

NORTH SHORE SCHOOLS
BOARD OF EDUCATION

112 FRANKLIN AVENUE
SEA CLIFF, NEW YORK

POSITION PAPER

PROPERTY TAX CAPS
AND
SCHOOL COSTS

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As the New York State Legislature considers a cap on local property taxes, the North Shore Schools Board of Education wishes to speak out to demonstrate why tax caps are an illusory solution that will ruin our schools and weaken our communities.

PROPERTY TAX CAPS AND SCHOOL COSTS

WHY THE DISCUSSION ABOUT TAX CAPS

One would be hard pressed to dispute that there is a local property tax crisis in New York and that some form of relief must be provided to those in need. However, the proposed cap on property taxes will undermine the quality of education at North Shore, exactly the kind of public education recognized by New York State and the Federal Government as exemplary.

High property taxes are certainly a burden to all, but especially burdensome to those senior citizens and disabled persons on fixed incomes, as well as those lower and middle class families struggling to live on Long Island, and especially in Nassau County. Clearly we wish to maintain the quality of our local public schools while at the same time providing relief to our residents who currently bear the burden of the costs.

We urge the legislature to consider all of the alternative cost savings options identified in the report of the *New York State Commission on Property Tax Relief*, as well as in *School and Municipal Savings Initiative—Opportunities for Efficiencies through Shared Services*, a cooperative effort by Nassau County, Nassau School Districts and Nassau BOCES. Many of the recommendations contained in these reports will in fact lower school property taxes, as opposed to imposing a cap on property taxes-- a measure which will not reduce the cost of public education or provide true property tax relief, but will in fact negatively impact the kind of quality public education offered to students within the North Shore Central School District.

THE NORTH SHORE CENTRAL SCHOOL DISTRICT

The North Shore Central School District, a small educational community of five schools on the north coast of Long Island serves a mix of close to 3000 students whose academic performance is consistently high by area and national standards. With a graduation rate of approximately 98% and a college attendance rate of between 97% and 100%, North Shore High School has been recognized by the U.S. Department of Education as a High School of Excellence and by New York State as an Outstanding High School, and Learning Partnership School. North Shore Middle School has been designated as a Model IIC Middle School by New York State, and the District has been named as a, “high achieving, gap closing district,” by the New York State Department of Education based upon the number of student with disabilities who receive a Regents Diploma. The North Shore community supports an educational program that involves over 65% of enrolled students in

the fine and performing arts, over 70% of eligible enrolled students in interscholastic athletics, and over 80% of enrolled students in voluntary community service activities.

The quality educational and extracurricular programs offered to the students enrolled in the North Shore Schools are provided within the constraints of a total 2008-2009 budget of \$80.9 million, of which only \$4.3 million or a little more than 5% is funded by state aid. Thus, the North Shore Community must support 95% of the costs of operating the schools through local property taxes. Due to the nature of the tax base of the North Shore School District, homeowners currently pay approximately 67% of the tax levy (the amount of the total school budget to be collected through local property taxes), with the remaining share split between utilities and businesses.

SCHOOL COSTS

School districts like North Shore have continued to struggle with the same costs as the rest of the country. However, public schools have less latitude in controlling such costs than many other businesses or nonprofit organizations due to New York State Laws and Regulations. For example, rising pension costs are set and mandated by New York State, as are the reimbursement costs of Medicare Part B coverage. Non-reimbursed, mandated special education costs are continually increasing as a result of both New York State and Federal requirements. The increased cost of energy, health insurance and goods and services are a reality within the current economy.

Collective bargaining with public servants in New York State must be conducted in accordance with the Public Employees Fair Employment Act, commonly known as the Taylor Law. Under the Taylor Law, each individual school district is considered a separate "public employer," and must therefore negotiate and contract with its own employees, including its teachers. Because the teachers' union, (NYSUT) provides each districts' bargaining unit with a Labor Relations Specialist, NYSUT can dictate the outcome of statewide negotiations at will by prohibiting local associations from taking any action which it deems adverse to its position on a given matter. NYSUT's comprehensive control of the collective bargaining process results in a gross imbalance of power.

NORTH SHORE'S EFFORTS TO CONTROL COSTS

The North Shore Board of Education has worked to control costs. Although waste, fraud and abuse are terms that have been associated with school finance, especially in the past few years, the audits of school districts by the New York State Comptroller's Office have not found such issues to be at the root of increasing school costs. In fact, **North Shore was commended by the Comptroller's Office for the Board's careful fiscal oversight and wise spending practices in providing the kind of quality education the district is known for.** The development of our new transportation facility has resulted in a reduction in transportation costs of \$403,324 from the 2007-08 school year to the 2008-09 school year. The negotiation of an energy management contract resulted in a decrease in our costs for electricity and gas by \$225,000 during the same period. During the past two contracts,

bargaining units have been required to increase their contributions to health insurance premiums by 10%, resulting in employee contributions that are higher than have been recommended by the State Commission on Local Government and Efficiency. However, these savings have been more than offset by increases in the cost of health insurance, the pension plan, and a host of additional unfunded New York State and Federal Mandates.

PROPERTY TAXES A CRITICAL ISSUE

Although the Governor and New York State Senate have indicated support for capping local property taxes, we do not believe that this will provide the necessary relief to our local taxpayers. In fact not only will tax caps not provide the needed relief to North Shore homeowners, but such a cap will ultimately destroy the quality of education the North Shore community has so strongly supported since the school district was established in 1953.

Each spring the North Shore community is asked to vote on a school budget that is carefully developed by the Board of Education working closely with district administrators to provide the best possible education at the most reasonable cost. Unfortunately, in our district, the tax levy, (the amount of the school budget to be raised through local property taxes) is approximately 95% of the total budget, as New York State and Federal aid as well as all other revenue is equivalent to only five percent of the cost of operating our schools. Therefore, property tax caps will hurt a district like North Shore much more than other districts whose aid ratio is much higher resulting in a tax-levy which is much less of a percentage of the overall budget.

THE IMPACT OF TAX CAPS

Tax Caps Diminish Local Control

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. The imposition of tax caps would limit the right of a community to determine the expenditures necessary to maintain the educational and fiscal integrity of its school district¹

Caps on Spending or Taxes Don't Change The Demand for Services

Increases in enrollment, increasing costs of energy, goods and services will continue to occur regardless of whether or not tax caps are imposed. Districts are powerless in bringing down the costs that the state and federal governments inflict on them. Tax caps do nothing to bring down pension cost increases, mandated obligations or compensation costs that arise from collective bargaining laws that favor unions.²

¹ Nassau-Suffolk School Boards Association, "School Property Tax Proposal"

² New York State Council of School Superintendents, "Property Tax Caps and School Costs"

Caps Put Schools at the Mercy of the State

New York already has a school spending cap. When school districts fail to gain voter approval for a budget, most of their spending is limited by a cap tied to inflation. In fact, this was the case in 2004, when the North Shore community did not approve the proposed budget and the district was forced to operate on a contingency budget, a decision which has taken five years to recover from. No other organization gives the public as many opportunities into decision-making or so much data on its performance as do New York's public schools. Caps put each community's schools at the mercy of the state. If the state falters in its support for schools, a community can't act to preserve its schools, even if it wants to, without expending a huge amount of energy and time on an annual basis to override the State imposed cap.

Caps Have Had Disastrous Effects on School Quality in Some States

California's education system is said to have gone from "first to worst" after Proposition 13, which imposed budget caps on school districts. Iris J. Lav has outlined the negative impact that Proposition 2^{1/2} has had on public education in Massachusetts in her presentation, "*Six Lessons About Property Tax Caps*". New York has a strong public education system, one of the state's competitive advantages. We lead the nation in Advanced Placement participation, and we are outpacing most states in closing achievement gaps. This year, New York students account for more than a third of the national semi-finalists in Intel's Science Talent Search. New York State policy makers should avoid short-term actions that will cause long-term damage.³

Communities Like North Shore Will Be Hardest Hit

The communities that will be hardest hit by a property tax cap include middle class communities with little commercial tax base, just like North Shore. We have already seen the impact that a flawed Foundation Formula has on many districts including ours. When the caps and aid are projected out over a number of years, districts like North Shore will not have the ability to retain their programs or their staffing.

Tax Caps Will Not Lower Local Property Taxes

Imposing a tax cap commensurate with the Consumer Price Index will not provide tax relief to those most in need, but at best will slow down the increase in local property taxes. We need to consider the fact that an increasing proportion of our local residents are being forced from their homes as a result of their **current** local property tax burden....a cap will not help individuals already in danger of losing their homes.

According to a position paper authored by the Nassau-Suffolk School Boards Association, "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".

³ New York State Council of School Superintendents, "Property Tax Caps and School Costs"

EQUITABLE SOLUTIONS

We urge the Governor, the New York State Commission on Property Tax Relief, the New York State Senate and the New York State Assembly to address those issues which will help school districts control school expenses, and provide true property tax relief to those in need.

Circuit Breaker

We strongly support the recommendation of the New York State Commission on Property Tax Relief that a circuit-breaker model, similar to the initiative passed recently by the New York State Assembly be carefully considered as a true model of property tax relief for those residents most in need. The circuit breaker would provide a maximum level of property tax based upon the home-owners income level, and therefore provide relief to those citizens most in need.

Fix The Foundation Aid Formula

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.⁴ In fact, North Shore was among a handful of Long Island districts that received a decrease in state aid for the 2008-2009 school year, despite the increased costs of unfunded or underfunded New York State mandates.

Address Issues That Will Help Control Costs

- Place a moratorium on unfunded and underfunded mandates.
- The Wicks Law remains a costly financial burden-it should be repealed.
- Pass legislation that would cap local district obligations for uncontrollable costs including retirement system contributions, health insurance contributions, fuel costs and special education costs.
- Level the collective bargaining playing field-the Taylor law specifically prohibits school districts from sharing information about their collective bargaining strategies. The union has no such prohibition. As a result, they can play districts against one another through regional negotiations strategies.
- Put pressure on the federal government to provide full funding for federally mandated programs, specifically the IDEA, (Individuals with Disability Education Act) and NCLB, (No Child Left Behind)

⁴ Nassau-Suffolk School Boards Association, "School Property Tax Proposal"

IN CONCLUSION

We agree that local districts have an obligation to look for ways to contain costs while maintaining the quality of education offered to our young citizens. However, it is clear that the solution is not in placing a cap on local property taxes. Rather, we must begin by eliminating the long standing practice of the New York State and Federal governments not meeting their obligations to the public education system and the young people enrolled in our schools. We must eliminate unfunded governmental mandates, revisit the State's role in controlling pension costs and health insurance costs, and begin to dismantle those aspects of the Taylor law that diminish the ability of the local Board of Education to control the rising costs of salaries and benefits.

Respectfully Submitted by the North Shore Schools Board of Education

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