



May 20, 2016

Dear Governor Cuomo:

We, the school districts of READ (Regional Educational Advocacy Districts), write today to inform you of some of the unanticipated negative consequences of the current tax levy cap formula, and to discuss possible ways that you, our elected officials, could solve these issues.

READ is a unique Hudson Valley regional organization in which school district superintendents, school business officials, and school board members meet regularly to discuss issues of mutual interest, and seek solutions to problems which are faced by all school districts.

The Tax Cap is popular, and we do not seek its repeal; rather we seek to adjust the formulas and other details related to the cap so as to better take into account the economic conditions and financial obligations of individual districts throughout the state. This will allow school districts to better plan for the future of our communities and our students, while still supporting moderate taxes.

We ask you to consider the following examples of consequences, and potential solutions:

- **Consequence:** Divergence of local / regional economic conditions vs. the national economic conditions measured by CPI (which is used in tax cap calculation) can mean that some districts can no longer afford to hire teachers and buy services in their own community while remaining under the cap.

Solution: Replace the use of the national CPI for tax cap calculation with some measure of local inflation, so that such regional and local deviations do not impact some school districts unfairly.

- **Consequence:** Due to the details of the current cap formula, districts and municipalities must have level or increasing debt to ensure that they collect sufficient revenues to cover operating costs. Districts which pay down debt are effectively penalized for improving their financial condition, and an incentive is created for districts to borrow their way through financially difficult situations, rather than address them directly.

Solution: Reduce the impact of debt service on the tax cap calculation, or create a parallel incentive for districts which maintain low debt ratios.

- **Consequence:** Good economic conditions can, perversely, have the impact of penalizing school districts. This year the CPI is nearly zero, meaning that many districts are faced with no ability to increase revenues to meet educational needs, while at the same time good economic conditions can mean increasing enrollment.

Solution: Consider the introduction of a small (but non-zero) floor for the levy growth factor allowed under the tax cap.

- **Consequence:** Districts which pass budgets that fall below (as opposed to exactly at) the tax cap are penalized in future years for keeping taxes low.



Solution: Relax tax levy cap carryover restrictions so that districts that fall below the cap one year can apply a credit against the next year's cap.

- Consequence: New mandated expenses, such as those for special education services, can force districts to cut other services, or increase debt, in order to remain under the cap. We were told when the tax levy cap was introduced that unfunded mandates would be addressed. Instead they have only grown. Research by READ on unfunded mandates suggests that even the smaller less significant mandates can cost upward of 20% of a district's total expenditures.

Solution: Amend the tax cap so that the cost of any unfunded state mandates and unusual special education expenses are exempted from tax cap calculation.

- Consequence: Conditions outside of the district's control, especially required retirement system contributions, can suddenly increase expenses, again forcing districts to make choices which run counter to their constitutionally mandated mission to educate every student.

Solution: Support the legislation for a restricted teacher retirement reserve similar to the one allowed for civil service pensions. At the very least, consider leveling and controlling pension and health costs so they are not as variable as they have been over the past 10 years.

- Consequence: Districts which are reliant on funding from revenue sources other than property taxes (e.g. PILOT agreements) have very little control over their revenue stream.

Solution: Redesign the tax cap to be a 2% cap on a district's expenses rather than on the tax levy.

- Consequence: Districts cannot effectively perform multi-year planning and budgeting, and are forced into a compressed budget calendar which can lead to poor decision-making. The State simply does not provide enough time for districts to thoughtfully construct budgets and receive voter input before votes.

Solution: Mandate that information on state funding to each school district and allowed increases under the tax cap be published no later than January 15th of each year.

- Consequence: Local school districts are now effectively subsidizing other parts of the New York State government. A Pew Research's analysis shows that NYS gets over 15% of their revenue from municipalities and school districts.

Solution: Enact legislation that requires each bill passed in New York to estimate not only the cost to NYS but also the cost to local municipalities and school districts. This will enable you to control these costs more effectively.

- Consequence: Some citizens are effectively disenfranchised by the 60% supermajority requirement to override the tax levy cap. This is unfair, and in our view, unconstitutional. Consider that all of our elected government officials, including yourselves, need only a simple majority to be elected, and municipalities can adopt an override to the cap by a vote of 3 out of 5 trustees.



Solution 1: Reduce costs to districts by not requiring a public vote at all if the tax levy cap is met, and eliminating the requirement for supermajority of the public if it is exceeded.

Solution 2: Shift the supermajority requirement for adoption of a budget which exceeds the cap from the public to the school boards which they have already elected. Once a supermajority of the board has agreed to exceed the cap, only a simple majority of district voters would be required to approve it.

Again, we are concerned with property taxes, but we are equally concerned with providing a good education so that our State and our Country can remain great. We are doing our share, reducing costs and finding ways to share services effectively. Now we would like our legislators to help us do more.

It is within your power to effect positive change in the areas discussed above. We hope that rather than merely acknowledging receipt of this letter, you will respond to our requests – with direct discussion, and more importantly, with legislative action.

Sincerely,

READ – Karen Zevin, Chair

Board President

Superintendent

Business Official

Giuseppina Miller

Mary-Pat Briggi

Croton Harmon Union Free School District

Dr. Edward Fuhrman

Hendrick Hudson Central School District

Joseph E. Hochreiter

Diane Chaissan

Enrique Catalan

Jennifer Daly

Haldane Central School District

Dr. Diana Bowers

Anne Dinio



Board President

Raymond O'Rourke

Anne Lawless

Carol Ann Dobson

Jeanine Rufo

Superintendent

Garrison Union Free School District

Laura Mitchell

Highland Falls/Fort Montgomery Central School District

Dr. Frank Sheboy

Dr. George Stone

Putnam Valley Union Free School District

Dr. Fran Wills

Business Official

Susan Huetter

Denise Cedeira

Binoy Alunkal

Jill Figarella