

# **Testimony to the New York State Commission on Property Tax Relief**

**Presented by  
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Good afternoon Chairman Suozzi and members of the Commission. I am Gary Bixhorn, Chief Operating Officer of Eastern Suffolk BOCES. I appreciate the opportunity to again testify before the Commission. Today I wish to take a few minutes to talk about school spending in general and spending to comply with mandates in particular.

I am not going to review a list of mandates and recommend which should be addressed legislatively. That has been done repeatedly, and organizations across the state have dedicated a tremendous amount of time and energy to doing such analysis. I can, at your request, submit reports with recommendations for mandate relief from both the New York State Council of School Superintendents (NYSCOSS) and the New York State School Boards Association (NYSSBA).

The bottom line with mandates is that most are introduced with good intentions in response to a perceived need. It's difficult to argue against such mandates because they tend to make sense. Recent mandates, such as the requirement to deploy defibrillators in schools, or the requirement to conduct internal audits, were both costly but were both introduced in response to a real need and continue to prove valuable.

The problem with mandates is the cumulative effect as the new obligations multiply over the years. Many of the fastest growing areas in school budgets over the past 10 years are rooted in mandates.

An analysis of school spending during the period between 1993-94 and 2004-05 indicates that annual increases in total expenses averaged 6.7%. Within that 6.7%, there are several significant areas of expenses that grew faster than the average. These areas include employee health benefits, the fastest growing of all at 13.7%, other employee benefits, pupil transportation, debt service, BOCES services, and other instructional salaries/expenses. The 10 year increase for pension costs did not exceed the average increase, but that was because of several years of decreasing rates during the late '90's. However, between 2000-01 and 2004-05 the average annual increase was 76%.

A different 16 (1987-88 to 2003-04) year analysis of school spending in Nassau and Suffolk Counties that encompasses a similar time frame breaks out special education as a separate cost center. That analysis indicates that total school expenses rose at a rate

of 7.8% annually in Nassau County and 6.3% in Suffolk County. At the same time, special education expenses rose at an annual rate of 17% in Nassau and 15% in Suffolk, over twice as fast as total expenses.

Unfortunately, as the cost of services rooted in mandates increased over the years, state support to offset increasing expenses has continued to erode. Historically, the state-aided special education services, pupil transportation, and debt services, three areas of rapid growth, through expense-driven aids. Approved transportation expenses were aided at a rate of 90% prior to the state fiscal crisis of the early '90's when the "deficit reduction plan" was implemented. Debt service is aided through Building Aid and fortunately has kept pace with expenditures over the years. Expense-driven Excess Cost Aid was provided to partially offset the cost of special education and as expenses continued to rise so did the aid. However, Public Excess Cost Aid (\$291 million on Long Island) was capped when it was incorporated into the Foundation Formula in 2007-08. As the share of state support for these services decreased, the burden on the local property tax grew.

It is also critically important to note that federal special education mandates were originally established along with a commitment that the federal government would fund 40% of the cost. That commitment was never honored and federal aid is minimal for most school districts in our region.

Based on the analysis, it is apparent that a major driver of increasing property taxes is the funding of mandate-based requirements. The Suffolk County School Superintendents Association (SCSSA) pointed this out in a July 30, 2008 letter to legislators and the Governor stating that "Any legislation establishing a property tax cap should clearly identify the expenses rooted in mandates that the state will assume in the future. Many school district expenditures are deeply rooted in state and federal mandates. The state should evaluate spending patterns, identify those areas rooted in mandates, and assume a share of these costs, thus reducing dependence on local property taxes."

In keeping with this message, there are several steps that the state can take to reduce dependence on property taxes and provide immediate relief to property tax payers. Accordingly, the Commission should consider recommending that the state...

...reinstate expense-driven excess cost aid for special education to offset growing dependence on local property taxes to fund state and federally mandated special education services.

...reinstate expense-driven transportation aid to offset growing dependence on local property taxes to fund state mandated transportation services.

...engage all stakeholders from New York's special education community to evaluate the comparison of special education state mandates to federal mandates that was prepared by SED in May 2006 (*New York State Laws and*

*Regulations that Differ from Federal Requirements*). Identify potential reforms based upon the evaluation of this 36 page report.

...intensify efforts to lobby the federal government to live up to funding commitments to aid special education expenses. Increased federal aid will reduce local property tax overdependence.

...advocate for the establishment of a new retirement tier that requires ongoing employee contributions and assume a share of the increasing costs as proposed by the state Senate.

...assume a share of school employee health insurance expenses to offset the mandated share of such benefits. The state should also seek to contain the cost of health care coverage offered to public employees through the Empire Plan pursuant to their oversight obligations.

These steps towards mandate relief and shifting mandate-based costs to a broader-based tax, should be implemented before the imposition of a cap on property taxes is considered. Overdependence on the property tax must be reduced before a cap is considered.

Before continuing, I need to express a word of caution related to the recommendation involving special education mandates. The Commission needs to be exceedingly careful with regard to the recommendation involving special education services. Children receiving such services must not become pawns in a political fight. These children go through an exhaustive evaluation process before becoming eligible for services and benefit tremendously from the services delivered by dedicated, highly-skilled staff. Clearly, much of what is done in New York State is in excess of federal requirements and that drives costs. However, what is done in New York should not be discounted simply because it exceeds federal mandates. I know this because my organization, like the other BOCES and our school districts, provide many of these services. They tend to be labor intensive and that is costly. In the final analysis this Commission may not be involved in a more important matter than the mandates surrounding special education services. Please give this matter the careful deliberation and consideration it deserves.

If the state were to assume a greater share of traditional local expenses and commit to providing a minimum share of school district funding, through modification of the funding formulas, then legislative action limiting local property tax increases could be introduced without the need to dismantle programs and eliminate services.

However, the capacity of the state to move in this direction and provide the type of relief and support that is essential, will be difficult in these economic times. The state would have to significantly increase its financial commitment to education in order to introduce reforms without adversely affecting educational programs and services.

Of course, as you know, overdependence on the property tax is not going to be reduced by only looking at mandate relief and shifting expenses to other levels of government. There is much more driving increased school expenses than mandates, and there is much more driving increased school property taxes than expenses. This is only one issue in an array of issues involving both sides of the ledger; revenues, and expenses.

Only a comprehensive approach to property tax relief will work. It must involve all stakeholders looking at patterns of schools expenses, revenue streams, and the process by which communities decide upon school budgets.