



## GOVERNOR PATAKI'S 2005-2006 EXECUTIVE BUDGET: A REHASH OF OLD IDEAS

### Overview

Although promising to lay out a “forward looking” executive budget, Governor Pataki’s 2005-2006 executive budget is a tired rehash of last year’s budget proposal. Though once again admitting that the education funding system is “broken and unfair,” the governor proposed a mere \$201 million increase for traditional state aid, or a 1.31 percent increase over last year’s school aid, insufficient to ensure that all districts can maintain current programs and services. The Education Conference Board, a coalition of statewide education constituencies, projected that a \$743 million state contribution would be necessary for districts to maintain existing services. The governor’s paltry 1.31 percent increase will force districts to shoulder more of the burden of funding our schools and puts them in the difficult position of increasing property taxes or cutting programs.

Additionally, the governor, once again, put forward \$325 million in so called Sound Basic Education (SBE) Aid. The SBE Aid is to be generated through projected revenues from existing and future video lottery terminals (VLTs)—a proposition that was rejected by the legislature last year. Governor Pataki has said, however, that he will guarantee full funding of SBE Aid, even if VLT revenues do not generate the full \$325 million.

This dedicated SBE fund falls far short of the money necessary to address the resource deficiencies highlighted by Court of Appeals order in *CFE v. State* and that were to be remedied by July 30, 2004.

Every district in New York would receive at least \$25,000 in SBE Aid, under the governor’s proposal, with 86 percent being directed to 207 high-need districts. SBE Aid plus traditional school aid as proposed by the governor this year would total \$526 million—nearly \$225 million short of last year’s enacted budget that gave schools \$751 million.

Further, the governor’s plan virtually ignores the report issued by the court-appointed panel of judicial referees in *CFE v. State* that specifically rejected many of the very same concepts that are being retread in this year’s budget proposal. The panel concluded that New York City schools need an additional \$5.6 billion in operating aid over a four-year period. CFE estimates that the total statewide SBE figure necessary to ensure all children their constitutional rights will be about \$8.5 billion.

### Preserving a Dinosaur: Flex Aid Returns

Rather than fulfilling his age old promise to throw the “dinosaur” education funding system onto the “ash heap of history,” Governor Pataki has failed to

propose a true overhaul of the system that the Court of Appeals found to be unconstitutional. The governor, once again, proposed a Flex Aid Plan that would consolidate six school aid categories into a single formula. The six categories are: comprehensive operating aid, extraordinary needs aid, limited English proficiency aid, summer school aid, minor maintenance aid, and educationally related support service aid. The total flex aid sum, \$8.4 billion, represents a mere 1.46 percent increase, or \$122 million, over the amount spent on those categories last year. The current flex aid proposal is quite similar to plans the governor has put forward in the past and that have been rejected by the legislature.

While the Flex Aid Plan is a small step towards the consolidated foundation formula that CFE seeks, it does not come close to the positive steps proposed by the Regents who also support a foundation formula that collapses 29 of the current formulas and funding streams into a single foundation. CFE has proposed collapsing 40 of these budget categories. The foundation approach supported by CFE and the Regents would assign a base cost for providing a sound basic education and then adjust that figure according to student needs and a regional cost factor. Such a formula is already in use in 40 other states and would provide districts across New York State with fairness, flexibility, and transparency in funding. CFE believes that a foundation formula approach most directly meets the constitutional requirements set forth by the Court of Appeals. To ensure a meaningful remedy this year, CFE is currently working with a Sound Basic

Education Task Force, comprised of a diverse coalition of statewide organizations, to create a statewide reform bill that will operationalize a foundation formula and other necessary reforms. We expect the bill to be introduced in the 2005 legislative session.

## **New York City**

While Governor Pataki's proposed dollar increases for education spending fall far short of meeting student and district needs, the governor's executive budget earmarks 53 percent of the overall increase for New York City signaling a break from the stubborn shares agreement that, for years, limited the city to 38.86 percent of the statewide education funding increase. New York City will receive \$83 million of the traditional school aid, or a 1.49 percent increase. The city will receive \$196 million of the \$325 million Sound Basic Education Aid. Thus the city sees a 4.9 percent increase in state aid over last year's figures.

While there is some good news on the shares front, some of New York City's highest need students will see cuts in services. Most notably the governor's executive budget cuts \$96 million statewide from private excess cost aid—a program that supports special education placements for public school students in private school settings. Nearly half of this cut will be felt in New York City.

Additionally, the executive budget freezes spending on programs critical in New York City and the rest of the state, including aid for pre-kindergarten and class size reduction—programs that are

especially critical to ensure every child receives the opportunity for a sound basic education.

Flat funding vital programs virtually ensures that New York City's children will once again be forced to attend overcrowded schools with insufficient access to necessary staff, academic intervention programs, and after-school programs.

The governor's five-year SBE plan projects a NYC aid increase of \$4.7 billion from state, federal, and local revenue sources. Consistent with his SBE plan submitted to the panel of referees, the increase would include a presumed \$1 billion increase in federal aid and a \$1.5 billion city contribution. The panel report recommends that New York City see a \$5.6 billion increase over four years. CFE estimates that New York City should pay approximately 24 percent of that increase.

### **The Big 4**

Of the remaining Big 4 districts, Buffalo, Rochester, and Syracuse would all see modest increases from two to four percent. Yonkers would take a small cut in school aid. The increases for Buffalo, Rochester and Syracuse are a result of the combined traditional school aid and SBE Aid; but like New York City, these districts are confronted with cuts in special education spending and flat funding for pre-k and class size reduction. Yonkers alone among the big five urban districts takes a .06% cut in school aid. However, Yonkers joins the 221 school districts that take a cut in school aid under the governor's proposed budget. Children in over 500 districts would benefit under CFE's plan,

while the remaining districts would be held harmless.

In proposals that parallel current law for New York City, the governor also seeks to establish maintenance of effort requirements on the big four. Additionally, the governor would like to see the mayors of Buffalo, Rochester, Syracuse, and Albany given the power to appoint members to their respective school boards. In the past, the governor has sought full mayoral control over the school boards in those cities. All districts outside of New York City have elected school boards.

### **Capping School Budgets**

While most districts will see a very small increase under the governor's executive budget, he proposes to limit the ability of local school districts to raise their own revenues. In another echo of past proposals, the governor would like to cap school budget growth. The cap would be set at the lesser of 120 percent of the Consumer Price Index or 4 percent. The proposal provides for exceptions including enrollment increases and expenses necessary to provide SBE.

Governor Pataki also intends to increase School Tax Relief (STAR) benefits for districts that are able to restrain spending within the cap. This new STAR credit would be the product of a taxpayer's current STAR benefit multiplied by CPI growth and would be an income tax credit for taxpayers when they file their 2005 tax returns. Initially adopted in 1997, STAR supplants property tax dollars to schools with state aid. Originally conceived as a program to assist senior citizens on fixed incomes

overly burdened by property taxes, STAR is currently available to all homeowners and is estimated to cost the state over \$3 billion annually. STAR benefits are directly proportionate to a district's wealth. Thus, our most property-poor districts, with our highest-need students, obtain the lowest STAR benefits.

### **Building Aid**

Districts throughout the state were able to take advantage of the 10 percent building aid incentive enacted in 1998. However, New York City, as well as some pockets of districts elsewhere in the state, was unable to capitalize on the incentive. This is largely due to the constitutionally imposed debt ceiling limitations that prevent our urban districts from fully participating in the spend-to-get building aid program—and the failure of the building aid formula to recognize the extraordinary impact of acquiring land and building schools in densely populated urban areas. Therefore, New York City's facilities needs continued to mount. Despite the \$9.2 billion facilities need for New York City acknowledged by the panel of referees, the executive budget proposal utterly fails to provide a plan to fix overcrowding in our schools or rehab rundown school buildings. Instead, the city's building aid will be slightly decreased. The governor proposes addressing the widespread facilities needs by increasing New York City's statutory bonding limit by \$2.8 billion with no additional state contribution.

### **New York's Future: It's in Our Schools**

Over six months have passed since the Court of Appeals' deadline for a remedy in *CFE v. State*. Moreover, the children of New York State have been waiting for twelve years for educational justice and rather than repeat past mistakes, Governor Pataki should propose bold new ideas to lead the state of New York through this constitutional impasse.

The court's mandate for a constitutionally acceptable education funding system that provides all children with the opportunity for a sound basic education must be met. CFE, along with our statewide allies, will be proposing a bill during this legislative session that will reform the funding system and solidify the accountability system so that children across the state can finally receive the educational rights to which they are entitled. CFE joins New Yorkers in urging our elected officials in Albany to show leadership on this issue and act now to reform New York's education funding system. With broad public support CFE aims to push the legislature to fix the constitutional violation on a statewide basis and provide educational opportunity for all students. The governor should not seek any further appeals in *CFE v. State*. Instead, the governor should work with both houses of the legislature to pass legislation that will finally provide all our children with their constitutional rights.

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