



**NASSAU-SUFFOLK
SCHOOL BOARDS ASSOCIATION**

**POSITION PAPER
ON
SCHOOL PROPERTY TAX CAP**

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School Property Tax Cap Proposal Preamble

The Nassau-Suffolk School Boards Association has taken the public's reaction to the advancement of the school property tax cap discussion very seriously. Long Islanders are crying out for tax relief, but there is also a growing concern about the negative impact such draconian legislation would have on the quality of our schools and the vitality of the communities they serve. The school property tax cap bill advanced by the governor supports a one-dimensional approach that is shortsighted and brings with it serious consequences, particularly in light of the state's growing fiscal crisis.

The possibility of declining state revenues coupled with stagnant or declining assessments pose a distinct threat to the quality of our schools. Placing further constraints on school boards by imposing a property tax cap without relief from the high cost of education, could be devastating.

While it is reassuring that our state legislative leaders have stated they will not consider mid-year cuts in state aid, we have no such assurances that the stream of funding to schools will not be curtailed in the coming years in an effort to close a deepening state deficit. Conversely, the governor has left "everything on the table" for discussion as he has called the legislature back into session.

This is not the time to entertain a school property tax cap.

Be assured that school boards are well aware of the downturn in the economy and will immediately factor a possible shortfall of revenues into their decision making in the coming months. We saw a conservative approach to school budgets this past May. To assume that the State of New York can impose its criteria onto what should be local decision-making is an insult to school boards and their constituents.

Board of Education members are duly elected public officials whose primary responsibility is preserving the fiscal and educational integrity of their school districts. Meeting those responsibilities is becoming increasingly difficult as state lawmakers move to dilute the powers and duties of school trustees.

If school districts are to make the tough choices about the fiscal and educational needs of their schools, shouldn't the responsibility for those choices be left in the hands of the local taxpayer and not dictated by the State Legislature and the governor? A cap on school budget increases already exists and it rightfully rests with those on whom the immediate and long-term consequences of the support or rejection of a proposed school budget would fall...the local property taxpayers. If the State Legislature and the governor are going to reduce the ability of local government to take action, should they not be held accountable for the fiscal and educational integrity of all schools?

The Contract for Excellence created yet another set of constraints on school districts' ability to allocate funds according to the unique needs of their individual districts. If state aid is cut and a property tax cap constricts local revenue, districts are still required to commit funds for the bureaucratic direction of the State Education Department and Regents, not for programs the district has determined to be of the greatest need.

A school property tax cap is one more step in eroding the ability of school boards to fulfill their duties, and further discounts the community's unique involvement in building the budget of their local government. This began with a law to allow just one revote on a school budget, a law which was imposed to appease Tax Pac groups who wanted no revote at all. As a result, we are left with a "take it

or leave it” approach to school budgets. Communities’ are denied the right to revisit their school budget and build a spending plan that balances their educational desires with fiscal reality.

Long Islanders have long held that the local property taxpayer bears an unfair share of the cost of public education. They have paid heavily to ensure the quality of their schools, making up for years of underfunding and formulas that discount the needs of their citizens. We greatly appreciate the efforts of our legislators to help balance the state aid equation by ensuring the delivery of High Tax Aid to Nassau and Suffolk Counties, helping to lighten the burden. But what assurances do we have that that High Tax Aid will continue or the glitches in the Foundation Formula addressed in order to fulfill the funding needs of all the school districts in New York State, including the many middle-low wealth districts on Long Island that have been flat lined by the formula?

The communities that will be hardest hit by a property tax cap include our most vulnerable populations: middle to low wealth districts, including middle class communities with little commercial tax base. We have already seen the impact that a flawed Foundation Formula has had on many of these districts. When the caps and aid are projected out over a number of years, schools will not have the ability to retain their programs or their staffing. The projections are even more dire as the state’s fiscal woes continue to mount.

It is irresponsible to arbitrarily cap school property taxes without first relieving the root causes of high taxes. A multi-pronged approach is needed to address this complex issue, not a simplistic “fix.” Districts need assistance in reigning in the costs over which they have no control: unfunded mandates, pension contributions, health insurance, special education, transportation, charter school tuition, and energy costs. Provide districts with the means to extend shared services, such as pooled healthcare insurance. Utilize accurate regional cost and wealth factors in the Foundation Formula to reflect the communities’ ability to pay. Rectify the underfunding of low to middle income, low property-wealth communities, which have borne the highest property taxes for years.

We urge you to examine a circuit breaker model, which is a far more comprehensive approach to property tax relief and has greater public support than a tax cap. It is gaining in popularity as the ramifications of the tax cap are thoughtfully considered.

We do not believe that Long Islanders will approve of the dismantling of their schools that could result from a school property tax cap. To impose this undemocratic measure strips districts of their local control and jeopardizes the economic status of our communities. It disregards the communities’ vision for their schools and their children.

SCHOOL PROPERTY TAX CAP

A Near-Sighted Approach with Far-Reaching Consequences

The Nassau-Suffolk School Boards strongly opposes the imposition of a school property tax cap. It is premature to consider a one-dimensional “solution” to the complex issue of high school property taxes based on the select recommendations of the preliminary report released by the Governor’s Commission on Property Tax Relief. The result would have a devastating and long-lasting impact on New York’s public schools.

The May distribution of the commission’s preliminary report initially gained attention as the populist solution to high property taxes: a 4% cap on school property taxes. We commend our State Legislature for resisting the enactment of 11th-hour legislation that would have provided a simplistic approach to a most complex issue. As the public has had an opportunity to review the property tax cap proposal, we have seen its popularity diminish while other recommendations have gained momentum, including the circuit breaker. We urge the Legislature to proceed cautiously.

Circumstances dictate that any solution to high property taxes be thoroughly researched, thoughtfully and carefully weighed, and not enacted as a politically expedient piece of legislation that would generate severe consequences, both intended and unintended.

Property taxes are a critical issue.

No one can ignore the fact that property taxes are a critical issue to New Yorkers, and no where is the issue more acute than on Long Island where a broad spectrum of communities represent among the wealthiest and neediest school districts in the state. Statewide, New York provides local school districts with just 43% of their revenues, 4% less than the national average. On Long Island, the state share is far less, (24.4% in 2003-2004), leaving local property taxpayers to carry an even greater burden.

Property Tax Commission was far too limiting.

The charge to the Governor’s Commission on Property Tax Relief was far too narrow in scope to fully address the complexities that drive high property taxes. We welcome solutions that focus on the root causes of high property taxes and appeal to our legislators to take a broad approach that would provide property tax relief while not eliminating the local control of school boards and their voters. The commission lacked a K-12 representative to share a more comprehensive perspective of the complexities of the issue and provide a vision of more practical solutions and consequences.

The governor’s tax cap measure does not take into consideration many of the commission’s recommendations that partnered the tax cap proposal. Those elements warrant further consideration, including a circuit breaker approach, relief from mandates including State Education Department regulations, reforming the Wicks Law, amending the Triborough provision of the Taylor Law, evaluating the creation of a new pension tier, encouraging health care benefits trusts, and providing greater incentives for school district consolidation.

The Foundation Aid Formula is fundamentally flawed.

Insufficient state funding, not excessive spending, account for high taxes on Long Island where school spending mirrors that of the rest of the state. The Foundation Aid Formula is fundamentally flawed, neglecting to provide Long Island schools with a fair, adequate and predictable stream of state aid.

Under its current configuration, the formula dramatically shortchanges Long Island by not adequately recognizing regional cost and wealth factors, our taxpayers' struggle to shoulder a far greater local contribution to education costs, or the anomalies within the formula that neglect the needs of low to middle income property wealth districts. Sixteen low wealth districts with a combined wealth ratio (CWR) below 1.0 received only the minimal increase in Foundation Aid this year. These districts serve 100,000 students. Clearly, the Foundation Formula warrants adjustments.

In addressing the inadequacies of the Foundation Formula, special education costs should be removed from the equation in recognition of the extraordinary burden these costs place on a district. The ever-increasing expenses for special education are taking a growing share of school budgets. Given that these expenses are heavily driven by mandates, costs to the local districts should be capped. Budgets of low-wealth and/or small districts should not be inordinately strained to provide these services, nor should the quality of services for special-needs children be dependent on the wealth of the districts in which they live.

Because of the inadequacies of the Foundation Formula, Long Island school districts are dependent on a less stable form of revenue: High Tax Aid.

We are grateful to our legislators for providing High Tax Aid to our districts which enabled us to keep pace with the statewide increases. This year, 80% of Long Island's school districts received a greater increase in High Tax Aid than in Foundation Aid. Were it not for this influx of revenue, the budget vote results would have undoubtedly been less successful and property tax increases higher. This illustrates our long-held position that when New York State keeps up with its fair share of education costs, the financial pressure at the local level is eased. Adjustments are needed in the Foundation Formula that would result in an equitable and stable source of school aid, less susceptible to fluctuations in the economy.

We can not address property taxes without the examining the high cost of education.

In a recent study released by the New York State School Boards Association, it was found that five non-discretionary expenses, including employee pensions, health care premiums, special education, transportation, and operations and maintenance, rose **47%** over a four-year period. While state aid has risen dramatically, educational programs would no doubt be jeopardized without state aid keeping pace with costs, or communities maintaining their right to increase their tax levies beyond a 4% cap to support the programs they have defined as priorities.

Address issues that will help control costs.

We have said it for years...place a moratorium on unfunded and underfunded mandates and State Education Department regulations to help school districts control expenses. New legislation should be examined for costs, including hidden costs, and funded accordingly. Despite a renewed outcry against mandates, school districts continue to be encumbered by them.

School boards have consistently sought the repeal of a section of the Taylor Law's Triborough Amendment, which requires districts to pay automatic salary increments between the cessation of a contract and the signing of a new contract. This weakens the school boards' position at the negotiating table.

Recent amendments to the Wicks Law that minimally raised the threshold of construction project costs did not go nearly far enough as the law continues to inflate construction costs. The Wicks Law remains a very costly financial burden that ultimately means both the State and local taxpayers pay more while our schools receive less for those dollars. Repeal the Wicks Law.

We urge legislation that would cap local obligations for uncontrollable costs – retirement system contributions, health care contributions, fuel costs and special education costs.

Charter schools remain an extremely burdensome mandate to local schools. Since charter schools are not accountable to the local boards of education, they should not be funded by schools that can neither monitor nor control the use of their taxpayers' dollars. While a school property tax cap, coupled with reduced state aid, would constrict programs and services to local public school students, school districts would still be obligated to fully fund their mandated payments to charter schools.

Put pressure on the federal government to provide funding for federally mandated programs, specifically Individual with Disability Education Improvement Act (IDEA) and No Child Left Behind (NCLB Title I). Millions of dollars in local property taxes are raised each year to fund these federally mandated programs.

Provide incentives for efficiencies.

To help districts reduce their costs, provide incentives and remove barriers that discourage shared services. Encourage the broadening of shared services for efficiency, including those with BOCES. Avoid undermining these efforts with the annual threat to cut BOCES reimbursement aid to districts that take advantage of BOCES shared services.

N-SSBA invested heavily in providing expertise to government efficiency studies initiated in both Nassau and Suffolk Counties over the past year. Numerous recommendations have significant potential for savings and warrant continued investigation. Make state grants available to support the necessary study to discern if these initiatives are viable.

Tax caps diminish local control.

Our Association has long held that no caps be imposed limiting the right of a community to determine the expenditures necessary to maintain the educational and fiscal integrity of its school district. Long Islanders have long recognized the role good schools play in the quality of their communities, the value of their properties, and the overall economic health of the region. Whether or not they have children in school, residents have a connection to their schools and identify their community by their school district. Despite the potential hardship, Long Island voters for decades have willingly supported higher taxes to balance out the inequities in state aid, ensuring the quality of their schools.

School property tax caps will widen the disparity between wealthy and needier districts. Local communities will have to live with the fallout.

One of the unintended consequences of a property tax cap will be in the widening of the disparity between wealthy districts and middle to low-to-middle wealth districts. The outcome of a school property tax cap is fairly predictable based on the impact of Long Island's mid-year state aid cuts in the early '90's and the devastating state aid losses in subsequent years. The result was crushing property tax increases accompanying no-growth school budgets. The willingness of voters in these communities to

increase their taxes during those hard times provided the safety net that enabled their schools to survive years of diminished state funding.

For years, middle and low-middle property wealth districts have dug deep into their pockets to raise the quality of their schools, struggling to slowly build programs and reduce class size. They form the bedrock of the finest education system in the state and remain essential to the economic vitality of the region. Ironically, taking the hardest hit from the property tax cap initiative will be Long Island's middle income homeowner communities that have for years borne the highest property taxes. While they may hold on initially, as discretionary spending becomes increasingly restricted in succeeding years, these districts will succumb to reducing programs and increasing class size. Overriding a cap will be a difficult challenge for these districts, even those with a history of budgets supported by the majority of their voting public. They will be forever relegated to a status from which they must struggle to overcome with a supermajority vote.

By contrast, wealthy districts will have less difficulty in garnering the support of a supermajority to override the cap. They should be allowed to continue to build quality programs, enjoy low class size and an enviable array of co-curricular activities. Their residents have come to expect this high level of services from their schools and are willing to pay for them. These communities closely identify with their excellent schools where property values reflect that commitment.

Conclusion

The Nassau-Suffolk School Boards Association strongly opposes the imposition of a school property tax cap. Authentic property tax relief can come only when the state assumes its fair share of school costs and relieves school districts of the cost of unfunded and underfunded mandates.

We support the voters' right to protect their community's investment in their schools and reject any legislation that would provide for a minority of voters to control the outcome of any democratic election.