

TESTIMONY

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Governor's Education Reform Commission

August 8, 2012



Chairman Parsons and other members of the New NY Education Reform Commission:

I am Mary Beth Fiore, Superintendent of the Elmira Heights School District of Chemung County and Vice President of the New York State Council of School Superintendents. Thank you for the opportunity to testify today.

We commend Governor Cuomo for establishing this Commission and creating a venue for an absolutely essential statewide conversation about where our schools stand today, and where they should be heading tomorrow.

We may not agree with some of the Governor's rhetoric and with parts of his analysis, but we agree that it is imperative for every one of us to focus on this question: *how can our schools produce the learning our students need with the resources our taxpayers can provide?*

Challenges ahead for school districts

Based on historical school spending patterns and the revenue limits now set by the property tax cap and the School Aid growth cap, the State Education Department projects that school districts will face budget deficits averaging 28 percent of expenditures by 2016-17.

That full gap will not occur, because it cannot – just like state government, school districts cannot run large structural deficits year after year. Part of the gap is already being closed through lower negotiated compensation packages and other concessions made by superintendents, teachers, and other employees. But those actions will not be enough, and the Department's estimate does indicate the magnitude of adjustments schools will need to make.

In a typical district, roughly 75 percent of school spending goes to pay for employee salaries and benefits. Looking at the purpose behind the spending, roughly the same proportion – 75 percent – goes to supporting instruction, according to SED figures.

Plainly we are not going to close a 28 percent budget gap solely by squeezing the 25 percent of school spending devoted to non-personnel, or non-instructional costs.

The Education Department has also begun publishing an “aspirational performance measure,” intended to indicate the percentage of students graduating “college and career ready.” Based on performance on

Regents Exams in math and English, the Department estimates 35 percent of students graduated college or career ready in 2010-11.

We dispute SED's measure. For one thing, it gauges readiness for what comes after school based on performance on a math test most students take in 9th grade, or even 8th grade. But there is no disputing that schools are being challenged to produce stronger results for all students.

We also endorse the goal behind the measure – receiving a high school diploma should tell colleges, employers, families, and most importantly, students themselves, that earning that credential attest that the young man or woman is prepared to succeed in the next stage of life.

Tying together these themes, schools are not going to close large structural deficits and dramatically raise achievement operating within the new revenue limits and without significant changes in the rules dictating how we are expected to operate.

An example exists in my district, where restrictions in transportation funding formulas have created additional costs to our district, while sharing a transportation run with a neighboring district. What has been done for years is now costing us more, simply because of the application of current transportation formulas. In essence, the current formulas are detracting from efficiencies that could be gained.

Focusing on upstate, rural districts

Of course, using statewide figures alone to appraise the weaknesses of our school system may obscure more than it reveals, and divert us from the actions we really need to take to make it stronger.

New York is hugely diverse, in ways good and bad, with wide variations among districts in demographics, resources, and results.

Today, I would like to take some time to discuss problems confronting poorer upstate school districts, like the one I serve.

Last summer, the Council surveyed superintendents on financial matters. One question asked which was the greater concern for their districts – the property tax cap or possible future state aid levels?

Looking at statewide results, priorities appeared equal – 25 percent of superintendents picked the tax cap, 23 percent chose state aid, and 52 percent said the two revenue items were of equal concern.

But those statewide figures mask wide variations across regions. In the suburban counties around New York City, the tax cap was the greater concern by a 54 percent to 7 percent margin. In the poorer upstate regions away from the Hudson Valley, 31 percent of superintendents chose possible future state aid levels as the greater concern, with 16 percent picking the tax cap.

Obviously, the tax cap is a consideration even in poorer regions – 54 percent said the two items were of equal concern. But about 20 percent of our districts raise \$50,000 or less with a 1 percent tax increase. In some cases, this is a reflection of small size as well as low wealth. Even in a small district, at least \$50,000 will be needed to pay the salary and benefits needed to save a teacher's job.

These poor districts were capped by circumstances before they were capped by law. They could never ask their taxpayers for a tax increase large enough to offset a cut in state aid, or recent surges in pension and

health insurance costs. With the adoption of the Tier VI pension reform proposal, some of the burden on New York taxpayers will be diminished in the future. However, these savings will not significantly impact or mitigate our immediate financial crisis.

In our region, the effects of these two cost drivers, pension and health care, are challenging every district, including our BOCES system; a system designed to create and promote efficiencies. The Greater Southern Tier BOCES is the last BOCES in the state of New York to merge, and these two cost drivers present the same challenges for a much larger entity. Within our 21 district BOCES, we also boast the last school district in the state to merge (Canisteo-Greenwood).

Even when the state tries to structure aid reductions progressively, so that poorer districts get some protection, they still tend to suffer most. For example, in 2011-12, the average aid reduction for the poorest 10 percent of districts was 4.8 percent, compared to 9.3 percent for the wealthiest 10 percent. The two groups proposed roughly equal tax increases on average. But where the wealthier group increased their spending by 2.2 percent, the poorest group essentially held spending flat. Even for the wealthier group, the total spending increase did not keep pace with what covering pension and health care costs would have required, but the poorer group had to cut much more deeply to absorb those costs within flat overall budgets. So gaps in resources and opportunities widened.

Since the Gap Elimination Assessment was introduced, our region has realized a staggering loss in state aid totaling \$35 million, equivalent to more than 10 percent of our region's total aid, even after the restorations in the last state budgeting cycle. In addition, our region has eliminated upwards of 900 positions in the last two years alone. These are jobs lost to New Yorkers. These cuts have resulted in families leaving our region, an increase in unemployment costs and a reliance on other systems required to support struggling New York families.

In this school budgeting cycle, 96.5 percent of small city, suburban and rural districts won approval for their budgets from their voters on vote on May 15. After "re-votes" on June 15, only two districts were unable to gain voter approval and required to adopt a budget with no local tax increase.

But despite this year's success, worry about the future is widespread. Looking at reliance on reserves in budgeting helps explain why.

In the Council's finance survey, 89 percent of superintendents – nearly everyone – said they were concerned about their districts' reliance on reserves to fund recurring costs. But there were still regional variations – 76 percent of upstate superintendents said they were "very concerned," compared to 46 percent in the New York City suburbs.

According to the property tax report cards districts filed with their initial budget proposals this year, the average district used an amount of fund balance in this year's budget equivalent to 7 percent of their tax levy. To put it differently, without that amount of fund balance, the average district would have needed to raise local taxes by 7 percent more than they actually proposed.

Again, the prospects for poor districts are even more dire. The poorest 10 percent of districts would have needed to raise local taxes by an extra 21 percent if they had not had fund balance to use. These are also the districts that are drawing down their existing reserves at the fastest rate.

Additional state aid is needed to help many districts fill gaps in their budgets. But along with all other districts they will also require help on the cost side in order improve results to desired levels.

Regionalism and consolidation – possibilities and limits

As we have illustrated, districts will not close budget gaps without affecting instruction and personnel. Administration and other is a popular target for cuts and criticisms, and we should look to maximize efficiencies in all areas including those.

Regionalism and district consolidation are often cited as possible avenues for savings. Districts have become more and more aggressive in sharing administrative and overhead functions. Some superintendents are frustrated with state procedures governing consolidation and with voter resistance to that option. Other superintendents are aggressively advocating for the authorization of regional high schools – not primarily to reduce costs, but to preserve the opportunity for students in their communities to receive a complete education.

We support exploring a menu of strategies to enable greater collaboration between school districts and between schools and municipalities, including consolidation, where they make sense.

But we also need to be realistic about how much these strategies can deliver.

First, central office expenditures are a small share of total district spending – a 2.2 percent according to SED figures. Also, poor, rural districts tend to be especially thin on administration. For example, by law districts are required to report compensation for all administrative positions carrying the title superintendent, or deputy/associate/assistant superintendent, or any other certified administrative position paying more than \$123,000. By our count 301 districts – 44 percent of the total – report only one position meeting the criteria this year – their superintendent. Some may have other central office positions bearing different titles and paying below the threshold, but this measure does give some indication how lean many rural districts are.

Further, the Council's survey found that districts cut administrative positions more sharply than other categories in their 2011-12 budgets and the highest percentage of superintendents said that administration was the area of operations where budget actions had had a severe negative impact. This comes at a time when the new evaluation requirements are seen as imposing time-consuming new demands on school administrators.

Second, other states, such as Texas and Illinois, have comparable numbers of school districts and yet do not spend what we spend per pupil, so the number of districts we maintain does not explain by itself why we spend more than all other states.

Third, if we succeed in merging small, poor districts, the amount of aggregate savings we produce will be small and we will have larger but still poor districts. This may put off the worst financial choices for a time, but it is not a permanent solution.

Finally, I want to be sure you grasp how geography may affect what is possible or reasonable.

In 2008, the Governor's Commission on Property Tax Relief recommended merging all districts with fewer than 1,000 students.

On Long Island, the average district now serves roughly 3,800 students and occupies 11 square miles.

In the northern suburbs (Westchester, Rockland, and Putnam Counties) the average district enrolls about the same number of pupils and occupies 18 square miles.

Most upstate districts are larger than 75 square miles. In the North Country, the average district served just 977 students in 2011-12 – below the 2008 Tax Relief Commission proposed threshold – but occupied 179 square miles.

So had we adopted that Commission's recommendation, we would have merged at least 40 districts *and taken on the need to bus children over areas greater than the size of New York City* (322 square miles).

Again, we should consider strategies to authorize, encourage and perhaps even mandate new regional approaches. But we need to be realistic and reasonable in understanding how much those strategies can really contribute.

Other actions are needed

As one veteran administrator observed, "The money is in the buildings" – the vast majority of school spending goes to pay teachers and to support other student services. If 75 percent of school spending goes to pay personnel (looking at commodities purchased) or to support instruction (looking at purposes served), the implication is that roughly 75 percent of whatever cuts we must make to balance our budgets will come out of those areas.

There are two ways we can reduce costs for personnel: spend less per employee, or employ fewer people. We need help from state government to lower our per employee costs so that we can save more positions.

That is one reason we supported the Governor's Tier VI pension reform proposal and seek actions to lower health care costs for employees and retirees. We have called for a new state law to mandate minimum employee contributions toward health insurance. That change would reduce the taxpayer share of costs, but does not directly address the real problem – the cost of health insurance is too great and growing too fast. So we support other strategies, to expand the use of regional health insurance consortia and promote bulk purchasing of prescription drugs, for example.

Other reforms would help us produce more impact for students from what we spend. We support alternatives to instructional seat time requirements and expanded options for students meet graduation requirements through completion of career and technical education programs, for example. A copy of our recent recommendations to the Regents for regulatory relief is attached to this testimony.

We have supported Triborough reform – eliminating guaranteed salary increments after a collective bargaining agreement has expired – as a way to restrain personnel costs. A longer term, collateral benefit of its strengthening of management leverage might be to facilitate innovations in compensation such as replacing guaranteed step increases with performance-based raises, initiating career ladders for teachers, and expanding flexibility in work arrangements.

Conclusion

In conclusion, as a superintendent, my focus is simple. The first thought I have when I wake up each morning is can I keep those in my charge safe today. Do I have everything in place that will provide for the safest and most nurturing learning environment possible? Secondly, do, and can I make a difference, to ensure that every child in my district has an equal opportunity to prepare for their future. In order to make these most fundamental commitments to our future, we need to rely on a fair, equitable, efficient and productive system that supports our most fundamental mission, to educate and provide a future to all children in the State of New York.

I thank you for the opportunity to address this Commission and I applaud the outreach that the Governor is making through your vital work.