

PROGRAMMATIC OVERVIEW

Education

The Governor begins his last year in office without having addressed the court ordered requirements of the Campaign for Fiscal Equity lawsuit to revise the system of providing State funding for education. In fact, he has spent nearly 12 years and more than 12 million taxpayer dollars seeking to ensure that school children in New York City and high need schools throughout the State continue to be deprived of their right to a sound basic education. A functioning, stable, operating aid formula which recognizes changes in student enrollment, need, and district wealth still does not exist; Governor Pataki has yet to propose any significant, long term reform.

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In fact, this year's Executive budget demonstrates blatant

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disregard for not only the court ordered requirements, but provides neither basic operating funds nor full reimbursement to districts for expenses already incurred. The Executive budget purportedly increases aid by \$634 million. The Governor proposes an overall increase of \$258 million or 1.59 percent in General Support for Public Schools which provides increases primarily for expense driven aids including Transportation Aid, Public Excess Cost Aid and Building Aid.

More importantly, his proposal hides an estimated \$278 million in cuts in expenses already incurred by districts. Furthermore, he proposes \$375 million in Sound Basic Education Aid which he places into a reserve which can only be allocated pursuant to a plan approved only by the Director of the Budget; in fact, the State's financial plan as proposed by the Governor assumes no such disbursement.

Although the Governor speaks to schools having the necessary resources to meet the State's rigorous standards, his proposal does not reflect such an investment. In this year's Executive budget, only three percent of school aid is unrestricted and distributed using a formula. The majority or 56 percent of school aid would be frozen and distributed without any formula at all (Figure 4). In doing so, the Executive proposal ignores changes in district enrollment and student needs. And yet, at a time where the Governor's commitment of resources to public schools falls short of providing for their basic needs, the Governor proposes to increase the number of Charter Schools from 100 to 250, and, authorizes the payment of Building Aid for their construction costs. Clearly, this budget continues the Governor's policies that neglect our public schools.

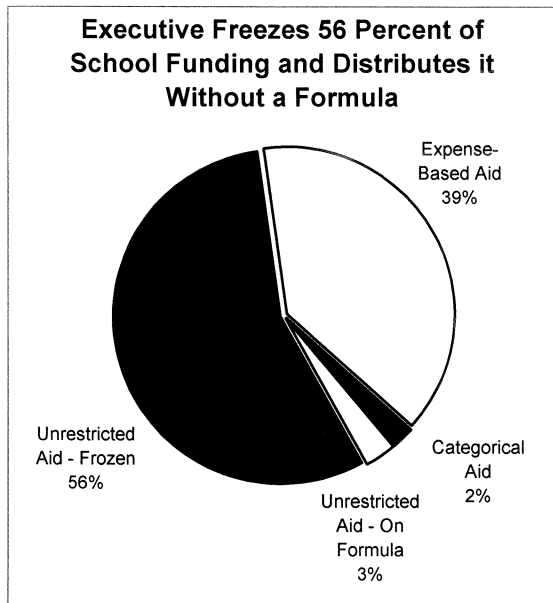


Figure 4

Although the Governor often likes to take credit for the large school aid increases enacted by the Legislature, the Executive budgets for the past eleven years have proposed total school aid increases of only \$1.1 billion. It is only due to the Legislature's intervention, that the final budget agreements over the last 11 years have provided nearly \$6 billion in additional State funding over this time period (Figure 5).

This year his proposal cuts traditional reimbursement aids including BOCES (\$60 million), Special Education (\$109 million) and Building Aid (\$78 million). In fact, over the past eleven years,

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the Governor has proposed more than \$1.2 billion in cuts to expense driven aids including BOCES and Special Education. His cuts have forced many districts to significantly increase local taxes, and have resulted in teacher layoffs and cuts to effective education programs. In addition, the commitment to develop a Universal Prekindergarten program has proven to be another of the Governor's broken promises, with support for four year olds across the State falling short by approximately \$1.8 billion during his tenure.

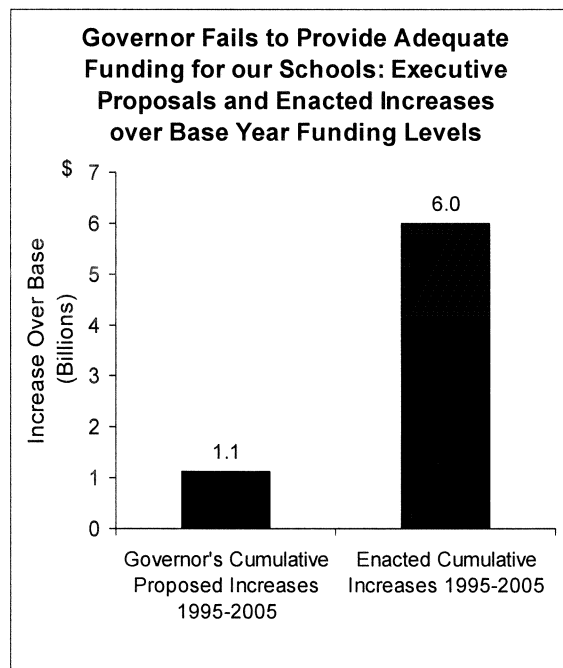


Figure 5

The cumulative impact of the Governor's lack of leadership is reflected in student performance. The Governor has failed to target state aid to those districts that need it most and students in high need districts are paying the price. Of those students who began their freshman year in 1999, 94 percent of students in low need districts graduated in four years; in stark

contrast, only 61 percent of their peers in high need large city school districts graduated in that same time span. This trend is seen over and over in the number of students receiving a Regents Diploma and the number of students with serious academic problems as indicated on the 4th and 8th grade Math and English Language Arts tests.

Campaign for Fiscal Equity, Inc. v. State of New York

Twelve years ago, the Campaign for Fiscal Equity, Inc. (CFE) filed a lawsuit against the State of New York charging that the State had failed to provide New York City schoolchildren with a constitutionally guaranteed "sound basic education". On June 18, 2003, New York State's highest court, the Court of Appeals, issued its final decision on behalf of CFE and set forth a remedy that ordered the State to:

1. Ascertain the actual cost of a sound basic education in New York City;
2. Ensure that every school in New York City has the resources necessary to provide every student with the opportunity for a sound basic education; and
3. Implement a system of accountability to ensure that reforms actually provide this opportunity.

In response to this order, the Regents, the Plaintiffs, the Governor, the Senate and the Assembly each advanced school funding proposals and related reforms during the 2004 legislative session. The Plaintiffs applauded the Assembly's proposal to spend an additional \$6.1 billion over the next five years. The

Plaintiffs argued that the Assembly's comprehensive plan was the only plan which complied with the Court's requirements. However, the Assembly was unable to reach an agreement with the Senate and Executive to enact reforms for either the 2004-05 or the 2005-06 school years.

The failure to implement reforms by the July 30, 2004 deadline imposed by the Court resulted in the Court's appointment of three Special Masters. The Special Masters appointed by Judge DeGrasse held two months of hearings and heard extensive expert testimony on this issue. On November 30, 2004 this panel released a report recommending that the State ensure \$5.6 billion in additional spending in New York City schools over the next four year period. They also recommended an additional \$9.2 billion in additional spending on school facilities including new classrooms, laboratories and libraries so that students would have the physical space conducive to meeting the tenets of a sound basic education in New York City during a five year period.

The Governor is currently continuing his tactic of delay and denial by persisting in further appeals of the Court's order.

The Assembly Proposal: Reform + Resources = Results

For the past two years, the Assembly Majority has advanced a comprehensive statewide reform proposal.

Although the Court does not have the legal authority to suggest such reforms for any district other than New York City, the Assembly is committed to ensuring that

any solution be applied to school districts across the State.

The Assembly's proposal would guarantee a transparent, predictable school aid formula allowing school districts to plan their budgets. Currently, districts often construct their budgets without knowing how much aid they will receive from the State. The Assembly's formula would provide the stability and predictability school districts have argued and local taxpayers deserve.

The Assembly's reform initiative would ensure a functioning, comprehensive Operating Aid formula that would provide additional flexible operating funds to districts. The Assembly's formula adjusts for regional cost, student enrollment, student need and reflects school district fiscal capacity. More than half of the other states in the nation use a formula similar to the Assembly's proposal in their allocation of state aid to schools.

Under this proposal, the Assembly would require New York City to commit to an enhanced maintenance of effort. These resources would be targeted in ways that will support programs that directly impact improved student achievement.

The proposal would strengthen and support accountability measures that are already in place and include requirements for meeting standards, yearly progress, and a thorough planning and reporting process. In addition, there would be a transparent and streamlined comprehensive planning process for all school districts that would demonstrate

how resources would be effectively utilized at the district and school levels.

As part of our initial response to the Court's mandate, the Assembly also advanced capital improvement proposals to address the glaring inadequacies of facilities in many high-need school districts across the State. They experience extensive overcrowding, unacceptably large class sizes, and the lack of sufficient science laboratories and school libraries. The need for facility improvements is well recognized. In 2005, the Assembly secured a five percent increase in the building aid ratio for high need districts and expanded the allowable reimbursement for certain construction costs in New York City bringing the State's reimbursement of the City's Capital Plan to 50 percent. Unfortunately, the 2006-07 Executive budget once again ignores the need for facility improvements that would create educational environments that are conducive to learning.

School Funding and Achievement

Public education is funded through a combination of State and local revenues and a small amount of federal funding. The heavy dependence on local property tax revenues links the resources available to children to the wealth of the school district in which students reside. This can have serious adverse effects for children who attend schools in poor areas. Although school funding has increased in recent years due primarily to the Assembly's leadership, both resource and performance inequities persist.

The fact remains that resources are linked to success. With resources, districts have

access to a broad range of educational services, with proven benefits such as prekindergarten programs. Research has consistently shown pre-kindergarten programs to have lasting effects on student achievement, college attendance and future earnings. Whether library books, access to technology or other educational resources are considered, high-need school districts are often forced to manage with less.

When school spending is adjusted for pupil need and regional costs, a direct relationship can be seen between academic performance and district spending (Figure 6).

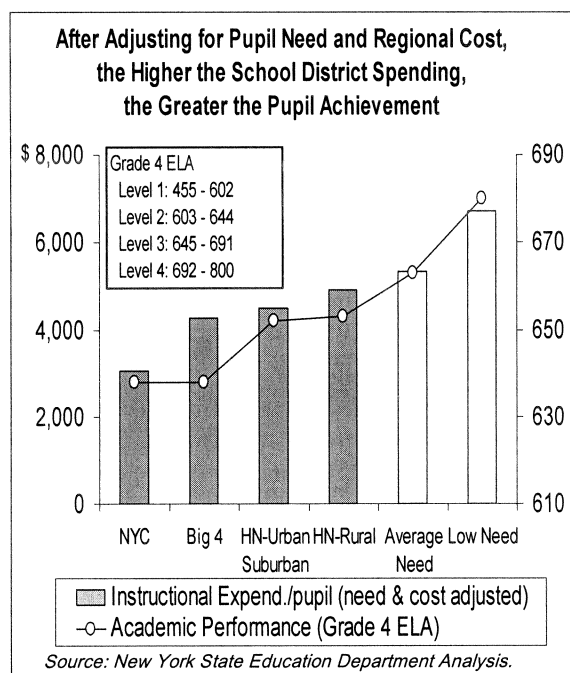


Figure 6

Over the last several years the number of students succeeding has markedly increased; however, a significant achievement gap between high need districts and low need districts persists. For example, while only 3.2 percent of

students in low need districts score at the lowest level on the Middle Level Mathematics Exam, 29 percent of students in high need large city school districts score at this level. Students who do poorly on these exams are at a heightened risk of not graduating. In fact, the State Education Department notes that of students scoring at the lowest level on 8th grade tests, an estimated 87 percent will either not graduate in a timely fashion, or, not graduate at all.

New York State is consistently regarded as having some of the highest educational standards in the country. The Assembly supports the Regents decision to set a high bar for all students in the State. Students today are facing a globally competitive marketplace and must have the skills to rise to the challenges of tomorrow.