the internal capacity to make reforms necessary for all

children to succeed. If the state is to take seriously the charge of educating all students, it must not only fund education at a reasonable level, but also create mechanisms to build capacity within low achieving districts.

**CHARTER SCHOOL
STATEMENT OF POSITION
AS ANNOUNCED
BY THE STATE BOARD, NOVEMBER 2006**

The League recognizes that charter schools represent an educational experiment whose efficacy has never received appropriate validation. Moreover, a review of the performance of charters in New York State indicates that, while some do an excellent job of educating children, others are less successful than the most substandard traditional public schools. Therefore, The League supports public funding of academic research into the characteristics of charters that lead to student academic success.

Authority to grant, oversee, renew, and revoke charters, other than those granted in public school conversions, should be vested in a single entity. Charters should be subject to more stringent oversight of charter compliance in the renewal/revocation of process, with greater emphasis on positive educational outcomes.

The League supports measures to limit the negative financial impact of charter schools on their home districts, including: transition assistance; home district payment to charters based on the same standard used to pay operating aid to school districts (While the League supports enrollment as the appropriate measure, it believes the measure should be identical for both charters and traditional public schools.); separate levels of reimbursement for elementary and secondary education to charter schools based on what the home districts spend for the level of schooling provided; limitation of the percentage of a school district's budget that could be paid to charter schools. The League is opposed to State provision of capital construction and renovation services and reimbursement of capital expenditures for charter schools.

The League supports limitation of the number of charters issued in New York State. As a general matter, it believes that the number of charter schools should not be increased without prior successful implementation of the improvements outlined in this position. In lieu of amendment of the Charter School Act to increase the total number of charters that could be granted, it supports retention of the current total (100) with amendment of the Charter School Act so that a charter could be reissued if a charter school ceased to function for any reason. Any increase in the cap on charter schools should be tied to amendment of the Charter School Act so that charters are required to prove positive educational outcomes for all children (disaggregated by special needs) exceeding those in traditional public schools as a precondition for charter renewal. To more accurately measure student outcomes in charters and to compare them to those in traditional public schools, the League supports public funding to measure educational growth

in individual students as they progress from grade to grade in charter schools (a value added approach).

CHARTER SCHOOL TALKING POINTS

- ◆ Charter schools represent an educational experiment whose efficacy has never received appropriate validation. A review of the performance of charters in New York State indicates that, while some do an excellent job of educating children, others are less successful than the most substandard traditional public schools. Moreover, eleven of the forty-four charters that would have come up for renewal by June 2007 are no longer in existence, representing a failure rate of 25%. Current oversight does not require that charters outperform traditional public schools to receive renewal of their charters, and there is no indication of institutional capacity to judge whether charters are in fact doing a better job of educating all children. Therefore, the League of Women Voters of New York State opposes increase of the cap on charter schools at this time.
- ◆ The Charter School Act should support quality over quantity. Do not increase the number of charter schools without having conducted research into characteristics that are likely to lead to success or failure. Alternatively, retain the current number of charters at 100, while amending the Charter School Act to provide that a charter may be reissued to another chartering entity upon closure of a charter school.
- ◆ Adopt measures to ameliorate the financial burden charters place on traditional public schools.¹⁵
- ◆ Assure charter schools more fully realize their educational goals by requiring proof for charter renewal of positive educational outcomes for all children (disaggregated by special needs) exceeding those in traditional public schools. To this end, charters should be required to measure educational growth in individual students as they progress from grade to grade in charter schools (value added approach);
- ◆ Develop public/private partnerships for research into characteristics that lead to charter success and failure, so that overall quality of charters and traditional public schools may be improved.
- ◆ To increase efficiency of operations, authority to grant, oversee, renew and revoke charters, other than those granted in public school conversions, should be vested in a single entity.

¹⁵ Such measures should include the following: transition assistance; home district payment to charters based on the same standard used to pay operating aid to school districts (While the League supports enrollment as the appropriate measure, it believes the measure should be identical for both charters and traditional public schools.); separate levels of reimbursement for elementary and secondary education to charter schools based on what the home districts spend for the level of schooling provided; limitation of the percentage of a school district's budget that could be paid to charter schools.

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WEBSITES

League of Women Voters of New York State <http://www.lwnvy.org>

New York State Education Department <http://www.nysed.gov>

New York State Governor's Office <http://www.state.ny.us/governor/>

Alliance for Quality Education <http://www.allianceforqualityeducation.org>

Business Council of New York State, Inc. <http://www.bcnys.org>

Campaign for Fiscal Equity <http://www.cfequity.org>

Educational Priorities Panel <http://www.edpriorities.org>

Fiscal Policy Institute <http://www.fiscalpolicy.org>

NYS School Boards Association <http://www.nyssba.org>

NYS Council of School Superintendents <http://www.nyscoss.org>

The Midstate School Finance Consortium <http://www.midstateonline.org>

**2007 LWNYS LOBBY REPORT FROM
EQUITY IN SCHOOL FINANCING AND CHARTER SCHOOLS**

Please complete and return to the LWNYS office in Albany by APRIL 20, 2007. If possible, please submit electronically by downloading this form from the state web site (www.lwnvy.org) or calling Stephanie at the state League office (518-465-4162) to have a form e-mailed to you. A copy should also be kept in your League files.

Name of Legislator: _____

(Please circle one) Senator Assemblyperson

District # _____ Date of visit _____

Name of person reporting: _____

Representing the LWV of _____

If you met with staff, please list name(s) _____

Please record information that will provide an accurate picture of the legislator's position on any of the following discussed during your visit. Please indicate the legislator's general agreement or disagreement with League position. Also, please indicate if the legislator felt strongly about any other issue covering League positions.

**WE WOULD ESPECIALLY APPRECIATE KNOWING THE
LEGISLATOR'S POSITION WITH RESPECT TO THE FOLLOWING
QUESTIONS:**

**DO YOU SUPPORT IMPLEMENTATION OF THE CFE REMEDY ON A
STATEWIDE BASIS?**

**DO YOU SUPPORT IMPLEMENTATION OF THE CFE REMEDY
ABOVE THE MINIMUM MANDATED BY THE COURT OF APPEALS?**

**DO YOU SUPPORT A FOUNDATION APPROACH TO EDUCATION
FUNDING?**

**DO YOU SUPPORT TRANSITION ASSISTANCE FOR PUBLIC
SCHOOLS IMPACTED BY CHARTERS?**

**DO YOU SUPPORT AN INCREASE IN THE NUMBER OF CHARTER
SCHOOLS?**
