



## **Analysis of GEA Proposal Made by 18 State Senators**

As many of you know, on February 8th, 18 state Senators, led by Senator Patrick Gallivan, made a significant first step by sending a letter to Governor Cuomo that correctly recognizes that the distribution of Gap Elimination Adjustment is neither abundantly equitable nor sufficient. **(See separate link to letter.)**

This is a welcome public statement that is greatly valued by the Statewide School Finance Consortium (SSFC), which we sincerely appreciate.

As we are in the last critical few weeks of the state budget development season – it is anticipated that the budget will be completed on or about March 22 – we believe it is important to provide you with a thorough analysis of what these Senators have proposed so that you can use it in your own advocacy efforts.

### **Strengths of the letter include:**

- The obvious desire of the signatories to improve on the fiscal condition of school districts.
- It identifies a targeted plan and suggested funds to address the distribution of the GEA restoration with the use, in part, of one of the major weaknesses of the restoration plan as described in the 2013-14 Executive Budget proposal.
- The letter articulates lessons learned from the 2012-13 GEA restoration undertaken by the Legislature. This is a significant and positive step. It indicates that these Senators were influenced by SSFC suggestions for increased distribution equity and sufficiency.
- Of critical importance is their readiness to frame in writing to the Governor an improved and enriched plan to address GEA restoration deficiencies. The letter notes that, in part, the fiscal capacity of school districts (CWR) is not properly incorporated as a significant portion of the distribution formula to restore GEA funds.
  - This fact was also pointed out by the SSFC in its recommendation to improve on the Executive Budget's welcome and progressive distribution of GEA restoration funds when 2012-13 budget deliberations commenced.
  - SSFC suggestions for the 2012-13 GEA restoration proposed a formula for the distribution of additional funds based on CWR criteria that were not suitably weighted in the Executive Budget proposal.

- These proposals, however, were not implemented by the Legislature nor utilized by the Governor in the final 2012-13 budget agreement.
- Instead, the restoration amount of the GEA was increased by the Legislature as the Foundation Aid amount was simultaneously increased in the 2012-13 budget. The net result of that action was:
  - First, it eliminated the strong correlation between fiscal capacity and poverty to the GEA restoration.
  - Second, it had the effect of basically recreating the current “shares agreement” that is not based on fiscal or poverty measures but rather geopolitical factors in the Legislature.
  - Focused attention on the Foundation Aid amount that had been unchanged for three consecutive years. This renewed focus by the SSFC confirmed that the Foundation Aid formula continued to be seriously flawed.
  - Additionally, SSFC research revealed that the frozen aid amounts were drastically different than perceived amounts of aid due to school districts had the formula been updated and “run”. A “Foundation Aid save-harmless” was created for the 138 school districts that are currently over-funded based on formula. The overfunded include higher and lower wealth school districts.
- The letter rightfully calls for an increase in state support to restore additional GEA losses with the redirection of the \$203 million in Fiscal Stabilization Funds and \$75 million in competitive grant funds. (It should be noted that it was the Governor who suggested the \$203 million of Fiscal Stabilization Funds in recognition of the fiscal dilemma currently experienced by school districts with regard to astronomical pensions and medical insurance cost increases. He did not suggest a method of distribution of these funds, which clearly leaves the matter open for discussion and proposals.)
  - Although it is unknown, the degree to which such additional support would be available in subsequent years, or if it is proposed as a one-time restoration to the GEA, the proposed redirection of the funds is appropriate and important.
- The intent of the letter is both clear and noteworthy – the participating Senators deserve recognition for their public declaration, knowing that such a declaration will be highly scrutinized and carries political risks.

While we genuinely appreciate the effort and analysis behind the letter, more must be done.

**Concerns with the substance of the letter:**

- A restoration of less than 15% of the GEA is not a worthy target. We need more dollars driven to the GEA restoration for five reasons:
  1. The GEA is extremely destructive to school districts with a CWR below 1.5 and free and reduced lunch percentages in excess of 25%.
    - It has gutted the foundational revenue streams districts rely on to operate. Consider the impact of the GEA if the district were to absorb the GEA into the tax levy. For

these districts the impact would have been somewhere between a 10% to 40 % increase in taxes for each of the last three years. Instead, districts undertook successive years of cutting program and staff and using fund balances. This temporary “fix” is unsustainable.

2. The lack of state aid, with the GEA being the major reason, has created a contrived redirection to tap the only other resource school districts have left if programs, staffing and fund balances need to be maintained – taxpayers. This is something districts do not want to do and have indeed resisted as proven by all of the program cuts, staff losses and diminishment of fund balances that were undertaken instead.
  - Understandably, Albany does not want to raise taxes in New York, so they have withheld funds from school districts to balance the State Budget. Therefore, the tax burden has shifted from the state to school districts, with many at the state level identifying school districts as the new tax antagonists.
  - To make things worse, the state had imposed a “Tax Cap” on school district tax levies. The Tax Cap would not be the problem it has become had the state funding promised and promulgated in 2007-08 been provided. This financial sleight of hand by New York is not new, but it has now reached destructive proportions and must stop – quickly.
  - School districts with greater dependence on state aid (the fiscally moderate to poor, and those with larger amounts of poverty) cannot raise property tax revenues anywhere near what their wealthier counterparts can raise per percent of levy.
3. The effects of the GEA have been and continue to be cumulative.
  - It defies belief that there are those in Albany who continue to articulate that the GEA cuts are actually reoccurring and are not cumulative. An examination of school district fund balance depletions, loss of student programs and staff cuts show otherwise. Attached you will find (See separate link) a sixth grade math problem similar to those found on the New York State assessments to illustrate this point. We have even provided the answers and illustrations of the logic for this critical, yet elementary concept. (You can share it with those who need remediation in this area.)
  - School district annual budgets bear the brunt of constant GEA cuts – there is no doubt the “reoccurring” cuts are not just the same cut over again any more than each new annual budget is not simply a reenactment of the previous budget. Revenues were spent on expenses and new revenues are spent on new expenses. These are annual expenses and revenues that are spent annually, but tied perennially to each other in succession. The massive cumulative effect is obvious.
  - Almost \$6.9 billion has been lost to the GEA in just the last three years. If the 2013-14 Executive Budget proposals were to be adopted as is, that amount would grow to almost \$8.7 billion. (The 2013-14 GEA would remain at over \$1.8 billion as the Budget is now constructed.)

4. The letter does not address our goal of Sufficiency -- defined as the reality that the amount of money provided to a school district must make a significant impact to secure the mission of the school district with consideration for mandated fixed costs, student demographics and the fiscal capacity of the school district.
  - Sufficiency is just as important as equity. Insufficient resources spread “equitably” provide no assurance that the mission of school districts can be achieved by the needier among us.
  - The amount of additional support outlined in the letter is small compared to the need. The greater the amount of GEA restoration the more sound the fiscal footing will be for more average to below average wealth and higher poverty districts, regardless of their geographic location.
  - School districts with significant or even moderate wealth and poverty factors will need an approximate 30% or 40% reduction in the GEA immediately (the proposal in the letter calls for only about 15%) to even make a moderate impact in their fiscal and educational dilemma – more money to distribute would enable a widespread reach.
  - With a proposed 2013-14 GEA of over \$1.8 billion, an additional \$350 million directed equitably to the further restoration of the GEA would work more appropriately as a down payment toward the recovery of school districts.
  - A state budget redirection of less than a quarter of a percentage point could create \$350 million, which would then assist school districts to survive the Governor’s plan to “redesign education” rather than recent state approaches that only tend to crush those school districts who are most in need of resources.
  - An alternative source for the \$350 million could include the Governor’s \$3 billion in funds for the so-called "Transformational Projects." In fact, this approach could transform New York from one of the absolute worst states in equitable funding of public education in the nation – as cited in the latest research from Rutgers University – to some modicum of status on a reform and recovery list. New York's future could be even more critically transformed with the assurance that every child in our state receives a sound, basic education.
5. The *restoration of GEA per student* would be a better metric to assess the level of equity and sufficiency of any plan. The letter focuses on the *percent of GEA restoration* as the primary measure of equity and sufficiency. That metric is only a tangential measure of equity and sufficiency. After all, it is not just basic budget revenue impact that is measured; it is also the ability of each school district to educationally affect their demographic of students with the funds provided.
  - To start, the letter targets those school districts with a CWR less than 1.0 and less than a 14.9% GEA restoration for revenue improvement. It is difficult to discern the logical basis for these target ranges in terms of how they will actually lead to fiscal or educational solvency improvements.

- The 14.9 % is simply the average percent of restoration of the GEA in the Executive Budget proposal and totals almost \$322 million.
  - The letter’s assumption is that all school districts with a CWR less than 1.0 should at least be at the state average for GEA Restoration that currently stands at 14.9%.
  - These 18 Senators suggest that the \$203 million of Fiscal Stabilization funds and \$75 million of performance grants should be repurposed to GEA restoration. They identify those school districts with a CWR of less than 1.0 that achieve less than a 14.9% increase in GEA restoration under the Executive Budget Proposal. The idea is to bring each of these school districts GEA restoration level up to the state average of 14.9% contained in the Executive Budget Proposal.
  - The mathematics of the construct will not produce the “average” yield identified in the letter:
    - An addition of \$203 million and \$75 million into the restoration of the GEA would then increase the average restoration from 14.9% to almost 27%.
    - In actuality the more money put into the GEA restoration the higher the average will go. However, it is true the school districts targeted by the suggested increase in GEA restoration will achieve greater reinstatement of funds.
    - Thus, the use of an average is not a helpful construct. Instead we suggest an acceptable distribution of *GEA restoration per student* based on fiscal capacity and poverty that can be measured for correlation and plotted to identify equity characteristics.
- Also consider that if a district experiences the restoration of the GEA at the 15% level it may only help the district marginally. The amount of restoration must be large enough to result in a significant revenue increase *per student* when compared to school district educational and fiscal state mandated fixed costs that influence *per student* expenditures.
- Our interest is not limited to just the SSFC member students - but for all students in average or below-wealth school districts – no matter where they live.
    - The GEA restoration must focus on two areas – fiscal capacity and poverty. The letter addresses neither point in a fair way, but rather improves the current condition for a selected category. We must have a more egalitarian approach to state support for school districts. The plan also needs to be comprehensive.
    - The Governor’s GEA restoration distribution formula is heavy on poverty, but moderate on fiscal capacity. The letter from the 18 Senators focuses on fiscal capacity, but is light on poverty. To accomplish both purposes to any degree of adequacy will require more money to distribute. That distribution must be equitable- that includes to every school community who needs the money under our dual distribution criteria- fiscal capacity and poverty – regardless of where they live.
  - All of the signatories are from Upstate...and although there are a wide range of Upstate Senators that “signed on” to the letter, it is not all of them, which raises concerns.

- Where are the rest of the Senators on this issue? What plans or suggestions do they offer?
- The limitation of the letter's remedy to the GEA is instructive. It appears to focus, upon analysis of school districts with a more rural nature as contrasted to small cities, large cities and New York City by design. While on the surface letter appears to find a way to assist those that are not accommodated in the Executive Budget proposal, it unfortunately does not do so.
- Sadly and unfortunately, Downstate Senators are also absent from the letter.
  - This is not only disappointing, but it is wrong-headed. There are below average and average fiscal capacity and higher poverty school districts in every part of the state and they all deserve significant representation to ameliorate the destructive GEA.
  - We do not believe state fiscal support for school districts should be framed, characterized or allowed to exist as an "Upstate vs. Downstate" issue. Such a portrayal must not be allowed to circulate by design, for political reasons, as a distraction or as a contrivance to ensure that no equitable and sufficient state supported fiscal solution can be created.
  - In any case, such a warped depiction of SSFC goals was not created by accident and the creation of a statewide equitable and sufficient restoration of the GEA must eradicate such perceptions.

Our goal remains the same – to articulate fiscal and educational goals statewide -all children are important – and the most vulnerable among them must be given the sufficient and equitable fiscal support and educational opportunities if they are expected to excel. That means those school communities; in every part of the state must be given equitable and sufficient resources to achieve state standards for all children. End of story.

We again acknowledge that this letter is a good first step – a highly appreciated first step – but time is running out for hundreds of thousands of children attending lower wealth and higher poverty school districts. What has been proposed in the Executive Budget and the Senators' letter is simply not enough, nor is it comprehensively equitable enough to stave off fiscal and/or educational insolvency. We need action and we need it now.

In the handful of weeks to come as the Budget gets negotiated and ratified, we need to make sure that our voices are heard. We need to engage with our Legislators...**CONSTANTLY**. We need to stay on message and drive it home.

Mike Ford, Superintendent of the Phelps-Clifton Springs School District, **has created an advocacy kit** for your use in these efforts. (See separate link)

We can't let up now - we must get it right. Thanks for your advocacy and hard work.

It is the same for all of us as it for our Legislators - **WE NEED RESULTS AND WE NEED THEM NOW!**