

2010 MAJOR PARTY GUBERNATORIAL CANDIDATES ON EDUCATION AND BUDGET ISSUES

Compiled by New York State Council of School Superintendents Staff

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Excerpts from "The New NY Agenda: A Plan for Action"

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CHAPTER 2: GET OUR FISCAL HOUSE IN ORDER (EXCERPTS)

...In education, New York public schools spend more per student than any other state — fully 71 percent more than the national average, yet New York ranks 40th in the rate of high school graduation. Spending on salaries and benefits for teachers and other school district employees are also the highest in the nation. Yet only 67 percent of New York's students graduate from high school, and only 58 percent of these students receive a four year college degree by the age of 26.

One of the main reasons New York spends so much more than comparable states is State mandates that dramatically increase the cost to school districts and local governments of providing a high quality education and other governmental services. The State has used a variety of financial gimmicks and one-shot revenues that hide the fact that spending is growing at an unsustainable rate...

Enact an Emergency Financial Plan

We must get New York's fiscal house in order.

It will not be easy and will require sustained effort, seriousness of purpose and the ability to build a coalition for making the hard decisions the State's crisis demands.

We must immediately enact an emergency financial plan that includes the following measures:

- *Freeze Salary Increases of State Employees* – Contracts for 96 percent of the State workforce are up for renegotiation beginning April 1, 2011. We must freeze salary increases for state workers for one year as part of our emergency financial plan. We will freeze salaries while the State takes other measures to get spending in line and recover from the current financial emergency.
- *Freeze Taxes* – Because New Yorkers — already among the most taxed in the nation—cannot afford to pay more taxes than they do already, Andrew Cuomo will freeze taxes: he not raise and will veto any increase in personal or corporate income taxes or sales tax.
- *Impose a State Spending Cap* – In order to address the financial crisis and permanently control State spending, a statutory and constitutional spending cap that requires the Governor to propose, and the Legislature to enact, a budget that limits State Operating Funds growth to the rate of inflation is necessary to make the State live within its means. Only in the event of extraordinary circumstances may the Governor, with the agreement of a two-thirds supermajority of both houses of the Legislature, authorize spending in excess of the cap.

Impose a Local Property Tax Cap

Spending must also be controlled at the local level. While others have proposed a cap on just school property taxes, the fact is all local property taxes are going up at rate much faster than inflation. For the five years from 2002 to 2007, inflation ran at 2.9 percent annually, whereas property tax revenues

increased at higher rates for every major class of local governments. For counties, the average annual increase in property taxes was 5.7 percent; for cities it was 5.1 percent; for towns 5.6 percent; for villages 6.2 percent; for school districts 7.5 percent; and the highest rate of increase was actually for fire districts, at 7.6 percent. The local property tax cap would apply to all school districts and local governments and would be set at the lower of the inflation rate or two percent.

The cap would work as follows:

- Any property tax levy increasing above the inflation rate would be prohibited, unless endorsed both by the local governing board and by a 60 percent majority vote. For schools, this would be part of their regular budget voting process. For other municipalities and special districts, a referendum would be required on an exception basis, in circumstances warranting a property tax increase above the cap, preserving local control and an appropriate escape valve. These budget votes by municipalities would be similar to current requirements for voter approval to establish and spend from certain reserve funds.
- Only limited exceptions would be allowed for the cap, such as one-time needs for large legal settlements or extraordinary capital expenditures.
- Counties would also be covered, but with appropriate exceptions for state mandated social service programs that are not capped (as Medicaid is), and which represent a major share of their budgets. State agencies overseeing such programs would have to annually report on increases in spending in those programs and be charged with finding ways to control costs and local contributions for the programs to ensure that their growth rates are below the cap.
- All local governments would be covered, including fire and other special districts.
- The cap would apply directly to independent special districts and to town or county component special districts as part of their parent municipalities' tax levy. Thus, towns would be responsible for special service districts that they control, but not for those that can independently set their own levies.
- Exceptions or adjustments would apply to consolidations of services (so that the cap would not discourage a county or town from taking on consolidated services from other localities or special districts). In fact, the cap may well encourage cost saving consolidations, where existing arrangements prove to be too expensive for the new discipline.

Make Education More Efficient

Since 2003-04, school aid has increased at more than twice the rate of inflation. The State's fiscal crisis makes it impossible for this rate of increase to be sustained. As part of reining in the growth of spending on education, the State must ensure that school aid is targeted and fair. Districts with the greatest educational need and the least ability to locally fund education must not bear the full brunt of any school aid cuts.

Building aid and other forms of "reimbursable" aid must be scrutinized so that they do not distort a school district's incentives to control costs. We should direct scarce dollars first to basic educational program needs before allowing expense-based reimbursements for building aid and support functions to escalate in an uncontrolled way. For example, even in districts where enrollment is in decline, "building aid" encourages construction and renovation. Expense-based reimbursements for "transportation aid" and other rules can discourage efficiencies or regional collaboration. A recent

study from the State Comptroller's Office estimated \$145 to \$365 million in potential annual savings from consolidation of school "back office" services.

The State can cushion the impact of slowing the rate of growth in school aid by eliminating mandates that dramatically increase the cost of providing a quality education and by encouraging smaller school districts to achieve efficiencies through shared services and consolidation. While educational mandate reform must be an important part of the State's education and fiscal agenda, this cannot mean sacrificing quality. Instead, educational mandate reform should focus on what matters for student performance and in the process loosen the bureaucratic grip of procedurally focused rules that do not improve education. For example, many educators decry seat-time requirements that must be met for certain programs, whether they are effective or not. As Governor, Andrew Cuomo will convene a group of educators, school management professionals, parents and others to evaluate the many mandate relief options already on the table.

With mandate reform in many areas, local districts will be better able to reduce costs, including personnel costs which account for over 70 percent of school district expenses. School district personnel costs have been growing at a rate of close to 6 percent annually. Cutting that growth rate in half would enable school districts to save approximately \$1 billion annually, while freezing personnel costs would generate approximately \$2 billion in savings from projected growth rates.

Use Budget Surpluses for Direct Tax Relief

As Governor, Andrew Cuomo will use budget surpluses produced by controlling State spending to provide additional tax relief while building reserves that can be used to cushion the impact of any future fiscal crises.

If New York adheres to a strict spending cap equal to the rate of inflation, existing tax revenues should generate substantial surpluses that can be used for tax relief. Based on current estimates in the Governor's Executive Budget, a surplus of approximately \$1.1 billion could be generated in 2011-12 alone by adhering to a two percent inflation rate cap. This surplus will be used for tax relief and to bolster the State's "Rainy Day" fund.

Two-thirds of the surplus will be used for tax relief, with a substantial amount of that dedicated to a progressive property tax "circuit-breaker" that provides relief to middle class homeowners whose property taxes are high relative to their income.

Andrew Cuomo understands the importance of providing more property tax relief to hard pressed homeowners, who have seen their property tax relief cut by a total of \$1.5 billion over the last two years, and renters who face rising rents due to high property taxes.

A circuit-breaker can be designed in a number of ways to ensure that it provides meaningful relief to the people who need it most. An example of the type of approach that should be considered is the proposed legislation that would provide circuit-breaker relief for homeowners based on their income and overall property taxes paid (some renters would also be eligible, based on a property tax equivalent calculation). Under this proposed legislation, relief would be targeted to middleclass taxpayers with property tax bills exceeding six percent of their income, with slightly higher thresholds for taxpayers in higher income brackets (up to \$250,000 annually).

Bolster the State's "Rainy Day" Fund

One-third of the surplus will be used to increase the State's Rainy Day Fund until the Rainy Day Fund is fully funded at five percent of State Operating Funds spending, after which all surpluses will be used to provide tax relief or to reduce the State's excessive debt load.

Help Localities Control Health Insurance Costs

One of the most important ways the State can help local governments reduce costs and maintain services within a strict property tax cap is by helping to reduce their health care costs. Local health costs are one of the fastest growing government expenses.

As Governor, Andrew Cuomo will take a number of steps to help reduce these costs. First, the State must do a much better job of managing the New York State Health Insurance Program ("NYSHIP"), which provides health insurance coverage to State and local government employees, retirees and their dependents. The State Comptroller recommended that NYSHIP return up to \$600 million to State and local government employers and employees, in the form of reduced monthly premiums for 2010 for past overpayments, while the New York Association of Counties has estimated that up to \$200 million could be saved annually through better administration of this program.

The State can also help reduce local health care costs by easing barriers to the creation of municipal cooperative health benefits plans and allow small municipalities to join multiple employer trusts that have lower costs by being experience rated.

These measures, together with increased employee contributions to health insurance plans, could significantly reduce the burden of healthcare costs to localities.

Reduce Pension Costs by Creating a New Tier VI Pension System

Pension costs are one of the fastest growing expenses for both the State and local governments. The recent pension reforms creating a new Tier V for new employees was a step in the right direction, but did not go far enough. We must re-evaluate what benefits the State provides and to whom, including increasing employee contributions.

Moreover, we still have dramatic abuses being uncovered, and in many areas it is routine for employees near retirement to dramatically increase retirement benefits by manipulating overtime schedules. A new Tier VI would control "spiking", "padding", and overtime issues that drive up pension costs.

Mandate Relief

To provide a high quality education and local government services at a more affordable cost, school districts and localities must be given the ability to rein in costs in a way that is made almost impossible today by unfunded State mandates. A Cuomo Administration will undertake a comprehensive review of such mandates and State laws that otherwise limit the ability of school districts and localities to contain costs. We will immediately move to eliminate unnecessary mandates and propose a "sunset" bill requiring all unnecessary unfunded mandates be re-evaluated within a two-year period of time and automatically eliminated unless the mandate is affirmatively renewed.

Furthermore, Andrew Cuomo will veto legislative or regulatory mandates, unless they provide a complete accounting of the fiscal impact on school districts or local governments that includes full documentation, local government input and proposed revenue sources to fund the new mandates. Any new unfunded mandates should contain a “sunset” provision to ensure that the mandate does not continue to apply after its usefulness has passed.

We will also insist on mandate accountability through an annual report from the State Comptroller that includes the cumulative cost to localities of complying with all new regulatory and legislative mandates.

CHAPTER 5: NEW YORK LEADS (EXCERPT)

Win the Race to the Top in Education

New York must be the leader when it comes to education reform. This starts with the increasing the charter school cap from 200 to 460. But increasing the cap won't result in more charter schools if we too tightly restrict where they can be located or how they can be approved. We believe that public review and consultation are important—especially when charter schools will be co-located with traditional public schools—but this cannot become a poison pill that prevents opening new charter schools.

As Governor, Andrew Cuomo will also oppose arbitrarily limiting the number of charter schools that can operate in a school district. And because SUNY has done a good job in approving and monitoring charter schools, we should continue to allow SUNY to have shared authority for approving charter schools with the Board of Regents—which to its credit has become more supportive of charter schools in recent years.

As a strong supporter of charter schools, Andrew Cuomo understands how important it is to retain high standards and strong accountability. Charter schools that fail to perform at the levels promised at the time the charter school application was granted should be closed. Andrew Cuomo also supports provisions that will require charter schools to increase their enrollment of special education and ELL students—so that they are comparable to levels of neighboring schools.

Finally, in order to win the race to the top in education means being committed to the four education reform principles that underlay the federal Race to the Top process: (1) a commitment to rigorous standards and assessments; (2) recruiting, preparing and supporting great teachers and school principals; (3) building instructional data systems that measure student success and inform teachers and principals how they can improve their teaching practices; and (4) turning around struggling schools.

CARL PALADINO, Republican
from www.paladinoforthepeople.com

BUDGET, SPENDING AND TAXES

Albany politicians have given us the highest state and local government spending in the nation. That puts New York at a competitive disadvantage - not only with other states, but with much of the world as well.

My opponent Andrew Cuomo pledges to cap property taxes. New Yorkers want their taxes cut, not capped. Andrew's property tax cap campaign promise is just another way to maintain the status quo. We're not taxed just enough, stop it there, cap it off. New Yorkers are taxed far too much and we demand relief.

Of course I think we should cap taxes - the way I think you need to walk before you run. But New York needs to be running, not walking; we need to cut, not just cap.

Capping taxes is gutless; cutting taxes takes courage. I will cut taxes.

I believe Andrew Cuomo is gutless on Medicaid, too - the biggest problem with county taxes today. New York spends more on Medicaid than any other state in the union. We're twice as costly as California, which comes in second. If we simply cut Medicaid down to California levels - still far above the national average - taxpayers can realize 40%-plus cut in taxes.

I will do this in my first budget. Andrew won't even come close; he'll still be trying to figure out a way to unscrew his gutless cap.

Other politicians say they will cut taxes, but they fail to explain how they will pay for them. Not me. My first priority will be to cut spending by twenty percent in the first year of my administration. That will allow for a tax cut of ten percent during the same first half year. Those tax cuts will benefit every New Yorker in every area of the state including the poor and working class. The cuts will also help fuel the economic boom we need to save our State from insolvency.

I will focus immediately on New York's onerous gas tax, which hurts every New Yorker whether you drive to work in Hempstead or walk to work in Manhattan. This tax hurts the working poor, raises the cost of basic necessities and depresses New York's vibrant tourism industry. It must be chopped down to size.

Even drastic cuts will still leave us behind governments in our neighboring states - Ohio and Pennsylvania - which spend about 70 cents to the New York dollar. So I will work tirelessly each and every day of my administration to make more spending and tax cuts to provide New Yorkers the relief they need.

This is - and more - long, long overdue.

EDUCATION

Carl Paladino, candidate for Governor of New York State, has been passionate about improving the New York State education system for many years. As a concerned citizen, businessman, and father, he feels passionately that a strong education system is important to ensure that our state and our country remain competitive and that the next generation continues to create, imagine and devise world-leading, best in class products.

A solid education system helps local business recruit the best possible people to New York. Over his successful career, Carl has always given back to his community, supported strong educational leadership and put his money where his mouth is by creating scholarships for those in need.

As a personal project, since 1994 Carl has supported St. Luke's Mission of Mercy School, which serves the destitute, battered and broken, and poorest of the poor on Buffalo's East Side. Over the years, he has raised millions of dollars for the St. Luke's Mission of Mercy School, where the formerly homeless clients of the mission educate their children.

As Governor of New York, Carl will:

- **Excellence:** A Paladino Administration will extend the school year and hours per day of teaching. Foreign language instruction will be encouraged, and all schools will increase science and math curriculum to prepare our students to compete in a global economy. Schools at every level will seek cost efficiencies and productivity by utilizing professional expertise to review and change their operations.
- **Charter Schools:** Carl will work for charter schools for the poorest of our urban students as an alternative to dysfunctional schools of today. Charter schools set higher standards, are more responsive to the needs of children and are accountable yet free from the onerous bureaucracy placed on public schools. New York State charter law only allowed for 200 charters, 50 of those reserved for New York City. Carl will initially lift that cap to a minimum of 500 schools, which would then allow New York State to receive the \$750 million in Federal Race to The Top Funds.
- **Residential Charters:** To ensure that no child is left behind, Carl will create residential charters in the worst urban school district where children reside starting at kindergarten. These charters will tackle problems created by dysfunctional homes such as ensuring proper dress codes, food is supplied and overall conditions provide a learning atmosphere.
- **Consolidation:** Carl will consolidate schools to countywide districts to eliminate redundancy of administration and allow for more funds to be devoted to lowering class sizes and excellence.
- **Vouchers:** Carl will advocate the option of vouchers for parents seeking a choice on where to educate their children. This will provide solid educational opportunities for a wider selection of our children and ensure the survival of Jewish, Catholic, Protestant and non-sectarian schools historically providers of educational excellence.
- **Remove Problem Tenured Teachers:** New York has been burdened by Education Law 3020A which inhibits the ability to discipline tenured teachers and protects incompetent teachers at the expense of students. Carl will rescind this law making teachers more attuned to their competency reviews.
- **Administration:** Carl will demand that the Regents Board remove the School Board and Superintendents of all school systems presently achieving a less than 60 percent graduation

rate or having more than 25 percent of its schools in any form of academic distress and replace them with a competent “Special Master” with full authority to implement the changes necessary to effectively and quickly address the dysfunction.

- **Regents:** Carl will demand that all State Board of Regents members submit to the Governor signed and undated letters of resignation as of January 1, 2011. As Governor, Carl will accept the resignation of those who think protecting union leaders is more important than not leaving any children behind.
- **University at Buffalo 2020:** Carl strongly support the State University at Buffalo 2020 plan and similar programs for other higher education institutions in the State to be able to grow in both size and student population with out State intrusion. Carl will question formulas and non-resident tuition practices as well as faculty work requirements. His goal: to assist private colleges and state universities uniformly with an equality that encourages centers of excellence.