



CITIZENS BUDGET COMMISSION

Two Penn Plaza ▪ Fifth Floor ▪ New York, NY 10121

Testimony to the Education Reform Commission

Delivered by Elizabeth Lynam, Vice President and Director of State Studies

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I am Elizabeth Lynam, Vice President and Director of State Studies for the Citizens Budget Commission (CBC). The CBC, founded in 1932, is a nonprofit nonpartisan fiscal watchdog dedicated to improving the finances and services of New York State and New York City.

Public education is of critical importance to CBC because it is a \$60 billion enterprise, accounting for more than \$1 of every \$3 raised from state and local taxpayers. It is the single largest item in the State budget, comprising nearly 30 percent of the total. And of course public education is of critical importance to the 2.7 million New York children who depend upon it, and to the future economic wellbeing of the State.

The point I want to make today may differ from what many others will tell you. It is that New Yorkers are already spending a great deal of money on public education. We need to spend more wisely, not simply spend more.

The conventional response to problems in the educational sphere in New York usually boils down to a demand for more money --- money for more staff and services without regard to proof of effectiveness, money to placate one interest group when another is assisted, money to cover rising expenses whether or not they are sensible.

Here are the results of past responses to the cries for added spending:

- New York spends far more on public education than national norms. You know these statistics- New York spends \$17,746 per pupil per year, 68 percent above the U.S. average of \$10,590.¹ New York's per pupil spending ranks second behind only Washington D.C. But the story is not that simple. The average hides a tremendous variation among districts. New York relies heavily on local property taxes to support public education, and New York has tremendous variation in local property wealth among school districts. The wealthiest decile of districts in the State spends \$32,000 per pupil; at the other end of the spectrum, the poorest spend \$19,700 per pupil on average.²



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The variation in local wealth also creates great variation in local tax effort. Some districts with low property wealth are taxing themselves at very high rates yet generate very little revenue; in contrast, wealthy districts can have very low tax rates yet generate significant sums for their students. For example, in Rochester, one of the more economically challenged communities in the State with \$171,000 of property value per student, the tax effort is \$14.7 per \$1000; whereas, in Scarsdale the property value per student is almost \$2 million and the tax effort is a relatively low \$8.6 per \$1000.³ As a result, in some districts in New York the spending – relative to our own high standards – is inadequate, and students there suffer a very real disadvantage.

- New York public education spending is not high because we expect and receive higher quality education than other states. As you know, New York ranks 39th in the nation with a graduation rate of 73.5 percent. New York also scores below the national average in NAEP in 4th and 8th grade math and about average in reading scores.⁴

Simply put, the aggregate amount of money is not the problem. Rather, current funding needs to be re-targeted to reflect new priorities. State school aid formulas should be overhauled; school districts should bargain more successfully with teachers' unions to give employees a greater stake in cost containment through the sharing of health insurance premium costs; and special education spending should be lowered by eliminating overly burdensome procedural and staffing mandates. I will say a bit more about each of these recommendations, but I also invite you to visit our website at www.cbcny.org for more detail, or to contact us directly with any requests for information.

1. **Overhaul state aid formulas** - Today the CBC is posting an interactive map on its website that documents the wide variation in aid among districts. Three variables should drive variations in per pupil school aid among district: 1) local ability to pay; 2) student need; and 3) regional cost differences. Districts that are relatively similarly situated across these variables should get the same amount of State aid. But this is not now the case. For example, the districts of Marlboro and Greenwood both in the Mid- Hudson region have student populations with very similar educational needs, but one receives \$5,589 and the other \$10,672 per student. In general, patterns established decades ago - and kept in place by "hold harmless" provisions built into aid formulas – distort the aid distribution.

To address the inadequacy of aid for some districts the aid formulas should be redesigned. The components of the aid formulas that account for pupil need, local ability to pay, and regional costs should be applied to the total amount to be distributed. Current categories of aid that are



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reimbursement driven should be stripped of hold harmless provisions and other loopholes that allow districts to pick the most favorable of different formulas to calculate their aid. For districts whose fortunes would change dramatically as a result of redesigned aid formulas, a 3-5 year phase-in schedule could be developed.

- 2. Reallocate responsibility for employee and retiree health insurance premium costs** - School districts in New York State spend significantly more on fringe benefits for instructional staff than the national norm. In 2009 New York spent \$3,311 on employee benefits per pupil, more than twice the national average of \$1,449 per pupil.⁵ In the last ten years New York's growth in spending per pupil on employee benefits for instructional staff outpaced the national growth rate, increasing 169 percent compared to a national average of 100 percent.

Pensions and health insurance are the major fringe benefit items. Recently New York made progress in reforming its pension benefits with enactment of Tier VI in 2012. In contrast, health insurance premium costs, which are largely determined through local collective bargaining rather than statewide legislation, have not been modernized.

Better premium sharing for health insurance would have a significant impact on reducing fringe benefit costs. School districts in New York State, including New York City, spent \$4.7 billion on health insurance for employees and retirees in 2009. Over the past decade these expenditures increased an average of 10 percent annually. A CBC analysis of 517 school district contracts in 2010 showed that premium sharing arrangements vary widely among regions and among districts within the same region.⁶ School districts in all regions on average require much less premium sharing than the State does of its employees. If New York City and school districts across the State changed their health insurance premium sharing arrangements to match those of the State of New York for its employees, the annual savings would exceed \$500 million annually including \$310 million for the New York City Department of Education⁷ and at least \$220 million for school districts in the rest of the state.

- 3. Eliminate ineffective special education mandates** - Rising special education costs are a concern for all school districts in New York State. In some districts instructional spending per pupil on students classified for special education services tops \$40,000 per year.⁸ In the "Big 5" school districts – Rochester, Syracuse, Buffalo, Yonkers, and New York City - special education spending per pupil averages \$24,000, and has increased by 70 percent over 10 years. In the wealthy suburban districts of Great Neck and Scarsdale special education spending per pupil is \$42,000 and Mt. Vernon, a poor suburban district, is spending a whopping \$35,740 per pupil. In ten years, state-wide special



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education spending increased 88 percent to \$11.4 billion -- an increase greater than 15 times the growth in special education enrollment and 30 percent faster than the growth in general education spending.⁹

The high and rising costs are driven in part by overly burdensome State mandates that far exceed federal requirements. New York State imposes 227 mandates above federal law,¹⁰ contributing to a system of special education that is one of the most intensively staffed in the nation. Across almost all staffing categories New York ranks in the top ten states for student-to-special-education-personnel ratios.¹¹ In three categories—psychologists, occupational therapists, and physical therapists—New York ranks number one. For teachers and speech and language pathologists New York ranks number two. For social workers New York ranks third. Overall New York employs nearly two times as many professionals per special education pupil than the national norm—the student-to-staff ratio in New York is 5.5 compared to the U.S. average of 10.1.

Despite the intensity of services offered in New York a yawning achievement gap still exists between special and general education students. For the four most recent cohorts of high school students the percentage point difference in graduation rates has remained between 29 to 30 points.¹²

If school districts are to improve their performance with limited spending growth – under the property tax cap and a school aid increase cap tied to the growth in personal income – special education must be made a more flexible enterprise in New York State. In the longer run, students – even the most vulnerable – would be better served by a more outcome, less procedurally driven system.

Thank you again for the opportunity to testify today. I am happy to take questions.

¹ U.S. Department of Education, National Center for Education Statistics, Common Core Data, "National Public Education Financial Survey," Fiscal Year 2009, version 1a. Tables 2, 3, and 9.



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² CBC staff analysis based on data from the New York State Education Department, Fiscal Profile Reporting System, Master file for 2009-10 school year. Spending per student is calculated using total revenue available for education divided by the number of students. District wealth is defined based on the combined property values and income.

³ CBC staff analysis based on data provided by the New York State Education Department. The tax effort is the calculated by dividing the local tax revenue by the sum of combined local income and property values. Property value per student is calculated by dividing the property value by the number of student enrollment.

⁴ New NY Education Reform Commission, *Putting Students First Presentation*, 2012.

⁵ Citizens Budget Commission, "School Expenditures: New York Compared to U.S.", May 15, 2012, <http://www.cbcny.org/cbc-blogs/blogs/school-expenditures-new-york-compared-us>.

⁶ Citizens Budget Commission, "School Districts Should Achieve Substantial Savings by Following State Practices for Employee Health Insurance Premium", February 2, 2011, <http://www.cbcny.org/cbc-blogs/blogs/school-districts-should-achieve-substantial-savings-following-state-practices-employ>.

⁷ New York City currently pays 100 percent of the premium costs for its employees.

⁸ Citizens Budget Commission, "Growth of Special Education Spending and Enrollment in New York since 2000-01", June 8, 2012, <http://www.cbcny.org/cbc-blogs/blogs/growth-special-education-spending-and-enrollment-new-york-2000-01>.

⁹ CBC staff analysis based on data from the New York State Education Department, New York State Report Cards, 2000-01 to 2009-10.

¹⁰ New York State Education Department, New York State Law, *Regulations and Policy Not Required by Federal Law/Regulation/Policy*- Revised January 2011.

¹¹ Citizens Budget Commission, "Needed Mandate Relief on the Way?", November 2, 2011, <http://www.cbcny.org/cbc-blogs/blogs/needed-mandate-relief-way>.

¹² New York State Education Department, Information and Reporting's Services, *Data Presentation: 2006 Cohort Graduation Rates*, June, 2011.