

**Testimony of Dr. Bruce Fraser
To Governor's Education Commission
On Behalf of the NY State Rural Schools Association
Provided: July 10, 2012**

Introduction

I am pleased to have the opportunity to address this Commission on behalf of the NY State Rural Schools Association's 239 districts. Our members represent 35% of New York's districts but enroll only 10% of the state's public school students. Half of our member districts are classified High Need to Resource Capacity. I remind you that each one of our rural students has a right to a "sound basic education" under our state's Constitution. In advocating for rural students I hope to make certain those children's interests are fully considered as this Commission deliberates.

Overview

I want to address two intertwined topics today. New York's rural districts are concerned about both district re-organization and funding equity. We maintain that if New York's funding formulas were more equitable this Commission would not need to examine rural consolidation.

From a state's perspective educating rural students is inconvenient. Economies of scale cannot be readily achieved across sparsely populated regions. When rural districts merge transportation costs offset a large portion of anticipated personnel savings. It makes little sense to merge two low wealth rural school districts into an equally poor large district. New York offers lucrative incentives to districts that merge. Despite lucrative financial incentives a very small number of consolidations (four since 2000) have been completed recently. Rural communities resist incentives to merge even as they bear a higher tax burden than most other NY communities.

The RSA Position on Reorganization

The Rural Schools Association is not opposed to school district consolidation when local school districts conclude it is in their community's best interest. We endorse the state's current consolidation approval procedures. Those procedures place reorganization decisions in the hands of local Boards of Education, and local voters. The Rural Schools Association strongly opposes recommendations similar to those found in

the Lundine and Suozzi Reports (2008) that proposed reorganization decisions be made at other levels of government. For each of the past five years the Rural Schools Association's Legislative Position Paper endorsed Regional High Schools legislation. Again, we support providing options that assure rural children access to quality programs.

Funding Equity Concerns

The Rural Schools Association is concerned that recent Gap Elimination Adjustments resulted in much larger per pupil reductions in High Need/Low Wealth school districts than in Low Need/High Wealth districts. We are also concerned that Local Property Tax Cap legislation will progressively widen existing per pupil spending disparities. A two percent levy increase in a low wealth district generates an additional \$52 of local revenue per pupil. The same two percent levy increase in a high wealth district would generate \$452 per pupil. After one year under the tax cap existing spending disparities between low wealth and high wealth districts will widen. Projected over a decade, existing funding disparities become indefensible. I want to emphasize that low wealth rural districts do not want to be "starved" into reorganization due to inequitable funding.

Change at the Margin vs. Reform

A second problem with the Local Property Tax Cap implemented by New York is that it locks in place a system of school financing that has serious flaws. Dr. Bruce Baker, a school finance expert from Rutgers University recently published an analysis comparing the school finance systems in fifty states. In that article, Dr. Baker ranked New York high on a measure titled "Adequacy." On a second measure, titled "Regressivity versus Progressivity" Dr. Baker ranked New York very near the bottom of the fifty states. For NY to allocate large amounts of money to support education based upon formulas that fail to adjust for student need or differences in local wealth is patently foolish. Our current approach contributes to the wide disparity in educational opportunity and the wide disparity in student performance we see across NY school districts. This past budget cycle the legislature allocated new funding to school districts in a manner that better took into account student needs and local wealth. That being said, overcoming funding inequities cannot be accomplished by more fairly allocating \$800 million of new funding while continuing to distribute the remaining \$19.5 billion in state

aid based upon a flawed approach. It is my hope that this Commission undertakes genuine reform in the area of school funding allocation that looks at how all state aid and STAR funding is allocated to localities.

Vermont's Solution

It is worthwhile to contrast New York's response to the Campaign for Fiscal Equity case with Vermont's response to a similar legal defeat. Vermont responded by moving to a school finance system where the state assumed a high percentage of total education costs. Over little more than a decade, Vermont moved from the state bearing approximately thirty percent of the total costs of education to the state paying eighty-seven percent of education costs. By definition, when the state pays eighty-seven percent of the total costs of education a highly equalized system of financing schools has been put in place. During the same time period, New York moved in the opposite direction, shifting a higher percentage of total costs onto local school districts. The past decade New York has seen the state's portion of total education costs decline from 48.2% in 2001 to just under forty percent for 2011-12. Given the wide differences in local property wealth found across NY districts, shifting greater burdens onto local school districts has made NY's system of funding schools more regressive and inequitable.

A team of school finance experts performed an outside evaluation of Vermont's reformed school finance system and noted that the system could be considered, "fiscally neutral." Fiscal neutrality is achieved when the education opportunities provided children are unrelated to the wealth of the community where they reside. Among other areas praised by the outside evaluators in their report to the Vermont legislature were:

- Any two Vermont communities choosing the same per pupil expenditure were guaranteed the same residential property tax rate,
- Vermont took over assessment and administration of the non-residential property tax (utilizing this revenue in support of school funding statewide),
- Low achieving areas of the state have markedly narrowed student performance gaps since a reformed school finance system was put in place.

It would seem that this Commission should consider some of the school funding strategies put in place in our neighboring state.

Equity First: Then Reorganization

If we could start anew New York would not design an education system that carves the state into seven hundred diverse educational fiefdoms. Implementing change within complex systems involves overcoming resistance. If New York is serious about reducing the number of existing school districts, I recommend you break down resistance to systemic change by radically equalizing school funding. If NY utilized the property wealth of the entire state to support every student—regardless of zip code—reorganization would likely follow. It would occur first where it most improved operational efficiency. It would occur without costly incentives and without being externally imposed.

If an equity solution was pursued it would rationally follow that consolidation makes more sense in regions where population density is higher than in rural regions. Putting theory into practice—my recommendation to the Commission is don't engage in politically charged and unnecessary battles. Pursue funding equity and reorganization will more readily follow.

Conclusion

I am appreciative of the opportunity to address the Commission early in their deliberations. I look forward to any follow-up questions you may have.