THE COUNCIL SUBMITS THE FOLLOWING RECOMMENDATIONS AND CONSIDERATIONS IN REGARDS TO THE 2016-17 EXECUTIVE BUDGET

SUPPORT
Elimination of the Gap Elimination Adjustment (GEA) in 2016-17

SUPPORT
Increasing Foundation Aid by at least $600 million above the 2016-17 Executive Budget

OPPOSE
Parental Choice in Education Act and tax credits to support private schools

SUPPORT
Targeted funding for struggling schools and more realistic timelines for improvement before a state-approved receiver is installed.

SUPPORT
Additional funding for Prekindergarten programs serving 3 year olds

OPPOSE
Transfer of Prekindergarten administration out of NYSED

SUPPORT
Additional funding for the State Education Department to carry out the recommendations of the Common Core Task Force to improve implementation of state education policies
A state aid increase of at least $1.7 billion is necessary to enable New York’s public schools simply to preserve current services to students. The proposed state budget would provide only half the amount needed by schools.

The Council advocates four key components for the School Aid package to be enacted in the next state budget:

1. End the Gap Elimination adjustment.
2. Increase Foundation Aid and commit to implementing an updated formula.
3. Fund aid levels promised by current law formulas for expense-based and categorical aids.
4. Provide additional support for priority initiatives.

**Fiscal Background**

The Educational Conference Board (ECB), a coalition of statewide public school leadership groups, including the Council, has called for a $2.2 billion increase in total state aid to public schools and projects that schools would require an increase of $1.7 billion to maintain current services. ECB applied these assumptions:

- A 2.7 percent increase in salaries, consistent with an estimate for private sector workers in 2016 from the Society for Human Resources Management;

- A 6.6 percent increase in health insurance costs, in line with projections for the state workforce from the Division of Budget;

- A decrease in Teachers Retirement System (TRS) pension contributions, reflecting estimates for 2016-17 from the TRS Board of Directors;

- A 2.3 percent inflationary increase applied to all other costs, based on the 2016 increase in the Consumer Price Index (CPI) as projected last summer; and

- No offset from increased local revenues due to the reality of a near zero property tax cap.

The Governor’s budget would increase School Aid by $991 million for 2016-17. The sum includes $128 million for new initiatives, chiefly Community Schools and expanded prekindergarten. Accordingly, $863 million would be available to fund current school services – about half the total aid needed by districts.
Council Recommendations

1. **End the Gap Elimination Adjustment:** The Gap Elimination Adjustment (GEA) was enacted to help to close state budget gaps that emerged during the Great Recession. It operates as a bottom-line reduction in total state aid to schools districts: aid under regular permanent formulas is calculated, then that sum is reduced by the amount prescribed by the GEA. But state budget gaps are now gone and surpluses are predicted for the foreseeable future. It is time to completely eliminate the GEA.

   *The Council recommends a total investment of $434 million to completely eliminate the GEA in 2016-17, an additional investment of $245 million over the Executive budget.*

2. **Increase Foundation Aid and commit to implementing an updated formula:**

   Foundation Aid was enacted in 2007 as part of the effort to resolve the Campaign for Fiscal Equity’s successful challenge to the constitutionality of the state’s system of school finance. After completing two years of a planned four-year phase-in, Foundation Aid was frozen for three years, then received minimal increases for three years.

   As enacted, the formula generally provided the greatest aid per pupil to the neediest districts while promising all districts more predictable state funding going forward. But the state is now over $4 billion behind in phasing in the enacted formula and, after nearly decade, it must be updated.

   *The Council calls for increasing Foundation Aid by at least $600 million over 2015-16 and committing to a three-year plan to phase-in an updated Foundation Aid formula.*

3. **Fund aid levels promised by current law formulas for expense-based and categorical aids.** The Governor proposes to fund existing expense-based and categorical aid programs in accordance with enacted formulas. This enables schools to receive state funding for costs they incurred this year with the presumption that promised aid will be forthcoming next year.

4. **Provide additional support for priority initiatives.** In addition to assuring adequate aid to enable schools to maintain current services, the state should provide additional funding to empower schools to improve opportunities and outcomes for all students. These should include expanding prekindergarten, improving career and technical education, supporting struggling schools, and helping schools serve children who are English Language Learners.

   The Governor proposes $100 million to fund child and family services through Community Schools. This is a worthwhile initiative, but adequate aid must be provided to at least maintain current basic operations.

   *Ending the GEA is imperative but insufficient. Now the GEA is hurting so-called average need districts the most, reducing their aid by an average of $310 per pupil. But ending the GEA alone will not do enough to assist schools serving many of the poorest communities and their children. High need rural districts, for example, would gain only $13 per pupil over their 2015-16 state aid, or only one dollar more per pupil over the Governor’s proposal.*

   *Further increasing Foundation Aid is imperative for the poorest districts this year. Committing to a plan for fully implementing an updated Foundation Aid formula is essential to a financially sustainable future for all districts.*
New York’s school district property tax cap is commonly referred to as a “2 percent tax cap.” But the actual calculation is more complicated. The base is the lesser of 2 percent or the average increase in the national Consumer Price Index over the preceding calendar year. For the 2016-17 school year, this base is nearly zero – 0.12 percent, the third consecutive year below the popular conception of a 2 percent.

With a 0.12 percent tax cap, school districts would raise an average of only $17 per pupil. The sum would support an average increase in total school spending of only 0.07 percent – less than a tenth of a percent. With a 0.12 percent tax increase, well over 50 percent of the state’s districts would not be able to raise $25,000 in additional revenue and less than 20 percent of the state’s school districts could raise enough funding to preserve the position of even one first-year teacher receiving typical compensation.

The Council supports the following recommendations as changes that would retain the tax cap but provide for more predictable and sustainable funding, benefiting both students and taxpayers:

- Make the allowable growth factor 2 percent, not the lesser of 2 percent or the prior year change in the CPI. It is doubtful anyone conceived the possibility of a near zero tax cap.
- When a district seeks to over-ride the tax cap, allow it to present two budget proposals, one within the cap and one to over-ride, allowing voters to approve or reject either, each by a simple majority vote.
- Provide that the minimum tax cap shall be zero percent. Under current law, some districts face a negative cap, requiring a 60 percent over-ride just to continue the current tax levy.
- Include properties covered by payments in lieu of taxes (PILOTs) in the tax base growth factor that allows districts to exclude from their cap revenue generated by actual additions to their tax base which may necessitate increased service demands.
- Include BOCES capital costs in the local capital expense exclusion from the tax cap. The local share of expenses for district capital projects is excluded from the cap. Districts rely on BOCES to provide shared services enabling them to provide opportunities for students that might otherwise be impossible to offer. The local share of BOCES capital projects paid by districts should also be excluded from the cap.

Legislation was enacted last session to authorize the Tax and Finance Department to adopt regulations providing for the PILOT and BOCES exclusions, but the Department has failed to act.
Parental Choice in Education Act
2016-17 Executive Budget – Education, Labor and Family Assistance

THE COUNCIL OPPOSES the proposals to create income tax credits for school tuition, donations to education organizations, and for teacher purchases of classroom supplies.

These proposals would diminish the state’s capacity to support its public schools at a time when the Gap Elimination Adjustment (GEA) is reducing state aid by $434 million, the 2007 Foundation Aid formula is underfunded by over $4 billion, and the property tax cap forecloses almost any increase in local revenue for school districts. Public schools educate 85 percent of all students and are obliged by the state constitution to educate all children, whatever their circumstances, wherever they come from, whenever they arrive.

The proposal included in the 2016-17 Executive budget, though modified from last year, continues to pose a risk to the financial foundation of public education in New York. If enacted, the proposals in total would direct up to $150 million towards initiatives that fail to address the underfunding of the state’s public schools. The fact that the 2016-17 Executive budget continues to withdraw state aid support through the GEA is an acknowledgement of intentional underfunding. The state has yet to fully meet its commitments to the public schools it holds accountable for educating all children.

Further, the impact of these proposals would provide financial assistance to parochial schools. Under the New York State Constitution, the state is expressly prohibited from providing funds, directly or indirectly, to aid any institution where religious tenets are taught or in any way under the control or direction of a religious denomination. While aspects of the proposals have the ability to support those providing private funds to public education, we question: Is it not better to directly support public education programs through transparent and accountable policies designed to further the state’s objective to provide all students the opportunity to be career and college ready?

Private schools, their curriculum, and their funding structures are an individual choice. Public schools are the creation of state government, fulfilling its constitutional promise of “... a system of free common schools, wherein every child of this state may be educated.”. It is not in the public’s best interest to divert public funds from public schools to the benefit of those who choose to support private education foundations or institutions.

THE COUNCIL OPPOSES this proposal and encourages lawmakers to reject it.
PROPOSAL ON PRE-KINDERGARTEN REVIEW BOARD

2016-17 Executive Budget: Education, Labor and Family Assistance

THE COUNCIL OPPOSES the proposal to create a new review board for funding decisions regarding pre-kindergarten programs.

The 2016-17 Executive budget proposes $22 million for new competitive grants to expand prekindergarten programs to serve three year-olds.

The Executive budget also proposes to create a new three member board comprised of appointees of the Governor, Assembly Speaker, and Senate Majority Leader to make funding decisions regarding all prekindergarten programs. As proposed, the board would be staffed by the Office of Children and Family Services (OCFS) rather than the New York State Education Department.

The Council supports efforts to expand access to quality prekindergarten services and efforts to consolidate and synchronize the six state funding streams now supporting prekindergarten programs. But we strongly oppose reassigning program administration to the proposed board and OCFS. Education programs should be administered by the State Education Department, the constitutionally responsible agency.

We support the Executive budget’s proposal to increases QUALITYstarsNY funding by $2 million for a total of $5 million. The Council recommends that the QUALITYstarsNY program remain a voluntary program that monitors the quality of prekindergarten programs.

THE COUNCIL SUPPORTS additional funding to support Pre-K but OPPOSES any proposal that removes oversight of education policies from the New York State Education Department.