

NASSAU-SUFFOLK SCHOOL BOARDS ASSOCIATION

INVITED TESTIMONY

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**New York State Senate Hearing
on Mandate Relief and Real Property Tax Caps**

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Senators Flanagan and Martins and members of the Senate Standing Committees on Education and Local Government:

On behalf of the Nassau-Suffolk School Boards Association and our President Jay L.T. Breakstone, I thank you for the opportunity to provide some grass-roots insight into the subject of today's hearing: "The True Path to Reducing New York's Real Property Tax Burden: Mandate Relief and Tax Caps". Ah, if only there was a "True Path".

At the outset of this presentation, let's be perfectly clear as to the long-held position of our Association, one that has been reiterated at these hearings year after year; indeed so often that it has become a mantra: "Long Islanders are asked to carry an extraordinary and unfair local tax property tax burden".

Explanations as to the causes abound. Over time some have become generally accepted and others remain issues of contention.

New York State's over-dependence on the local property tax to fund its public schools has, not surprisingly, been identified as the major factor in driving up the local tax burden.

Our State ranks among the lowest in the nation in percentage of state share of funding public education. This year, Long Island's state aid as a share of expenses may sink to an historic low, dropping from 32.2% in 1989-90 to a projected 21.0% in 2011-12. There are but a handful of Long Island school districts that have regained the percentage of expense aid they received in 1989-90. Over this 21-year span, property taxes and budget cuts, along with a brief infusion of federal funding, have backfilled that drop in state support.

Boards of education recognize that decisions made to address this year's economic reality will have a profound and long-term impact for their school districts and Long Island as a region. In this third year of frozen or decreased revenues, they are engaging in triage as they strive to fulfill their elected responsibility to protect both the fiscal and educational integrity of their communities' schools. They are mindful that the public deserves every assurance that cost-cutting measures and/or tax increases are integral parts of sound economic preservation and recovery strategies.

One would expect the same from a State government upon whom the New York State Constitution decrees responsibility to "provide for the maintenance and support of a system of free common schools wherein all the children of this state may be educated".

Thus far this shared responsibility seems to have eluded Governor Cuomo. With less than six weeks until the state budget deadline and eight weeks until school budgets must be finalized, what he has advanced thus far are exercises in misrepresentation and sound-bite solutions divorced from serious considerations of applicability and potential consequences.

MANDATE RELIEF

School boards that are struggling to build budgets with severely diminished revenues deserve to know now how much pain can be offset with relief from the burden of costly unfunded and underfunded state mandates.

Endless lists of unfunded, underfunded and/or useless mandates have been provided to State Legislators and Regents year after year. The time spent in preparing carefully thought-out requests for elimination of even the most arcane laws and regulations seems to have been in vain.

If the Senate believes that the true path to reducing New York's property tax burden is "mandate relief", then get to work. You've asked what needs to be done. This is the year to do it.

Perhaps the blunt instrument of the tax cap you support should be accompanied by an equally blunt instrument that attacks the state's cost-driving mandates, often indiscriminately passed by the Legislature, that drive up local costs.

Our board members state in N-SSBA's Legislative Priorities: "Sunset all existing mandates and reinstate only those are deemed essential. Impose no mandates that are not fully funded by the State."

Amend the Triborough Amendment to the Taylor Law, ending requirement to grant automatic step increases beyond expiration of a contract

Repeal the costly Wicks Law that has cost local and state taxpayers hundreds of millions of dollars

Maintain requirement that Long Island schools be held harmless for back payments of successful assessment challenges

Provide greater state funding of special education costs

Provide relief from volatile increases in pension contributions and health insurance costs

Honor commitment to reimburse schools for MTA payroll tax payments; expand reimbursement to BOCES and special act districts

Enforce Chapter 287, Law of 2004, to facilitate Long island schools' access to NYPA power; permit schools to "bundle" buildings in order to take advantage of declining rate structure for electric costs

Remove impediments to inter-municipal sharing of services

Allow schools the option to utilize national cooperative purchasing contracts and to cooperatively purchase with other states and municipalities

Relieve communities of the mandate to turn over local tax dollars to state-imposed charter schools that are not locally accountable

Address deficiencies in the “Foundation Formula” that deny Long Island its fair share of state aid and contribute to the inequitable burden placed on local property taxpayer

Oppose attempts to shift costs for summer school special education to local school district budgets

Permit school districts to establish reserve funds for TRS and retiree health insurance, recognizing the significant long-term fiscal obligations these items impose

Utilize more accurate regional cost and wealth factors in determining a community’s ability to pay when formulating all state aid distributions

Maintain the requirement of a local referendum for the merger of school districts; provide incentive aid and adequate transition funding for school district consolidation

Revisit new state mandate for the dramatic expansion of every employee’s ability to contest each and every performance evaluation

Fully fund new state mandate that imposes additional training requirements on board of education members

Maintain BOCES, transportation and private excess costs as separate, expense-driven aids

Require that all Bills contain a full disclosure of local cost and tax impact

Hold school districts harmless when properties are removed from the local tax rolls by state and other governmental agencies

Expand the use of impact fees for school districts

Amend the Real Property Tax Law to permit assessment and taxation of tax-exempt property used for business purposes

PROPERTY TAX CAP

The right of a community to determine its educational priorities through its locally elected board of education must be respected. Nassau-Suffolk School Boards Association’s long-standing legislative positions read:

>Impose no restrictions on the right of a community to determine the educational opportunities it provides for its students

>Impose no legislation that undermines democracy by enabling the minority to control budget votes through a super majority requirement

For the present, it remains the elected school boards' fiduciary responsibility to preserve the fiscal and educational integrity of the communities' schools. The Cuomo/Senate tax cap would still leave boards with the accountability, but strip them of the ability to fulfill that responsibility.

In imposing its super-majority requirement, the Cuomo/Senate tax cap would wrest local decision making from the community's voters and turn it over to minority dissidents. In a slap at democracy and in direct contradiction to the spirit of the Voting Rights Act, the Cuomo/Senate tax cap would assign greater or lesser value to each individual's vote. A supporter of increasing school support beyond the State's imposed limit would be assigned a vote worth two-thirds. An opponent of increasing school support would be assigned a vote worth full-value.

When pollsters measure support for a cap on property taxes, it should come as no surprise that a majority voice support. However, when asked whether caps should result in cuts to education, the tide turns.

Last May, Long Islanders took part in the most official of polls – the annual school budget vote. May 2010 saw an increase in voter turnout of nearly 5000. The options put before them were clear. They were provided with the ability to turn down their school budgets and opt for what was the equivalent of the current Cuomo/Senate Tax Cap....120% of the CPI which last year was "O". Voters faced the reality of your tax cap and rejected it overwhelmingly. It is significant that in these toughest of economic times and for the first time in recent memory, not a single Long Island school district is operating under a contingency budget. While the average budget increase was 2.38%, the average tax levy increase was 3.56%. If the Cuomo/Senate Tax Cap had been in effect last May, only 9 districts would have escaped the requirement for a super-majority approval.

Soon you should be receiving from each of the school districts in your electoral district a fact sheet on the short and long-term impact of the proposed tax cap. I urge you to look very carefully at the projections. These schools are your responsibility and it will be your vote that determines their future.

Whether it be in Year 1 of the cap or in ensuing years, staff layoffs are inevitable. They are occurring now and were part of school budgets last year. Given the small piece of discretionary spending left to boards, cuts in personnel will be sole option in many districts.

While the uninformed may view massive public sector layoffs as a worthwhile tradeoff for lowering taxes, the answer is not that simple.

School districts comprise one of the largest industries on Long island. They represent 9.2 percent of Long Island's Gross Regional product. School districts employ approximately 78,000 persons. The ripple effect in spending in the local economy from these workers' salaries is a reported \$17 billion. In turn, these public sector jobs support an additional 53,000 jobs.

In Year 1, the Cuomo/Senate Tax Cap, coupled with stagnant revenues, could easily result in the elimination of 3000 jobs and an indirect loss of an additional 2600 support jobs.

School workers and related additional jobs pay federal and state taxes of \$5.7 billion. Sales taxes paid to both counties in 2009 were \$345.9 million.

Need I go any further? It does not take an economist to comprehend the negative impact massive reductions in employment will have on local businesses, real property values, sales and income tax revenues and the still fragile Long Island economy.

Please send a message to the Governor. The campaign is over. It's time to leave the simplistic rhetoric and provide the public with a detailed five-year projection as to the fiscal consequences of his tax cap, whether or not it is accompanied by serious mandate relief and/or equitable state funding to fill the void.

If we leave with just one impression from today's hearings, it should be that Long Island and its future are in jeopardy if short-sighted decisions made in Albany are allowed to destroy the educational systems our communities have struggled to build and sustain.