

POLICY BRIEF

October 2014



Vote “No” on the Smart Schools Bond Act

In November New York State residents will vote on the Smart Schools Bond Act, a bond referendum that, if approved, will fund \$2 billion of capital projects in schools throughout the state. The core purpose is to fund school technology infrastructure and programs; eligible uses also include construction of pre-kindergarten classrooms and replacement of classroom trailers. Although enhancing the use of technology in schools is a popular cause, the Smart Schools Bond Act is ill conceived, deserving a “no” vote for three reasons:

1. New York State is approaching its statutory debt cap (4 percent of personal income) and should prioritize its capital spending. Other high priority capital needs that have a proven return on investment should take precedence.
2. Capital investment in technology devices is unlikely to yield lasting benefits. Research has shown successful technology programs require significant investment in implementation and the integration of technology in pedagogical practice, not merely the purchase of new hardware like laptops and iPads. Moreover, no research establishes that investment in technology equipment generates a return in terms of cost savings or other benefits.
3. No statewide needs assessment or plan exists for judging the adequacy of the investment or its priority relative to other documented and pressing infrastructure needs. New York already funds school technology through a variety of state school aid categories, and the State has not evaluated these funding streams. Any list of capital needs to be funded with state-supported debt should be established through the new statewide capital planning process.

The Smart Schools Bond Act

The Smart Schools Bond Act (the “Bond Act”) authorizes the issuance of general obligation bonds up to \$2 billion to fund the purchase of educational technology equipment such as interactive whiteboards, tablets, computers, and high-speed broadband or wireless Internet connectivity for schools and communities.¹ Other non-technology investments would also be eligible to receive bond proceeds, including the construction and enhancement of pre-kindergarten facilities and permanent instructional spaces to replace portable classroom trailers used mainly to alleviate crowding in New York City schools, and the installation of high-tech security in schools.²

Governor Andrew Cuomo first proposed the Bond Act in the fiscal year 2014-15 Executive Budget, following a recommendation of the New NY Education Reform Commission in January 2014, and the Legislature adopted it with minor modifications.³ Funding would begin with \$1 billion in

fiscal year 2015-16, followed by \$350 million in each of fiscal years 2016-17 and 2017-18, and \$300 million in fiscal year 2018-19.⁴ The bond repayment period would range from eight years for “classroom technology projects” and school security projects to 30 years for the construction of pre-kindergarten classrooms and the replacement of TCUs. Debt service on the bonds is estimated to be \$126 million in fiscal year 2016-17 and \$156 million in fiscal year 2017-18, the last year in the current financial plan.⁵

The allocation formula for the Bond Act funds is set to each school district’s sharing ratio for general State school aid for school year 2013-14. Average per-pupil funding would be about \$745 but would range from about \$90 per student in Rye and Scarsdale to \$1,450 in Rochester because the State aid sharing ratio varies with district need and ability to pay.⁶ New York City would receive \$750 per pupil. Before receiving funds each district would be required to submit a Smart Schools Investment Plan to the Smart Schools Review Board comprised of the Education Commissioner, the State Budget Director, and the Chancellor of the State University of New York.⁷ Eric Schmidt, the Executive Chairman and former CEO of Google; Geoffrey Canada, the President and CEO for Harlem Children’s Zone; and Constance Evelyn, the Superintendent of the Auburn School District in Cayuga County have been asked to join a Smart Schools Commission to assist districts in crafting plans.⁸ Guidelines and timelines for submission of Smart Schools Investment Plans have not yet been issued.

The New York State Constitution requires voter approval for all general obligation (GO) bonds backed by the full faith and credit of the State. However, voter bond referendums occur infrequently. The most recent GO debt authorization, The Rebuild and Renew Transportation Bond Act, appeared on the ballot in 2005. It authorized \$2.9 billion in debt and was approved by 55 percent of voters.⁹

Unclear Benefits

Mixed evidence from previous technology programs

The promise of technology to transform education is not new. In the early 2000s schools across the country experimented with one-to-one laptop programs; each student was given a laptop for use at school and at home. Results from many evaluations of these programs do not point to a clear-cut conclusion about the benefits of these initiatives.¹⁰ A meta-analysis of 84 studies on the impact of technology programs on reading outcomes found supplementary digital instruction programs boost achievement by about one-tenth of a standard deviation, a statistically significant but practically meaningless effect.¹¹ The analysis found gains were more than twice as large for integrated literacy programs that use computer-assisted curriculum along with non-computer exercises. Another meta-analysis of the impact of digital technology on academic achievement over the last 40 years similarly noted while technology programs had consistent, yet small, positive impacts, the improvements were lower than those achieved by other documented educational interventions, such as tutoring programs.¹² The authors further found numerous confounding variables in the technology evaluations, such as variations in student and teacher characteristics and constant changes in technology equipment and software, precluding establishment of a causal relationship between technology interventions and educational improvement.

Moreover, no evidence shows the small improvements in achievement that may be attributable to technology equipment generate sufficient benefits to warrant the level of investment. In 2013 the Center for American Progress conducted a review of many of the school districts around the country that have implemented technology programs and found none had conducted return on investment studies.¹³

Successful technology programs require ongoing, costly operational support

One definitive finding in the research is implementation matters. The type of technology matters less than how well it is integrated into the curriculum.¹⁴ Teachers must know how to use new technology to transform their pedagogical methods. This requires time and commitment from principals and teachers. A study of three high schools with mature (more than five-years-old) science computing programs found school culture and adequate time for teacher training and collaboration were the most important determinants of success.¹⁵ Without adequate training, teachers may use new technology as mere supplements to old classroom methods rather than as transformational tools.¹⁶

Apart from the kind of support needed to fully harness the power of technology in the classroom, school technology programs also require ongoing funding for more mundane but necessary software updates, repair, replacement, and technical support.¹⁷ Meeting these new needs may require additional full-time or part-time staff.¹⁸ Over the past decade, experiments with school laptop programs often ended after costs for support and maintenance exceeded expectations.¹⁹ In 2012, education and technology expert Lee Wilson estimated the cost of software updates, training, and network improvements increases the cost of an Apple iPad by 65 percent from \$43 per student per class to \$72.²⁰

Short useful lives of technology

Many projects eligible for Bond Act funds, such as the purchase of whiteboards, computers and tablets, quickly become obsolete, and would likely require replacement well before the eight-year period permitted to repay the bonds. These short-term assets are better maintained through a regular replacement cycle in which a percentage of the old stock is replaced every year. Districts that wait to replace obsolete equipment on the capital cycle will be disadvantaged.

Other technology challenges

An additional implementation concern for some school districts is the availability and speed of broadband. For students and teachers to successfully use technology to stream a video, for example, schools need adequate broadband capacity. Without sufficient broadband, hardware is essentially useless. Although New York’s statewide ranking in a 2012 TechNet analysis was 10th among the 50 states for broadband adoption, network quality, and economic structure, parts of the state, including New York City, are poorly equipped.²¹ A joint survey of the Federal Communications Commission and the National Telecommunications and Information Administration show the need for investment in broadband is concentrated in certain counties.²² One of New York’s stated goals is broadband speeds of at least 100 Megabytes per second (Mbps) for downloads; fewer than half of New York’s schools meet this target.²³ In New York City only 1 to 2 percent of schools within each borough have access to download speeds greater than 50 Mbps.²⁴ While Smart Schools Bond Act funds may be used for investments in broadband, there is no requirement that they be used for this purpose. For example, New York City plans to use its entire \$783 million allocation to increase pre-kindergarten capacity and fund a \$490-million “Class Size Reduction Program” to construct 4,900 new seats.²⁵

No Statewide Needs Assessment for Educational Technology

A needs assessment is an essential first step in the development of a capital plan. Before \$2 billion is committed, a statewide needs assessment should be conducted. In its most recent State Aid proposal, the State Board of Regents requested only \$1 million in additional annual aid for education technology purposes.²⁶ Benchmarks should be established for the overall amount of technology aid needed, prioritization of investments, and progress metrics. State aid formulas and availability

of local resources should also be examined because the State already supports school technology programs through multiple school aid formulas.

For the 2014-15 school year, at least \$123 million in state aid for school districts is dedicated to technology; no review has determined whether the available funding is insufficient.²⁷

The following is a partial list of state funding available for school technology:

- \$38.6 million for Instructional Computer Hardware and Technology Equipment Aid;²⁸
- \$46.5 million for Computer Software Purchases Aid;²⁹
- \$37.9 million for computer administration in the “Big Five” city school districts, as well as those not participating in a board of cooperative education services (BOCES);³⁰
- Building Aid for capital expenditures related to technology;³¹ and
- BOCES Aid for two or more component districts of a BOCES that make technology-related expenditures that are more cost effective than they would be without the involvement of a BOCES.³²

Districts are also free to use general state aid or local funds to finance technology expenditures. Average per-pupil spending in New York in school year 2012 was \$19,552, the highest of any state and fully 84 percent above the national average.³³ Although a dedicated funding stream may make district leaders more conscientious about purchasing technology, nothing now bars a district from purchasing technology to transform operations if that is how district leaders, and the voters charged with approving the school budget, choose to use the funds.

Statewide needs assessments have been conducted for other capital needs; in 2013, the State issued a 10-Year Capital Plan for 48 state agencies and authorities through fiscal year 2022-23.³⁴ The plan identified \$174 billion in capital needs; more than two-thirds is for state of good repair (SOGR) projects, that is, projects needed to keep infrastructure in a satisfactory operating state rather than expansion projects.³⁵ The Plan allocates \$43.4 billion and \$39.1 billion in SOGR projects for the Metropolitan Transportation Authority (MTA) and the Department of Transportation (DOT), respectively.

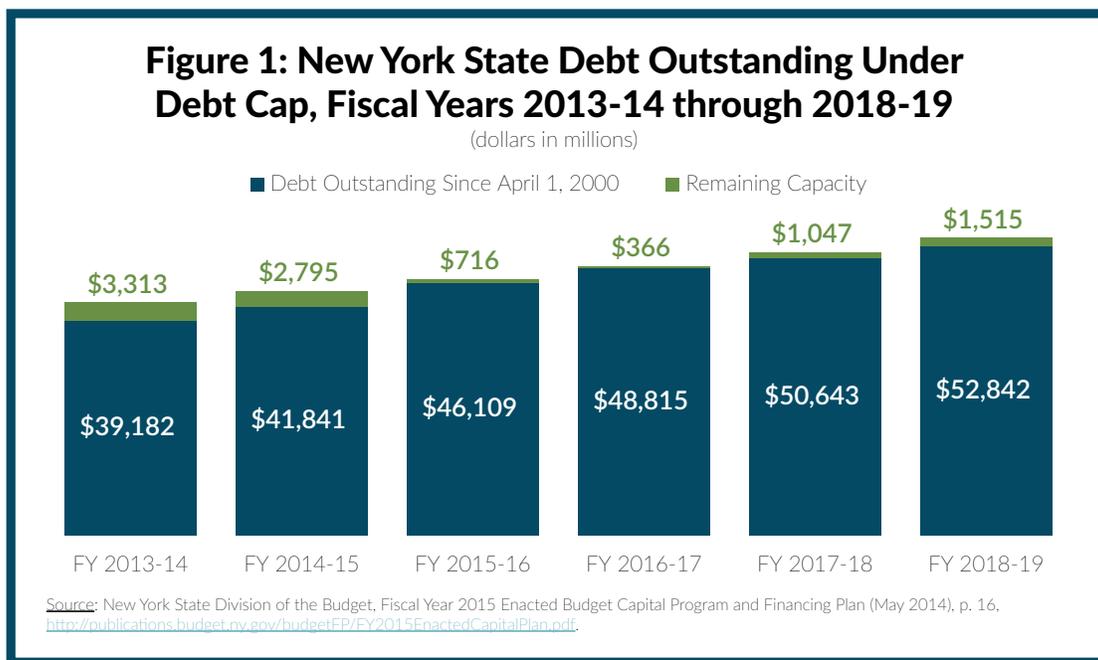
Other needs assessments in recent years highlight New York’s infrastructure deficiencies in many categories. Sea walls and dams are not sufficiently protected against severe storms and flooding.³⁶ The water systems in some cities are almost 100 years old.³⁷ More than 2,800 local bridges are rated deficient, and that number may increase by 1,300 bridges in the next 10 years.³⁸ Almost 40 percent of New York’s pavement is in fair or poor condition, and 30 percent of the state’s sewage collection and treatment systems were beyond useful life as of 2004.³⁹ A December 2012 State Comptroller report details a state and local infrastructure funding shortfall of up to \$89 billion over the next 20 years.⁴⁰

Although the need for significant capital investments has been documented in other sectors, no statewide assessment of school technology needs has been undertaken. Consequently, no information exists to assess the relative priority of the investments proposed in the Bond Act compared to these basic infrastructure needs. In addition the status of existing programs and equipment in school districts is unknown, and as a result, new funding needs will be even harder to identify.

Remaining Capacity under the Debt Cap is Limited

The State’s capacity to fund its immense capital needs with state-supported debt is limited by a tightening debt cap imposed by the Debt Reform Act of 2000. Debt issued after April 1, 2000 is limited to 4 percent of state personal income and may only be issued for capital purposes. With the adoption of the fiscal year 2014-15 budget state leaders authorized \$4 billion in new debt issuances including \$1.2 billion for hospitals and other health care facilities, \$1 billion for economic development, and \$939 million for SUNY and CUNY.⁴¹ These capital projects will be financed with public authority debt, or so-called “backdoor” borrowing, which does not require voter approval. Fully 96 percent of New York State’s outstanding debt is authority bonds.⁴²

If the Bond Act passes, another \$2 billion in debt will be incurred, bringing the State very close to the debt cap; unused capacity would fall to \$366 million in fiscal year 2016-17, or 0.03 percent.⁴³ (See Figure 1.) If the Act does not pass, capacity is projected to be \$3.5 billion under the Division of the Budget’s current estimate for personal income growth (5 percent per year on average).



Staying under the debt cap is important for the State’s fiscal health. New York’s debt burden is high compared to other states by many measures. As a percent of personal income, New York has the second highest debt burden among other large states, behind only New Jersey.⁴⁴ CBC has measured the State’s debt and other long-term liabilities using an “affordability” index according to which the amount required to repay debt should not cause taxes to increase or services to diminish more than in other states, creating a competitive disadvantage.⁴⁵ In 2010, when the analysis was last updated, New York’s long-term liabilities were fully \$20 billion in the “danger zone” compared to the norm for other states. Debt service was \$6.4 billion in fiscal year 2013-14, and comprised 7.1 percent of total operating costs.⁴⁶ Debt service that rises faster than operating revenues puts a squeeze on other priority items in the budget and constitutes a binding obligation for future taxpayers. The cost of repaying the State’s outstanding debt as of fiscal year 2011-12 was \$2,899 per capita, the fourth highest among large competitor states.⁴⁷

With such limited capacity under the statutory debt cap, it is important to reserve the use of borrowed funds for critical infrastructure investments. Although the new statewide capital plan identified \$174 billion in needed investments, it did not contain a comprehensive financing plan. Sources were not identified to support capital spending for many agencies and authorities, and some of the agencies included in the plan, such as the MTA, have subsequently identified additional unfunded needs. The MTA's new capital plan is only partially funded; for fiscal years 2015 to 2019 a \$15 billion gap looms between what the authority says it needs and available resources.⁴⁸ Although construction is underway on the new Tappan Zee Bridge, the Thruway Authority has not yet released a financing plan that indicates how much of the \$3.9 billion in borrowed funds for the project will be repaid from toll revenue versus general taxpayer support.

Recommendation

Technology programs in schools are popular. But the evidence does not support a conclusion that they yield substantial benefits for students or taxpayers. Spending \$2 billion for “smart” schools is not an effective use of borrowed funds, especially when weighed against high-priority investment needs in key infrastructure. The borrowing capacity remaining under the debt cap should be reserved for these high-priority investments, not used to fund yet unjustified one-time technology purchases.

New Yorkers should reject the Smart Schools Bond Act.

ENDNOTES

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² An additional \$5 million was authorized in the fiscal year 2014-15 budget for Special Act schools and schools for the blind, deaf, and disabled.

³ New York State Division of the Budget, *FY 2015 Executive Budget Financial Plan* (February 2014), p. 31, <http://publications.budget.ny.gov/eBudget1415/financialPlan/FinPlanUpdated.pdf>; New York State Division of the Budget, *FY 2015 Enacted Budget Financial Plan* (May 2014), p. 28, <http://publications.budget.ny.gov/budgetFP/FY2015EnactedBudget.pdf>; and New NY Education Reform Commission, *Putting Students First: Final Action Plan* (January 2014), pp. 30-33, www.governor.ny.gov/assets/documents/NewNYEducationReformCommissionFinalActionPlan.pdf.

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¹¹ Alan C.K. Cheung and Robert E. Slavin, “The Effectiveness of Educational Technology Applications for Enhancing Reading Achievement in K-12 Classrooms: A Meta-Analysis,” *Best Evidence Encyclopedia* (April 2012), www.bestevidence.org/word/tech_read_April_25_2012.pdf.

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¹⁷ Winnie Hu, “Seeing No Progress, Some Schools Drop Laptops,” *The New York Times* (May 4, 2007), www.nytimes.com/2007/05/04/education/04laptop.html?pagewanted=all&r=1&.

¹⁸ Andrew Trotter, “Digital Balancing Act,” *Education Week* (January 28, 2004), www.edweek.org/ew/articles/2004/01/28/20mainelaptops.h23.html.

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had speeds greater than 100 Mbps, while out of the 2,792 that reported upload speeds, only 22 percent had speeds greater than 50 Mbps. Comparatively, 32 percent of schools reporting in the United States have download speeds greater than 100 Mbps and 34 percent have upload speeds greater than 50 Mbps. Thus, while New York compares favorably in terms of download speeds to the rest of the nation, about 58 percent of schools do not meet the state goal for broadband download speed and 78 percent do not meet the goal for upload speed. National Broadband Map, *Download Data* (accessed July 10, 2014), www.broadbandmap.gov/data-download. Also see, Federal Communications Commission, *Connecting America: The National Broadband Plan* (March 17, 2010), <http://transition.fcc.gov/national-broadband-plan/national-broadband-plan.pdf>.

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²⁷ Information on State Aid for technology is available from the following sources: New York State Education Department, *Guidelines for State Aid Programs that Reimburse Districts for Computer Technology Expenses* (November 2013), p. 7, https://stateaid.nysed.gov/tsl/pdf_docs/guidelines.pdf; New York State Education Department and New York State Division of the Budget, *Preliminary Estimate of 2013-14 and 2014-15 State Aids Payable Under Section 3609 plus Other Aids* (April 2014), <http://publications.budget.ny.gov/budgetFP/2014-15SchoolAidRuns.pdf>; and New York State Education Department, *State Aid Handbook 2013-14* (2013), pp. 28-30, https://stateaid.nysed.gov/publications/handbooks/handbook_2013.pdf.

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²⁹ Computer Software Aid equals up to \$14.98 per student. Both Instructional Computer Hardware and Technology Aid and Computer Software Aid categories have been flat-funded since the 2007-08 and 2001-02 school years, respectively. New York State Education Department, *2007-08 State Aid Handbook* (September 2007), https://stateaid.nysed.gov/publications/handbooks/hndbk07.htm#comp_hw_i1; and New York State Division of the Budget, *Description of 2002-03 New York State School Aid Programs* (October 2002), p. 29, www.budget.ny.gov/pubs/archive/fy0203archive/fy0203schoolaid/0203schlaid_enact.pdf.

³⁰ Computer Administration Aid for the “Big Five” city school districts and non-components of BOCES equals up to \$62.30 per student.

³¹ Eligible costs include: 1) incidental costs for computer equipment installed as original equipment in a new building or a new addition; 2) for approved computer classrooms in new buildings/additions, or alterations to an existing classroom to create a new computer classroom, incidental costs for original purchase and installation of hardware, conduit wiring and powering and testing of hardware installations; and 3) for building-wide and campus-wide local area network (LAN) systems wiring and in-building elements of other wide area networks (WAN), the original purchase and installation of conduit wiring and powering and testing of hardware installations including network server and operating systems software. To be eligible for Building Aid, the cost of approved expenditures for computer equipment must be greater than \$10,000 and the specific installation must be approved by the Commissioner. If the cost is less than \$10,000 expenditures may still be eligible for Building Aid if the installation is part of a larger construction project costing more than \$10,000.

³² Eligible expenditures include computer equipment, conduits, wiring, powering and testing of hardware installations, all costs associated with lease or purchase of LAN or WAN hardware located on district property, and incidental costs for original purchase and installation of hardware, including installation of basic operating systems software required for hardware testing.

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⁴² New York State Division of the Budget, *FY 2015 Enacted Budget Capital Program and Financing Plan* (May 2014), p. 77, <http://publications.budget.ny.gov/budgetFP/FY2015EnactedCapitalPlan.pdf>.

⁴³ New York State Division of the Budget, *FY 2015 Enacted Budget Capital Program and Financing Plan* (May 2014), p. 16, <http://publications.budget.ny.gov/budgetFP/FY2015EnactedCapitalPlan.pdf>.

⁴⁴ Office of the New York State Comptroller, *Debt Impact Study: An Analysis of New York State's Debt Burden* (January 2013), p. 26, www.osc.state.ny.us/reports/debt/debtimpact2013.pdf.

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⁴⁷ New York State Division of the Budget, *FY 2015 Enacted Budget Capital Program and Financing Plan* (May 2014), p. 60, <http://publications.budget.ny.gov/budgetFP/FY2015EnactedCapitalPlan.pdf>.

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CITIZENS BUDGET COMMISSION

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