



Testimony to the Joint Hearing on the 2017-18 Executive Budget Proposal:

Elementary and Secondary Education

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Chairwomen Nolan and Young, chairmen Farrell and Marcellino, thank you for giving me the opportunity to testify on behalf of the Alliance for Quality Education regarding the 2017-18 Executive Budget Proposal. My name is Jasmine Gripper and I am the legislative director for AQE. Year after year, we come to this hearing room to give you the parents' view of the executive proposal. Over the last six years, we come before you to testify and have on the record how inadequate the executive proposal is. This year, we do the same: the executive proposal is grossly inadequate. But, this year the proposal adds insult to injury. The governor's proposal to erase the debt to students and deny the state's commitment to fully funding the constitutional obligation to "a sound basic education" by eliminating the Foundation Aid formula starting with 2018-19 school year. This proposal perpetuates the systemically racist policies of leaving schools that education Black and Brown students purposefully under resourced. It's time that ends.

School Aid

The Executive proposal of \$961 billion is less than half of what the New York State Board of Regents, our state's education experts, recommended as the appropriate amount for our schools. This amount includes a miniscule amount of Foundation Aid (\$428 million), \$340.6 million in expense based aids, and \$150 million that the governor is going to make you, the Senate and the Assembly to fight over in what he labels as Fiscal Stabilization Fund. This amount of school aid will for sure force school districts to make cuts. After so many years of making cuts or finding ways to do more with less, it is time for the state to actually make good on its obligations and provide adequate school aid. Our recommendation is \$2.88 billion, in order to ensure that all schools, particularly the schools that have been chronically underfunded, finally have the resources to provide "a sound basic education."

Foundation Aid

The executive proposal includes only \$428 million in Foundation Aid, which is exactly 10% of the amount of the state's debt to its students which comes to \$4.3 billion. For 10 cents to the dollar, the executive proposal makes a bold statement to the Black and Brown students in low income communities, it tells them that their education does not matter. Foundation Aid is based on students' needs. Since 2008, the state has either made cuts to it, or has only funded it with amounts were so small that they could not effect rapid improvement.

Black and Brown students are owed 58% (\$2.5 billion) of the total Foundation Aid owed to schools. The message the governor is sending to them is that their education doesn't matter.

In fact research tells us that money matters, especially to low income communities and to communities of color. Research tells us that when per pupil spending is increased by 10%, graduation rates go up (by 11 almost 12%), students are more likely to go and complete college and make approximately 9% more than they would otherwise in adult wages.¹ A 2016 study found that increase spending by \$320 per student starting in kindergarten yields more than \$5,000 increased adult earnings.² As the authors put it:

“...results thus show that money can and does matter in education, and complement similar results for the long-run impacts of school finance reforms.”

The New York Department of Education released the graduation rates just a few days ago. The overall graduation rate has been increasing, news that is very welcomed by everyone. However, as the commissioner said, gaps persist, especially for Black and Latino students, students with disabilities and English Language Learners, even though those gaps are narrowing. If we were to increase education spending by 10% as the research recommends, it is likely that the gaps that persist would close faster. It would take adequate funding through the Foundation Aid formula and a commitment to adequate increases thereafter to achieve that.

The executive proposal to eliminate the Foundation Aid formula and move to an “operating formula” is nothing but an attempt to eliminate the debt to students and negate the constitutional obligation to provide “a sound basic education.” The Campaign for Fiscal Equity lawsuit resulted in a landmark decision by the state’s highest court, the Court of Appeals which ruled that the state was chronically underfunding New York City schools which violated the students’ right to a quality education. Even though CFE was specifically for New York City, the courts left it up to the legislature to provide a statewide solution. Any claim that CFE does not apply to schools in the rest of the state is to say that those students’ do not have a right to “a sound basic education.” Back in 2007, the newly elected governor and the legislature recognized that in fact a statewide solution was necessary. The legislature and the governor then, committed to provide \$5.5 billion in Foundation Aid to schools statewide over the course of four years through a new transparent and predictable formula, the Foundation Aid formula (replacing approximately 30 formulas that were not transparent and susceptible to political machinations).

¹ Jackson, C.K., Johnson, R.C., & Persico, C. (2016). The effects of school spending on educational and economic outcomes: Evidence from school finance reforms. *Quarterly Journal of Economics*, 131(1).

² National Bureau of Economic Research (2016). Lafortune, J., Rothstein, J. & Whitmore Schanzenbach, D. *School Finance Reform and the Distribution of Student Achievement*.

The Foundation Aid formula is the only formula we have in current law, which drives funding to the neediest school districts. That is not to say that it does not require updates and fixes. The State Board of Regents has made recommendations of specific data updates that must be done to reflect the realities of 2017 which we would recommend be studied by the legislature.

Our recommendation is that you deliver a resounding rejection of the executive proposal to repeal the Foundation Aid formula and instead add an adequate amount of funding in order to get back on track with CFE through a two year phase-in.

Community Schools

Community schools is a proven-to-work strategy. Community schools are schools that combine appropriate curriculum with services to address the needs of the whole child and of the community in which the school is located. Wherever community schools have been implemented, student achievement increases, attendance increases, suspensions decrease, and graduation rates increase. New York State made a significant investment in community schools in the last enacted budget through the Foundation Aid set aside and through the community schools grant, which unfortunately has yet to be awarded. The Executive budget includes \$150 million set aside through Foundation Aid, an increase of \$50 million. However, there is no renewal of the \$75million grant. The state made an investment in last year's budget which is smart and cost effective. It would be unwise and fiscally irresponsible not to continue expanding access to funding for community schools.

We recommend that you build upon the executive proposal and increase community schools funding by \$200 million. We also recommend that community schools funding become allocation and not a competitive grant.

Pre-Kindergarten

There is no debate around whether or not pre-kindergarten is a strategy that yields enormous benefits. Research and practice agree, as much as \$7 -\$14 is gained as a cost saving for every dollar we spend on quality pre-K programs. In New York, there is a great investment. A few areas such as New York City and Rochester have universal pre-K for all of their four-year-olds. Currently, the state spends over \$800 million on both half and full day pre-K. Yet, outside of New York City, the overwhelming majority of four- year-olds, 81%, are denied access to full day.³ The executive proposal increases pre-K funding by \$5 million and protects all the existing funding for the current programs.

At the same time, there are seven different grant pre-K programs, with different requirements and different standards, with expiration dates. The UPK program is currently the only allocation based program- and the largest. The Executive budget includes an important step in the right direction with the consolidation of the Priority and Expanded Pre-K grant, which expires, to the

³ <http://www.aqeny.org/wp-content/uploads/2012/03/TooManyChildrenStillWaiting-FIN3.pdf>

UPK program. We support that and think that the state needs to roll its grant programs into allocations so we can have a sustainable and predictable strategy on pre-K.

There are however some issues with some of the details of the executive proposal. The problematic move away from Foundation Aid, which serves as the basis for the UPK per pupil allocations, to the new “operating per pupil” formula and the absence of a clear language of what the impact of this new formula will be in out years is problematic. We support the consolidation of the expiring grant into the UPK grant, but all funding must be protected and the formula used to allocate it must be stable and predictable. We encourage the legislature to reject the new formula and the unclear future it holds for pre-K across the state.

We recommend that the enacted budget includes the consolidation of the Priority and Expanded Day Pre-K program to the UPK program while protecting and maintaining all current funding. We also recommend accepting the increase of pre-K funding by \$5 million, while rejecting the new operating formula.

Charter Schools

The Executive Budget includes a number of different provisions that will divert resources away from public schools toward privately run charters. First, the proposal includes lifting the regional charter cap, which will significantly increase the number of available charters in New York City. In addition, specifically for New York City the executive proposal requires the district to pay a larger portion of charter facility costs by adding other costs for which charters would be reimbursed, such as utilities and security, as well as increases the reimbursement rate. Also, it proposes changes in co-location agreements that will require NYCDOE to allocate space to charters based on future enrollment projections, not current enrollment. The impact on the existing public school in the same building has no bearing in this process. And, more importantly, the executive proposal includes a provision that would withhold all school aid from New York City schools if the DOE does not comply with these provisions.

We urge you to reject all these proposals as they hurt the million schoolchildren that attend City public schools in the name of policies that only benefit hedge fund billionaires and powerful campaign donors.

Child Care

There is a crisis in child care and the state has to deal with it. Child Care offers an important services to working families. It allows parents to work, which increases the state revenues since when people are able to make money they can pay more taxes. But, it also provides an important service to children, which with access to good quality programs, they are ready for school when the time comes. Many children whose families live in poverty and do not have access to child care subsidies start school academically behind their peers that have access to child care programs and often have problems adjusting to the school environment. These gaps are very

hard to close, and, often persist throughout the school years, which in turn may lead to behaviors that disrupt the school day, increase of the likelihood of getting suspended and dropping out of school. The research is clear on this issue. The more that access to child care programs, the better the chances of a child to be ready for school and ready for college.⁴ Currently, New York State serves only 17% of the eligible families. Child care in New York State is now the most expensive in the nation, averaging \$14,000 for a year for a preschooler and even more for a baby or toddler. The Executive Budget, unfortunately does not include an increase to child care subsidies. In fact, it requires moving the federal discretionary funding to counties through Title XX that counties use for a number of different services including senior services and child care subsidies, to child care subsidies so they are flat funded for 2017-18. In other words, the executive is proposing making cuts to vital social services that different counties offer to their residents, to claim that they are flat funding child care subsidies.

In addition, the executive proposes a Child and Dependent Care Tax Credit for Middle Income Families, whose income is between \$50,000 and \$150,000. The average benefit would be \$208 per household, which about 200,000 families would enjoy across the state. While this tax credit would benefit these families, it does nothing for the neediest or moderate income families.

There needs to be at least an additional \$156 million in child care. We urge you to add at least \$100 million to expand access to quality child care. If new federal rules are implemented, an additional investment of at least \$56 million must also be made to meet quality standards.

Expansion of My Brother's Keeper including alternatives to suspensions

We support expanding My Brother's Keeper and including \$50 million to support safe and healthy schools for New York students through competitive grants to develop or expand school models, practices, or staff training programs that reduce reliance on suspension, expulsion, and school-based arrest, reduce disparities in school discipline, and provide a safe and supportive school climate.

Grants can be used to support wrap around student supports and positive approaches to discipline to keep students in school and on a positive track such as restorative justice trainings for staff and administrators, in-school restorative justice facilitators, peer mediation training and facilitation, the use of peace circles, peer juries, and additional support staff such as additional guidance counselors, social workers, school psychologists and social service providers as well as restructuring of school discipline codes and practices to reduce suspensions, expulsions and/or police referrals.

⁴ <https://www.americanprogress.org/issues/religion/reports/2014/04/17/88099/child-care-and-early-childhood-education/>

Revenues: claw back on economic development – millionaires’ tax, carried interest loophole closing

We are pleased to see that Executive Budget proposal includes extending the millionaires’ tax. This is revenue that state cannot afford to lose. We do however, have to go further and ensure that everyone pays their fair share. We support the proposal that is put forward by the State Assembly and urge both the governor and the New York State Senate to adopt it. The Assembly proposal includes additional brackets for those who making more than one million dollars (See table below).

| Income | Rate |
|------------------------------|-------------|
| \$1 million - \$5 million | 8.82% |
| \$5 million - \$10 million | 9.32% |
| \$10 million - \$100 million | 9.82% |
| Over \$100 million | 10.32% |

This proposal would generate an additional \$5.6 billion in revenue and would affect 66,134 taxpayers. It is worth noting that the number of millionaires has increase since the millionaires’ tax was originally passed. It is also worth noting that claims that millionaires will flee the state are at best ill-conceived since half of them already live out of state but conduct business in New York.⁵

Hedge Fund managers are allowed to get away with paying their fair share in income taxes, by counting the money they make from the fees they charge for managing and investing other people’s money, as capital gains.

We urge supporting the Assembly proposal of millionaires’ tax structure and closing the carried interest loophole.

Tax Incentives – A Failed Approach

As the Fiscal Policy Institute notes, the state cannot continue to rely on tax incentives as an economic development strategy. A detailed study of New York’s business tax credits prepared in 2013 by economists Donald Boyd and Marilyn Rubin for the Tax Reform Commission which was formed by Governor Cuomo, firmly stated that “there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained

⁵ <http://fiscalpolicy.org/wp-content/uploads/2017/02/FPI-NYS-FY-2018-Executive-Budget-Analysis.pdf>

absent the incentives.” The governor and the legislature should pay attention to the findings of this thorough analysis.

Also, the fact that there hasn’t been enough job-creation to justify the state’s investment, but instead, this process has been a scandal creator. There has to be accountability and smart investment with a clear eye on what the impact and benefit will be on communities, not merely shifting activity from region to region.

NYS should begin to reprogram these funds to serve the public interest rather than the interests of a select handful of businesses around the state. Instead of spending \$9 billion a year, lets invest \$8 billion and invest an additional billion in education funding – that’s real economic development.