



c/o Eastern Suffolk BOCES, 201 Sunrise Highway, Patchogue, New York 11772
Phone: (631) 687-3001/Fax: (631) 289-2529/Email: scssa@esboces.org

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golfboat@optonline.net

MEMORANDUM

TO: SCSSA Members
FROM: Gary D. Bixhorn
DATE: January 10, 2011
RE: Tax Cap Analysis Follow Up

Please be advised of the following with regard to the "Tax Cap Analysis" document that was forwarded to you on Friday, January 7, 2011:

- a. A copy of the electronic version of the document is attached.
- b. A copy of the printable version is attached. The printable version is formatted to be printed back to back on 11 x 17 paper.
- c. A copy of the cover memo to Senate and Assembly members is attached.
- d. A copy of the *Newsday* article (1/10/11) regarding the document is attached.
- e. The projected impact of the tax cap for all Long Island school districts within the nine different scenarios we identified is being posted on the SCSSA website: <http://www.suffolksuperintendents.org>.

Please feel free to call me if you have any questions regarding any of this information.

Thank you.

GDB/cj
Attachments
c: LIEC Member Organizations



ONE ISLAND – ONE VOICE

January 2011

Tax Cap Impact & Other Important Facts

The Suffolk County School Superintendents Association (SCSSA) has had longstanding concerns about Long Island's overdependence on property taxes to finance our schools. We believe that Long Island schools have been shortchanged by state aid formulas that fail to recognize regional cost differences. The introduction of the Foundation Formula in 2006 has caused this inequity to grow to an extreme. This overdependence on property taxes has resulted in calls to introduce a tax cap in order to slow down the growth of the burden. However, since day one, even supporters have acknowledged that the cap is a "blunt instrument" that may cause unanticipated consequences.

Unfortunately, other conditions have changed since the "tax cap conversation" began, and the state is now facing a \$9 billion deficit. Frozen or reduced state aid to schools is becoming a foregone conclusion. It is now the potential combination of a tax cap and aid cuts that has heightened our concern to a new level. Aid cuts alone will drive tax levy increases close to the proposed cap. This will leave districts with no choice but to cut budgets, while anticipating double digit increases in retirement system rates, health insurance premiums, and other mandated cost drivers beyond the control of the school board.

Districts can only cut those areas of the budget that they can control; this intensifies the impact of reductions. These cuts will result in a dramatic reduction of school services in communities that have traditionally prided themselves on the quality of their school districts.

Our understanding of the need to address property tax overdependence, along with our concern for the region's outstanding educational system, is reflected in the contents of this document:

- Principles to Guide the Design and Introduction of a Property Tax Cap
- Five Facts Every Long Islander Should Know: Student Outcomes
- Five Facts Every Long Islander Should Know: The Achievement and Resource Gap
- Five Facts Every Long Islander Should Know: Shares, Wealth and Regional Costs
- Five Facts Every Long Islander Should Know: Tax Caps and State Aid Cuts
- Budget Impact of 2% Tax Cap on Suffolk County Low Wealth School Districts

The SCSSA will continue to work with all those who are ready to address the difficult, complex issues resulting from overdependence on the property tax. We urge you to speak with your local Superintendent of Schools about the impact of the cap on your school district.

Sincerely,

Dr. Anthony J. Annunziato
President

Mr. Gary D. Bixhorn
Legislative Chairperson



Principles to Guide the Design and Introduction of a Property Tax Cap

The Suffolk County School Superintendents Association (SCSSA) believes that New York State's tradition of community control of our public schools is better aligned with the contingency budget cap than a property tax cap. School districts have significantly more control over the budget than the tax levy. However, we acknowledge that a tax cap can be designed to be more sensitive to local priorities. Accordingly, we offer the following "Principles to Guide the Design and Introduction of a Property Tax Cap":

Any Cap Should Be Sensitive to "NYS Maintenance of Effort"

A cut in state aid alone will drive a tax levy increase, sometimes in excess of the proposed cap. The share of the increase in the tax levy caused by an aid cut should be excluded from the calculation of the cap.

Any Cap Should Be Sensitive to "Local Control"

The appropriate point in the budget approval process to introduce a tax cap is after the community had the opportunity to vote on a locally prepared budget. Only after voter rejection should a cap be imposed.

Any Cap Should Be Sensitive to "Cost Increases Beyond District Control"

Certain cost increases beyond the control of local school districts, such as TRS and ERS rate increases, health insurance premiums, fuel, and utilities should be excluded from the calculation of the cap.

Any Cap Should Be Sensitive to "Community Input"

Any public referendum on a tax cap override or underride should be approved or rejected based upon the will of the majority. Forty-one percent of an electorate should not have the capacity to determine the future of a community's schools.

Any Cap Should Be "Introduced in Conjunction with Mandate Relief"

A comprehensive mandate relief agenda that will enable school districts to cut costs and spread program reductions over a broader base must be approved in conjunction with the introduction of a tax cap.



For more information go to www.suffolksuperintendents.org



Five Facts Every Long Islander Should Know: Student Outcomes

1. Long Island students outperform students from across the rest of the state by every measure maintained by the State Education Department.

Long Island's elementary and middle level grade students exceeded statewide levels of performance on all assessments (Grades 4 and 8 ELA, Math, Science; Grades 5 and 8 Social Studies) administered during the 2006-2007 academic year.

Long Island's secondary students consistently outperformed other students statewide on all required Regents exams (English, Math A/B, Global History, U.S. History, Earth Science, Living Environment, Chemistry, Physics) in 2006-2007.

2. On Long Island, nearly nine out of ten high school graduates earn a Regents diploma. Statewide, only 76.8% of graduates earn this diploma (excluding Long Island).
3. On Long Island, nine out of ten high school students go onto post-secondary education programs. Statewide, only 77% continue their education (excluding Long Island).
4. On Long Island, the dropout rate is 1.4%. This is 61% lower than the statewide rate of 3.6% (excluding Long Island).
5. Outside of New York City, Long Island educates 43.4% of New York State students classified as English Language Learners (ELL).

Source: NYSED 2007 New York State Report Card Data Base



For more information go to www.suffolksuperintendents.org



Five Facts Every Long Islander Should Know: The Achievement and Resource Gap

1. Islandwide student outcome data masks a very real achievement and resource gap between the region's most wealthy and least wealthy school districts. Significant funding, performance, and demographic differences exist between these two groups of school districts.
2. Long Island's least wealthy school districts' performance on required assessments are, depending on the exam results under study, anywhere from 7 to 28 percentage points below performance of the wealthiest school districts on Long Island. On Regents exams, depending upon the exam results under study, the difference is anywhere from 14 to 23 percentage points.
3. Despite the fact that these districts receive less than 6% of their funding from the state, Long Island's wealthiest school districts spend 38% more per pupil (\$25,423) than its least wealthy school districts (\$18,428).
4. The percentage of limited English proficient students in Long Island's least wealthy districts (17.1%) is nearly three times greater than in its most wealthy districts (6%). The dropout rate in the least wealthy districts is over four times greater (4.3%) than in the wealthiest (0.9%).
5. Long Island's least wealthy school districts have a far more diverse student body than the wealthiest districts. Non-white students comprise nearly two-thirds (63.3%) of the student population in the least wealthy school districts, and less than one-third (30.1%) in the wealthiest.

Source: Long Island Education: Cost and Outcomes Report, Long Island Education Coalition April 2010



For more information go to www.suffolksuperintendents.org



Five Facts Every Long Islander Should Know: Shares, Wealth, and Regional Costs

1. Over half of the public school students in Suffolk County are enrolled in school districts that fall below the state wealth average (CWR <1.0).
2. The state funds approximately 46.8% (without NYC and LI) of the statewide cost of education, yet it only funds 23.2% of the cost of education on Long Island. This requires Long Islanders to fund 70% of school costs with property taxes. The average in the rest of the state (not including New York City) is 53%.
3. **A smaller state share of aid drives greater dependence on property taxes to fund schools. Taxpayers on Long Island pay 65% more of their gross household income in property taxes than New Yorkers in general (7.8% vs. 4.74%).**
4. Regional cost differences within New York State are dramatic. A dollar in higher cost regions does not have the purchasing power of a dollar in lower cost regions. The regional cost index prepared by SED enables us to compare the purchasing power of \$1,000 by region as follows:

Mohawk Valley	\$1,000	Central New York	\$906
North Country	\$1,000	Capital District	\$889
Southern Tier	\$956	Finger Lakes	\$876
Western New York	\$917	Hudson Valley	\$761
Long Island/New York City			\$702

5. When adjusted for regional cost differences, the per pupil cost of education for a child on Long Island is \$13,849; 3.2% below the cost in the County at the median (Rensselaer).



For more information go to www.suffolksuperintendents.org



Five Facts Every Long Islander Should Know: Tax Caps and State Aid Cuts

1. Long Island schools enroll 17% of the students in the state, yet receive only 12% of the aid. State aid per pupil to Long Island schools is 44% below the average for the rest of the state (\$4,590 vs. \$6,630).
2. Long Island schools should not be asked to absorb a disproportionate share of future school aid reductions. Long Island schools are already shortchanged by state aid formulas that do not recognize regional economic differences:
 - The Foundation Formula that drives 73% of all state aid, funds Long Island at a per pupil level 46% below the rest of the state average (\$3,327 vs. \$4,862).
 - The Foundation Formula is so flawed that High Tax Aid has to be used to PARTIALLY offset the regional shortfall. Long Island schools receive 68% of all High Tax Aid. Any cut to High Tax Aid targets Long Island and will grow the existing regional imbalance.
 - The state aid Formulas that tend to treat our region the most fairly are those that are expense driven. The most significant of these are Transportation Aid and BOCES Aid. Cuts to these aid categories will drop Long Island even further behind the rest of the state.
3. A state aid reduction of 5% along with the school spending freeze would drive a 1.7% increase in the Long Island tax levy. This change alone almost reaches the proposed tax cap.
4. Under a 2% tax cap, Long Island's wealthier districts could raise spending by as much as 1.9%, while the low wealth districts could raise theirs by as little as .5%.
5. **A state aid reduction of 5% coupled with a spending increase of 2.5% would drive an Islandwide tax levy increase of 5.2%. This is over two and one-half times higher than the proposed tax cap of 2%. Such a scenario would require an Islandwide budget cut of \$241.2 million.**



For more information go to www.suffolksuperintendents.org

Budget Impact of 2% Tax Cap on Suffolk County Low Wealth School Districts (CWR <1.0)

School District	2010-11 Budget	2011-12 Budget with 2.5% Increase	2011-12 Budget with 2% Tax Cap	Decrease/ Increase	Required Budget Cut
Wyandanch UFSD	\$55,089,140	\$56,466,369	\$53,873,449	(2.2%)	\$2,592,920
Brentwood UFSD	\$304,088,227	\$311,690,433	\$295,290,941	(2.9%)	\$16,399,492
William Floyd UFSD	\$200,029,600	\$205,030,340	\$196,219,658	(1.9%)	\$8,810,682
Central Islip UFSD	\$171,367,626	\$175,651,817	\$168,925,290	(1.4%)	\$6,726,527
Copiague UFSD	\$100,507,857	\$103,020,553	\$99,482,197	(1.0%)	\$3,538,356
Rocky Point UFSD	\$66,855,418	\$68,526,803	\$66,504,007	(0.5%)	\$2,022,796
Middle Country CSD	\$207,877,471	\$213,074,408	\$206,247,853	(0.8%)	\$6,826,555
North Babylon UFSD	\$107,162,659	\$109,841,725	\$106,170,601	(0.9%)	\$3,671,124
South Country CSD	\$109,624,262	\$112,364,869	\$108,284,707	(1.2%)	\$4,080,162
Longwood CSD	\$208,200,000	\$213,405,000	\$206,463,239	(0.8%)	\$6,941,761
Lindenhurst UFSD	\$137,091,637	\$140,518,928	\$136,398,490	(0.5%)	\$4,120,438
Eastport-South Manor CSD	\$79,349,290	\$81,333,022	\$78,781,957	(0.7%)	\$2,551,065
Comsewogue UFSD	\$76,710,963	\$78,628,737	\$76,222,581	(0.6%)	\$2,406,156
West Babylon UFSD	\$93,146,827	\$95,475,498	\$92,950,581	(0.2%)	\$2,524,917
East Islip UFSD	\$100,801,547	\$103,321,586	\$100,289,734	(0.5%)	\$3,031,852
Patchogue-Medford UFSD	\$161,909,628	\$165,957,369	\$160,804,234	(0.7%)	\$5,153,135
Sachem CSD	\$280,711,665	\$287,729,457	\$277,977,075	(1.0%)	\$9,752,382
Center Moriches UFSD	\$35,791,700	\$36,686,493	\$35,656,447	(0.4%)	\$1,030,046
West Islip UFSD	\$104,104,887	\$106,707,509	\$103,896,060	(0.2%)	\$2,811,449
Islip UFSD	\$66,368,105	\$68,027,308	\$66,390,976	0.0%	\$1,636,332

Note: This is not a worst case scenario. Rollover increases will most likely exceed 2.5% and the tax cap could be lower than 2%. Speak with your local Superintendent of Schools for details.

The Suffolk County School Superintendents Association (SCSSA) developed a model to project the impact of a cap on the tax levy. Nine different scenarios were studied in an effort to determine to what extent the cap would limit budget growth. The figures in the chart above summarize one of the nine scenarios. The impact of the cap, within all nine scenarios for all 124 Long Island school districts, is available on our website at www.suffolksuperintendents.org. The figures are defined as follows:

1. The “2010-11 Budget” is the voter-approved budget.
2. The “2011-12 Budget with 2.5% Increase” is the 2010-11 budget with a “rollover” increase of 2.5%.
3. The “2011-12 Budget with 2% Tax Cap” is the projected budget built using the following assumptions: expenditures rise by 2.5%; state aid is reduced by 5%; applied fund balance is unchanged; other revenues are unchanged; two percent cap on levy is applied.
4. The “Decrease/Increase” is the percentage difference between the “2010-11 Budget” and the “2011-12 Budget with 2% Tax Cap.”
5. The “Required Budget Cut” reflects the difference between the “2011-12 Budget with 2.5% Increase” and the “2011-12 Budget with 2% Tax Cap.”



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MEMORANDUM

TO: Members of the Long Island Delegation to the New York State Assembly
Members of the Long Island Delegation to the New York State Senate

FROM: Gary D. Bixhorn, Legislative Chairperson

DATE: January 6, 2011

RE: Tax Cap Impact Analysis

The attached brochure was prepared by the Suffolk County School Superintendents Association (SCSSA) to provide information about the impact of the proposed tax cap and to offer some suggestions regarding the structure of the cap. Although we believe that community control of our public schools is better aligned with a budget cap than a tax cap, we acknowledge that a tax cap can be designed to be responsive to concerns about local control and the economic pressures confronting our school districts. The "Principles to Guide the Design and Introduction of a Property Tax Cap" itemized on page two of the attached brochure are offered to support the design of a more sensitive cap.

We have also included some basic facts about the financing of Long Island schools and achievement of our students. There are many misconceptions about education on Long Island and this information is offered to help achieve a better understanding of the facts. For most Long Island communities, education is primarily a locally-funded service. On average, state aid comprises less than 25% of revenues for Long Island school districts. In fact, since state aid is distributed on a wealth-sensitive basis, if all the aid received by our 37 wealthiest school districts (CWR = 2.0+) were redirected to New York City, it would amount to just a 1.73% increase for the City.

Even our districts that fall below the state wealth average are not heavily supported by the state. These districts receive approximately 41% of their revenues from the state, leaving almost the entire balance to be raised by property taxes.

There is no question that Long Islanders dig far deeper into their pockets than New Yorkers in general to fund their schools. There is also no question that we are far too dependent on property taxes. If it is decided that a tax cap is the strategy to best address the overdependence, then it should be understood that the design of the cap will make a major difference in the quality of our educational system in the future.

The suggestions in the attached brochure are intended to help design a cap that makes sense for our region, as well as the state.

GDB/cj

Attachment

c: SCSSA Members

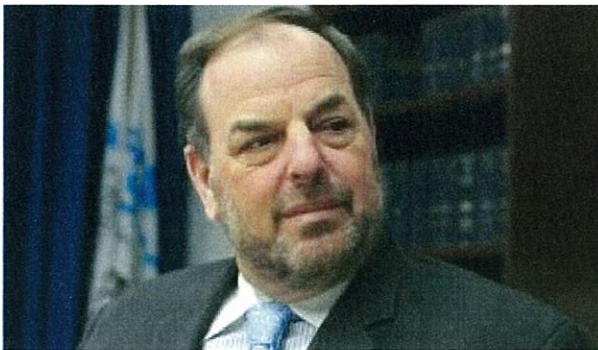
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<http://www.newsday.com/long-island/politics/li-school-leaders-shift-thinking-on-tax-cap-1.2598355>

LI school leaders shift thinking on tax cap

January 9, 2011 by JOHN HILDEBRAND / john.hildebrand@newsday.com



After months of warning that a state-imposed cap on property taxes could prove a disaster, [Long Island](#)'s school leaders now concede that some sort of cap is a virtual certainty.

So those leaders are switching strategies by proposing a series of restrictions that would limit the impact of tax caps on classroom spending in the school year ahead.

In a letter e-mailed to state lawmakers this weekend, the [Suffolk County School Superintendents Association](#) urges that taxes be capped only in school districts where residents vote "no" on a budget. The school chiefs further recommend that certain costs be exempted from caps, and that districts be allowed to raise taxes enough to compensate for anticipated losses in state aid.

Gary Bixhorn, who heads the association's legislative committee, said it's "absolutely" clear that lawmakers intend to approve some type of statewide cap. Specific proposals range from 2 to 4 percent.

"But the point is, there are ways to make the tax cap more sensitive to local priorities," added Bixhorn, who is chief operating officer of Eastern Suffolk BOCES, a regional school agency.

Some exemptions wanted

School officials say the state should exempt from the cap expenses mandated by Albany - for example, increases in district contributions to employee pensions.

Ranier Melucci, superintendent of [Merrick](#) schools, said that [Nassau](#) superintendents generally agree with the positions taken by their counterparts in Suffolk.

"I think there's no doubt there will be some kind of tax cap, whether it's 2 percent or 3

percent," said Melucci, president of the [Nassau](#) County Council of School Superintendents. "But hopefully, there will be some exemptions."

On the other hand, business representatives who think the Island's economy is at risk of being strangled by taxes say the superintendents' plan would make caps meaningless. A 2007 U.S. Census report ranked [Nassau](#) County fourth nationwide in the percentage of household income paid to property taxes; Suffolk County ranked 11th.

"If we don't do something to stop this madness, our economy is going to collapse in front of us," said Richard Bivone of [East Meadow](#), chairman of the [Long Island Business Council](#). "There should be no exemptions at all."

Not just on schools

Gov. [Andrew M. Cuomo](#) won a landslide victory with a campaign that included a pledge to seek a 2 percent cap. The cap's biggest impact would be on schools, though it would apply to all local governments.

Under Cuomo's plan, school districts could override the cap only by a 60 percent vote of residents. Both Republican and Democratic leaders in the State Legislature have endorsed a cap, while adding that details need to be negotiated.

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