

Issue Brief: Proposed 2009-10 Executive Budget and Tax Cap

As our state sat precariously perched at the edge of an economic downturn in year two of the Foundation Aid plan, the Governor cut back the 2008 promised school aid. Some warned that this measure had the potential to roll into a difficult catch-up game. Now, under escalating pressure from the growing state, national and global economic crisis, we approach year three with even deeper concern for the future of educational investment and the future of NY's children.

Governor David E. Paterson recently declared that we must do more to prepare our children for the future, yet do more with less. He proclaimed that the proposed Executive Budget maintains the state's "commitment" to long-term increases in educational investments and the formulas created to equitably allocate funds. The Governor's spending plan would freeze some aid and maintain current formulas for others. It sets forth a proposed reduction in 2009-10 state education aid by \$698 million or 3.3% through a "Deficit Reduction Assessment" (DRA). This reduction assessment would be applied to all formulas except building and universal pre kindergarten.

Economic improvement in the near future is doubtful and PTA members clearly understand the need to examine spending. However, as the state backpedals on promised yearly foundation increments, public schools become more compromised in their ability to satisfy escalating costs of mandates and contractual obligations. In order to balance budgets, school districts will have no choice but either to cut the very services, programs and staffing that support academic success and the development of the whole child and placed students on a continuum of achievement gains, or to impose a greater tax burden on already stressed communities.

Most importantly, the formula for applying the deficit reduction would have a disproportionate impact on low wealth/high needs districts. State aid cuts would range between 3% and 13%, based on school district need and ability to pay. Those most dependent on state aid to offset budget levies are typically low wealth-high needs districts. While scheduled to have a lesser percent decrease in state aid than high wealth-low needs districts, more dependent communities will lose a greater dollar amount and are much less likely to be able to make up for the loss through increased local effort, i.e. raising property taxes. One eastern LI school district is slated to lose more than \$6 million in state aid with little means to compensate. Additionally, the deficit reduction will be applied to districts that have already implemented Contract for Excellence programs and will now be challenged to support state required programs with less funding.

At the same time state aid to traditional public schools would be cut, charter schools would be exempt from these reductions. While NYS PTA supports innovative education and does not oppose charter schools, we do oppose the manner in which they are funded and not held to the same programmatic or fiscal accountability. It is possible that under the Governor's budget plan a charter school could spend more than a traditional public school within its district boundaries and thereby divert more public dollars away from schools already struggling to provide a sound basic education.

The Governor continues to embrace the recommendation of the Commission for Property Tax Relief to impose a cap on school district tax levies. If this measure is implemented, public school districts will not only experience a sharp reduction in aid income but will also have little ability to compensate for losses by weakened community ability to determine education priorities and spending. The regressive nature of property tax caps and the toll this measure has taken on public education nationwide has been explored extensively. It has been said that caps can sometimes be effective when state revenues are high and can compensate for losses. However, NY's state revenues have fallen significantly. With the Foundation Aid phase-in extended from 4 years to 8 and annual shortfalls accumulating, by next year promised aid would be reduced \$5 billion while costly mandates continue to escalate. Coupled with the scheduled deficit reductions a tax cap would effectively cripple any forward movement of our public school system.

The Foundation Aid Formula held out the promise of hope for all NY's children. We must implore the Governor and Legislature to hold to the intent of the formula, to maintain the integrity of all public schools, to reject a cap that would further devastate our public schools, and to adhere to NY's promise to provide every child equal access to a quality education.