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MEETING OF THE SUFFOLK COUNTY  
HOMEOWNER'S TAX REFORM COMMISSION AND  
PUBLIC HEARING TO ASCERTAIN VIEWS OF  
COUNTY RESIDENTS HELD ON THE 23RD DAY  
OF AUGUST, 2006 AT THE MAXINE S. POSTAL  
AUDITORIUM; 310 CENTER DRIVE,  
RIVERHEAD, NEW YORK AT 10:15 A.M.

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1 MEMBERS PRESENT:

2

3 WILLIAM J. LINDSAY, Chairman

4 Presiding Officer, SC Legislature

5 LYNNE C. NOWICK, Co-Chairperson,

6 Legislator, District #13

7 JOSEPH SAWICKI, JR., SC Comptroller

8 DR. ROBERT LIPP, Director, Office of Budget

9 Review

10 MICHAEL BERNARD, Babylon Town Assessor

11 ESTHER BIVONA, President, SC Tax Receivers

12 GARY D. BIXHORN, Executive Director,

13 Nassau-Suffolk School Boards Association, Inc.

14 DANIEL A. BAHR, NYSUT Regional Staff Director

15 DR. PEARL KAMER, Chief Economist, LI Association

16 ROBERT A. KING, CPA, Tax Advisor

17 LISA TYSON, Director LI Progressive Coalition  
18 CELINE GAZES, Chairperson, Council of LI Region of  
the  
19 NYS Government Officers Association  
20 MELVYN FARKAS, LI Board of Realtors  
21 CHRISTINA CAPOBIANCO, Chief Deputy,  
22 Office of SC Comptroller  
23 NICHOLAS LaMORTE, President CSEA Region 1  
24 PHILIP AMMIRATO, Senior VP National Bank  
25

1 (THE MEETING WAS CALLED TO ORDER AT 10:15

A.M. )

2 CHAIRMAN LINDSAY: Good morning, everyone.

I'm

3 going to call this meeting of the Homeowners Tax Reform  
4 Commission to order. I apologize that we're running a  
5 little late this morning. We had a legislative meeting  
and  
6 it didn't end until after midnight. That is not a great  
7 excuse, but it's an excuse.

8 Could everybody rise to say the pledge?

9 (SALUTATION)

10                   CHAIRMAN LINDSAY:    This is the first time  
that  
11                   we had a meeting in Riverhead, and we might have some  
new  
12                   people here.  I'm going to take the liberty of  
introducing  
13                   our commission for the audience.

14                   To my far right is Christina Capobianco, the Chief  
15                   Deputy Suffolk County Comptroller.  Next to her is  
Melvyn  
16                   Farkas, who represents the Long Island Board of  
17                   Realtors.  Next to him is Celine Gazes, from the  
Government  
18                   Finance Officer's Association.  Next to her is Dan A.  
Bahr  
19                   from the New York State United Teachers.  Next to Mr.  
Bahr  
20                   is Lisa Tyson from the Long Island Progressive  
Coalition,  
21                   and she is a taxpayer advocacy organization.  Next to  
her  
22                   is Dr. Pearl Kamer, the chief economist for the Long  
Island  
23                   Association.  Next to Pearl is Robert Lipp, from our the  
24                   Suffolk County Legislator Budget Review office.

25                   Mr. Sawicki, who should be to her immediate right, is  
our

called.

1 Suffolk County Comptroller. He's in transit; he

2 Of course myself, William Lindsay, I'm the Presiding

3 Officer of the Legislator.

who

4 To my immediate left is Legislator Lynne Nowick,

Legislator

5 is the Vice Chair of this commission. Next to

Receiver's

6 Nowick is Esther Bivona, the Suffolk County Tax

as

7 and Collectors Association. Michael Bernard is not here

Association.

8 yet. He's with the Suffolk County Assessor's

9 Gary Bixhorn is the New York State Council of School

yet,

10 Superintendents. Next to Gary is Phil Ammirato of the

11 mortgage banking industry. Robert King is not here as

Labor,

12 and Nicholas LaMorte is the New York Federation of

13 representing the labor community.

Fields

14 I should recognize we have assemblywoman Ginny

15 in the audience this morning. It's always a pleasure to

16 see a former colleague. I said to Ginny that she missed

17 Riverhead so much that she wanted to come out here.

18 This is the fourth meeting or fifth meeting of the  
19 commission. We had previous meetings. We have received

20 awful lot of testimony from both the public and

21 guest speakers have come in with different proposals on  
22 changing the way we finance our school systems. Today I

23 don't have any guest speakers scheduled. We do have a  
24 public portion at twelve-thirty, but I would like to

25 a dialogue on what our final report would look like.

an

different

start

5

1 We started a little bit last time. I really think

2 have to start coming to some plan on how to finalize the

3 report of the commission. I have, and I'll give each

4 every one of you, we have one more scheduled date to

5 in September. I have currently a resolution before the

6 legislature that will be voted on September 5th to

7 extend the commission from September, I think 1st was

we

and

meet

its

1  
I  
8 original charter or October 1st to the end of the year.  
9 don't envision that we will be needing a meeting every  
10 couple of weeks or anything like that. I just think  
that  
11 we need the time to start drafting a report, to get the  
12 report printed, and I certainly expect that resolution  
to  
13 be cast September 5th. It would have been cast last  
night,  
14 but we ran out of time.

15 I'll pass out a list of available dates that maybe  
you  
16 could look at it and look at your calendar and get back  
to  
17 us and maybe we can find two more mutual dates to meet  
18 besides the one scheduled in September and we could  
start  
19 the process of writing the final report.

20 Robert Lipp from our Legislature's Budget Review  
21 Office already has started talking about drafts, and the  
22 process that I envision is that we would start writing  
23 drafts. We would circulate it and get together and kick  
it  
24 around and see if it's acceptable. If anybody wants to  
25 make any changes, I would certainly welcome any  
assistance

1 in writing part of the final report. And you know, for  
the  
2 purposes of discussion, I'm going to start off about how  
I  
3 see the final report shake up and, you know, I'm hopeful  
4 that you will kick in with your thoughts and comments.

5 We received a great deal of testimony in the two  
6 public hearings thus far about the existing system. And  
I,

7 you know, I don't think we have had had anybody that  
came  
8 forward and said that the existing system works  
wonderful

9 and let's keep it and hug it and kiss it. So, I think  
that

10 the final report should start with the premise that the  
11 system is broke and that we should look for a way to  
change

12 it and to document why it isn't working, and I think  
that

13 has always been done in the previous reports, and this  
14 would be the third report that I know of out of this  
15 legislature about the way we tax for our schools.

16 Having said that, this is the first part. Then I

17 think it behooves us to start looking at what could be  
done  
18 to change the system. And there has been a great deal  
of  
19 discussion here, especially from the folks from the  
20 Superintendent's Association, as well as from the School  
21 Board Association about what they see wrong with the  
22 funding system and the school formula system and stuff  
like  
23 that, so I think in my opinion the first premise on how  
to  
24 fix the system is to look internally without throwing  
out  
25 the baby with the bath water and create a whole new way  
of

7  
1 taxing people.

2 I would like to see the first section on what would  
3 have to be done to fix the existing formulas to make it  
4 more equitable to the citizens of our county. Gary, I  
5 would hopefully be leaning on you tremendously for your  
6 resources and insight into that portion of the report.  
7 Would you like to comment on that?

8 MR. BIXHORN: Yes. I'm glad that you came to

9 that conclusion because I was going to suggest that  
we're  
10 currently working with the Long Island Association. The  
11 Superintendent's Association was invited to participate  
in  
12 their Invite Long Island Project. Invite Long Island is  
a  
13 comprehensive project where the LIA is trying to develop  
a  
14 set of legislative priorities for Long Island and in a  
15 whole array of areas.

16 One of the areas they're looking at is education,  
17 specifically K-12 education and the funding of K-12  
18 education. We're just in the final stages of putting a  
19 report together, which will be released by the LIA  
probably  
20 in two or three weeks.

21 I talked to Matt Crowson this morning and I talked  
to  
22 Pearl earlier and Mitch Pally, and I think it would be  
23 beneficial to the committee if we, at a future meeting  
24 after the report is released, had an opportunity to  
share  
25 the findings in the report, because I think there are  
two

is

Island.

and

which I

think

and I

that

school

1 areas that the commission would find helpful. The first

2 we tried to remove the myth, that reality from the myth

3 about the funding and cost of education on Long

4 We came up with a number of what we call key facts about

5 education on Long Island, both with regard to funding

6 outcomes, educational outcomes.

7 Using those facts, we came up with a set of what we

8 call regional priorities for school finance reform,

9 think are exactly the kind of things that you're looking

10 for as you mention in your opening comments. So, I

11 the information we put together would be very helpful

12 think that the commission would benefit from our sharing

13 that information. I'm certain that before the end of

14 September we should be in a position to share it.

15 So there is some terrific new data in this report

16 talks about the disparity between wealthy and poor

17 districts, both in terms of the funding and the State

share

18 of funding as well as the student outcomes. So, I think  
19 there has been a lot of good work done and I think that  
20 would complement the mission of this particular group to  
21 take the information and somehow work it into our final  
22 recommendations.

23 CHAIRMAN LINDSAY: Pearl, do you want to  
24 comment?

25 DR. KAMER: I think that we are going to rely

9

1 heavily on the findings of this report and we will make  
it  
2 available to this committee. I think our first goal,  
and I  
3 think Gary would agree with me, is to make sure to get  
our  
4 fair share of State aid, which we don't have now.

5 Now we also should look at the way the school  
property  
6 tax is administered. Look at the possibility of circuit  
7 breakers to help seniors on fixed incomes. Look at the  
8 possibility of capping the property tax for school  
9 purposes. I think Bob Lipp's very excellent  
presentation

10 to this group is been used to draw upon some findings  
for  
11 better administering the property tax.

12 Now, as you said, bill, we don't want to throw out  
the  
13 baby with the bath water, but we have to answer

questions  
14 concerning the efficacy of an income tax, and I think in  
15 the deliberations, their committee decided there are a  
lot  
16 of drawbacks in implementing an income tax. The wealthy  
17 vote with their feet; that is, they can hide income.  
18 People with second homes fall through the cracks.

19 I think we had several excellent presentations to  
20 indicate why an income tax is probably not viable on a  
21 single county basis. Sales tax again is probably not  
22 viable because it would divert retail activity away from  
23 Suffolk, particularly those who live in western Suffolk  
and  
24 shop in Nassau.

25 So I think we have a number of options, but I think

10  
1 our first recourse should be to get our fair share of

State

1  
2 aid for education and to improve the manner in which the  
3 property tax is administered.

4 CHAIRMAN LINDSAY: In terms of the report,  
5 again, it's just my opinion, I envision starting off  
6 the premise that the system is broke. Here are one,  
7 three options of replacing the property tax or fixing  
8 way the school formula is on a State level. You know,  
9 first would be to fix the system that we have.

10 Option two, yeah, I would, because we have gotten  
11 much testimony on an income tax, and so much thought has  
12 gone into it, I would have very much like to include in  
13 report a section on the income tax with the benefits and  
14 the down sides of it.

15 And a system that -- we talked a great deal when  
16 Harvey Levinson was here, for example, a great deal of  
17 has been spent on the income tax on why it wouldn't  
18 He has tinkered with it to come up with this formula for  
19 only owner occupied homes, which takes the second home,

20 rental home out of the equation, which is devastating,  
21 especially to the East End communities. So I would  
22 certainly like to see a report on that.

23 And then, I think we still have a couple of options  
24 after that. Getting back to the school formula, by  
25 September 20th, would the LIA be able to share the

report;

11

1 would; it make sense, either for you or Matt to give us  
a  
2 presentation on what is on the report?

3 DR. KAMER: I would be happy to discuss this  
4 with Matt. I think September 20th is probably a

reasonable

5 date. But if we wanted to be sure of this, should we

delay

6 the meeting perhaps until the end of September? Would

that

7 put your schedule off by too much?

8 CHAIRMAN LINDSAY: The only reason I'm

reluctant

9 to scrap the September 20th date is because it's been in

10 our calendars for so long. I have September 27th

11 available. The auditorium is available for the 27th.

1  
If  
12 it's the will of the commission to change it, yes.

13 MR. LIPP: Couple of things. Number one, I  
14 believe it was the last public hearing Gary passed out a  
15 couple of documents related to school superintendents  
and  
16 some other organization that were similar in some ways,  
and  
17 there were a whole bunch of recommendations there. My  
18 question to Gary would be to what extent do you think  
the  
19 recommendations and analysis are similar to what you do  
20 with the LIA presentation, and after that I have another  
21 question.

22 MR. BIXHORN: I think the recommendations and  
23 findings are probably parallel in that the work that has  
24 been done before, I think there is always a bit more  
detail  
25 and the research is a little bit more elaborate.

12

1 Essentially, the findings and recommendations would be  
2 similar to those that have been proposed in the past.

3 MR. LIPP: Given, then, the assumption that  
I'm

4 going to be doing at least the first draft and it would  
be  
5 a more heroic assumption that I have the time to get  
there  
6 by the time of the next meeting, I already have that  
7 information, I read those reports. So, even if there  
are  
8 some nuances and changes, that information would be  
9 incorporated, number one, I could perhaps share my  
remarks  
10 or go back and forth E-mail wise to you and Pearl to see  
if  
11 I'm missing the point on something.

12 MR. BIXHORN: I spoke with Matt this morning  
13 because there are some individuals that have to see a  
draft  
14 of the report before it's released. We agreed that it  
be  
15 released on a very limited basis. To help facilitate  
you  
16 getting out the report in a timely manner we can get you  
a  
17 draft.

18 In response to your comments, I think in the terms  
of  
19 the feasibility bill, tax, I think that the presentation  
20 that Bob made last time where he showed how much -- the

have

21 degree to which the sales tax or the income tax would

22 to be utilized to replace the property taxes is very

it

23 effective. That whatever, I don't remember the numbers,

24 was very easy to see that if you wanted to replace the

would

25 property tax completely with the income tax, that you

13

1 have to raise income tax by X or raise the sales tax by

Y

2 percent if you want to do a combination of the two.

thought

3 I think the numbers were very significant. I

4 it made it easy for people to understand why it's such a

percentage

5 difficult task when you see the magnitude of the

6 you would have to raise the sales tax.

the

7 CHAIRMAN LINDSAY: That is the whole crux of

that

8 thing when you talk to people, and most of the people

know,

9 testified here they're screaming for help. And, you

10 if you could come up with a system that says that I will

11 tax your income at three percent or four percent, they  
12 would probably say that's a great deal. If you start  
13 saying it's twenty or fifteen percent; it's all about  
14 dollars. That's the analysis that we have to do is as  
far  
15 as crunching numbers on that system.

16 And again, if you narrow the people that would be  
17 affected, if you just deal with this population of owner  
18 occupied homeowners, you have to compute that in as  
well,  
19 what is the effect of that. So, Mr. Lipp has a lot of  
20 number crunching to do in terms of what is the number  
and  
21 that would certainly make a big difference in whether  
it's  
22 workable or not workable.

23 MR. LIPP: On the number crunching, I've been  
in  
24 contact very recently, as recently as yesterday with New  
25 York State Tax and Finance. I have haven't be able to  
get

14

1 all of them that I wanted, but I have some data with the  
2 Suffolk school districts and a request into the Nassau

1  
3 school districts. And data that I do have is different  
4 than that I had shown last time, which is some limited  
data  
5 that Pearl had provided.

6 I was trying to get data on exemptions and  
deductions  
7 and taxable income, which I don't have. What I do have  
is  
8 tax liability, and the people from the Office of Tax  
Policy  
9 Analysis in New York State Tax and Finance suggested  
that  
10 at least for now, that data that is readily available go  
11 with that. What they meant is, when you look at tax  
12 liability, that is how much you actually pay taxes by  
13 school districts, not by individual.

14 The way Yonkers works, presumably they have a  
15 surcharge on the tax liabilities, so if your tax is a  
16 dollar, tax liability you have, you have to pay in  
taxes,  
17 and it's a one percent surcharge, you would be adding on  
18 one cent to Yonkers. That would be like a simple way of  
19 doing the surcharge itself.

20 The numbers are starting to work out a little bit  
21 differently, but I don't think grossly differently

follows:

22 than what I have, but the point I'm making is as

to

23 They're not comparable to the marginal tax rate. I have

compared

24 make a calculation what is an effective tax rate

25 to the surcharge.

15

to

1 Number two, I don't have the data and I would have

2 put in a special request if I wanted to get things like

the

3 taxable income, exemption deductions so I can play with

level

4 system. So my question is do we want to go in that

Yonkers

5 of detail or do we want to go with some system like

6 with a tax surcharge?

part

7 MR. BIXHORN: I thought the most impressive

simplicity

8 of the presentation, if it was accurate, was the

9 where you just talk about the amount of money generated

10 through the property tax. The simple calculation of the

the

11 amount of money brought in through the income tax and

increased

12 extent to which the income tax would have to be

or

13 in order to generate a comparable amount of money, using

14 the gross numbers, made it clear that this wasn't a one

15 two percent surcharge. This was significant.

have

16 DR. KAMER: I have to agree with Gary. I

go

17 the report right here. I don't think you really have to

18 into those types of adjustments.

have

19 CHAIRMAN LINDSAY: Could I just back up for a

20 minute though? First of all, Robert will be able to

What

21 the beginning of the report done by our next meeting.

system.

22 I'm referring to is the problems with the existing

much

23 MR. LIPP: I think maybe I'm biting off too

24 here. I think my intent would be to have, at the very

what

25 least, an outline of the whole thing. In particular,

16

1 I'm talking about is just like some brief paragraphs or

2 statements about the various alternatives as well as a

very

3 brief introduction. You know what the issues are. They  
4 can be fleshed out a little more eloquently perhaps  
after  
5 that.

public

6 CHAIRMAN LINDSAY: We still have one more  
7 hearing today, but we have gotten a sampling, a pretty  
8 broad sampling, with the amount of people that have

come,

9 in order to very eloquently and sometimes in a manner  
10 you could see the pain on their face of what the

existing

11 system is doing to them now. So, I'm asking you to have  
12 that first portion or after that first part done by our  
13 next meeting.

14 MR. LIPP: I'll have something. The point I  
15 want to make also is if I flesh out just the big picture  
16 pieces as to that in terms of potential recommendations,  
17 that we recommend that the State increase the percent of  
18 State aid. That we recommend that there is an

alteration

19 in the formula for distribution of aid. Circuit

breakers,

20 also fleshing out the recommendation whether we are

going

income

21 or not with it in terms of local issues, in terms of  
22 tax because we need to address it, because we have been  
23 spending a lot of time on it versus supplementing other  
24 local taxes.

25 CHAIRMAN LINDSAY: I'm not there yet.

17

though,

the

all

1 MR. LIPP: The point I'm trying to make,  
2 is if we make that list and we have the bare bones, not  
3 actual recommendations, but we see it in front of us in  
4 its either beauty or ugliness, then we can go back and  
5 forth and say oh, it's a great idea or it's a bad  
6 idea.

so

first

7 CHAIRMAN LINDSAY: I'm trying to get it  
8 piecemeal. I'm trying to get the first part of it done  
9 we can distribute it at the next meeting and approve or  
10 disapprove or make changes. The overall sketch of the  
11 report is fine. What I am really looking for is the  
12 part or introduction next week.

13 MR. LIPP: You got it.

14 CHAIRMAN LINDSAY: Do you think the 20th

would

15 be too early to make a presentation? If it is, I will

poll

16 everybody today to see if we can change it to the

27th.

17 DR. KAMER: I think it's all right. I'll

talk

18 to Matt. I assume that I can present at least the bare

19 bones of the report along with Gary, since it's his

20 report.

21 CHAIRMAN LINDSAY: On the 20th we will plan

on

22 having a presentation from the LIA and Superintendent's

23 Association.

24 DR. KAMER: Mitch Pally of the LIA will be

25 handling that meeting, so he will make the

presentation.

18

1 CHAIRMAN LINDSAY: As I envision as the

second

2 part, and I don't want to start drafting that until we

3 finish getting the testimony on that.

the

out

and

sales

we

in

to

4 MR. LIPP: Actually, what I would envision is  
 5 that a lot of the introductory work in that report and  
 6 other document Gary distributed last time have what the  
 7 problem is. I can use material that was already passed  
 8 and maybe E-mail to Gary and Pearl and get more detail  
 9 make it, in theory, a simple writing.

10 MR. SAWICKI: It seems like we're starting to  
 11 end this and gather all our information. We seem to be  
 12 heading towards the income tax suggestions and/or the  
 13 tax suggestions. My only thought and my only fear is we  
 14 have to raise a certain amount of money. We know what  
 15 take in. We know what we have to raise a certain amount  
 16 property taxes. Assuming we start with income taxes,  
 17 senior citizens are taxed differently. The wealthy  
 18 especially have very good accountants, so they know how  
 19 get around the system. I think we will probably wind up  
 20 short somewhere.

21 Am I hearing sales tax maybe might be part of the  
 22 combination? If that is the case, I wondered, I'm

thinking

sales

19

it,

wondered

money.

the

know,

is a

in

23 out loud so I might be really way off base here, just to  
 24 throw it out. If we decide to suggest that possibly  
 25 tax, income tax, is we or maybe not, suggest that an

1 additional sales tax on something like, I hate to say  
 2 alcohol or cigarettes.

3 CHAIRMAN LINDSAY: Cosmetics.

4 LEG. NOWICK: No, not cosmetics. But I  
 5 if that is a possibility because that is a luxury, in a  
 6 way, because we need to raise a certain amount of  
 7 We're going to lose money from the property taxes that  
 8 seniors, all seniors pay based on a certain, as you  
 9 assessment. As you take that away and gather money from  
 10 income tax, most of the time that is a lot less. That  
 11 lot of money. I don't know about the possibility.

12 CHAIRMAN LINDSAY: Everybody is like jumping

13 front of where I'm going. I'm trying to do it piece by  
14 piece. Again, what I hope the first part of the report  
15 would be, why the system isn't working now. The second  
16 part is Gary and LIA and Pearl, about what would we need  
to  
17 fix the existing system the way it is.

18 From there, the third part, the third part of the  
19 report, I think we have to talk about an income tax as  
an  
20 alternative to the property tax, and maybe we could have  
21 some discussion about that now. Because at the last  
22 meeting we really didn't a chance to discuss it too much  
23 but there was whole bunch of questions that I had  
raised.

24 DR. KAMER: Because this committee has raised  
25 the possibility of an income tax as an alternative to or

20

1 complement to the property tax, we have to deal with the  
2 pros and cons of an income tax. I think this committee  
3 report should probably list the pros and list the cons  
and  
4 list the numbers that Bob Lipp has come up with in terms  
of  
5 what you need in an income tax to replace the property

tax,

intelligent.

to

facts

is

seem

on

thousand

6 and then leave it to the general public to come to some  
 7 conclusion, and the general public is quite  
 8 They really look at the income tax and say this is going  
 9 be a high tax. Maybe it's not a panacea for us.

10 I think we can leave it there. We just show the  
 11 facts. I don't think we have to go in terms of  
 12 recommendations on the income tax because I think the  
 13 speak for themselves.

14 MS. TYSON: I think what is important look at  
 15 New York City and why their taxes and the people there  
 16 to be pretty happy with their taxes, about four percent  
 17 average on their income tax and about two or four  
 18 dollars on their homes.

19 I know there is a balance. I think what we do see  
 20 that the numbers are huge and it scares people. Let's  
 21 think of it this way. Let's say every home had a two  
 22 thousand dollar property tax. Then in addition to that,  
 23 the income tax covers the rest of the education

formula. I

24 think we need to look at that.

25 I know that the fear is you're adding another tax.

I

21

1 think when people look at the system and see these huge  
2 numbers for income tax, which does seem big, so they're  
3 going to actually get a huge reduction from a property  
tax.

4 They're going to be very happy with that, even if they  
do  
5 pay that income tax. I think that we do need to look at  
6 that. I hope some of the number crunching that that we  
do  
7 looks at that, considers that kind of scenario.

8 The other thing that I kind of like to know, how  
this  
9 group feels about when we talk about the State aid  
formula,  
10 what we believe in is the campaign for fiscal equity  
11 formula, or how to distribute fairly the education  
fund.

12 It's based on need. A child in poverty receives more, a  
13 child that receives ESL receives more.

14 There is a cost of educating certain populations

which

15 do need more money. I think we need to talk about I

would

16 like to look at CFE and see if there is consensus around

17 the CFE formula.

be

18 DR. KAMER: The New York City taxpayers may

19 happy with the formulas, but the CFE case shows that New

more

20 York City education is inadequate and Gary, how much

21 they say has to be spent on New York City schools each

22 year?

23 MR. BIXHORN: The CFE believes it's about six

24 million dollars. That is State wide.

the

25 DR. KAMER: That is a lot of money. One of

22

1 reasons they're short six million is that they don't tax

2 themselves in terms of property tax. The formula in New

3 York City is not something we should emulate.

reports,

4 MR. BIXHORN: If you look through those

5 the ones that I gave you last time from the LIA and

6 superintendent's organization, the recommendations would

be

wide

track

7 consistent. The recommendations are looking for State  
8 solution that would call resolution of CFE, obviously  
9 looking for increased funding, looking for funding to  
10 needs in terms of SES and student poverty levels and all  
11 those things,

aid

essential

schools

any

12 Having the principles that we outlined for school  
13 reform would be consistent with CFE. I don't know,  
14 recognition of regional cost, which is certainly  
15 in order to implement CFE would also be -- the bone of  
16 contention with the CFE, everyone agrees the city  
17 need more money. Just where is it going to come from,  
18 Albany or New York City? I don't think there would be  
19 problem between what we're talking about and what CFE is  
20 suggesting.

and

do

21 MR. LIPP: Just one point. Pearl was talking  
22 about layout of the recommendations and pros and cons  
23 leave it at that. I think personally what we need to

24 is try and come to a consensus as opposed to let other  
25 people come to their own interpretations. This is what  
we

we

23

1 recommend. We could be split, if there is lot of  
2 disagreement, then we can say that. I don't think we  
3 should leave it up to the public.

4  
misconstruing

CHAIRMAN LINDSAY: I think you're

6  
different

5 what I'm saying. What I envision is, say, a report that  
6 says the system is broke; here is one, two, three  
7 ways of fixing it, and lay out a set of options. Not to  
8 say this one is what we have to do because previous two  
9 missions that went down that road, it wasn't  
done.

10  
how

So I would just like to see a multiple choice on

11  
system,

really our State lawmakers would decide to fix the

12  
right

and it's a subject of hot debate all over the State

13 now.

14 DR. KAMER: I think it's unlikely that we're

15 going to get a consensus on this committee as to what

16 should be done.

17 CHAIRMAN LINDSAY: The third section we

started

18 talking about, income tax, and we received a tremendous  
19 amount of testimony on this. I just had Barbara make a  
20 copy of some thoughts that I had and questions that have  
21 come up in my mind as we receive testimony about this.

22 If you permit me, I would like to just go over

these

23 thoughts in my mind and see everybody's opinion on some

of

24 these issues,

25 (Mr. Sawicki arrived at 10:55 a.m.)

24

1 CHAIRMAN LINDSAY: I always felt very

strongly

2 that if we implemented another tax and kept the real

estate

3 tax in place, that there would be a tremendous amount of

4 distrust from the tax base, that they would deal with it

as

5 a scam, as just another way of implementing another tax

6 instead of tax reform. I still want to see the numbers,

7 but I would feel very strongly if we went into a school

8 income tax, that it be to replace the property tax.

9 Anybody have an opinion on that?

10 MS. TYSON: Well, I think we really to do

that

11 under consideration. They're still going to be paying

going

12 property taxes to the Town and County. They're still

don't

13 to be get a Town and County bill. The citizens still

14 know the difference between County and State and school

15 taxes. They know that the school taxes is the biggest

16 chunk.

feel

17 What I find interesting, the income tax you don't

18 it when you pay income tax. I feel when I pay property

They

19 tax, which I feel is significant from the taxpayer.

don't

20 don't feel it when they get paid every month. They

21 focus on their gross pay, they are focused on their net

22 pay.

from

23 I think it may make the whole system a lot more

24 palatable to move to an income tax. If you're moving

25 a seven thousand dollar property tax to a two thousand

1 dollar property tax, they will feel a huge relief every  
2 quarter when their property taxes are due, or every half  
3 year when their property taxes are due.

4 CHAIRMAN LINDSAY: It's all about dollars,

Lisa,  
5 I agree with that. What I disagree with is that people

6 don't realize where their tax dollars are going. I

think  
7 school tax revolt is certainly an indication of they

know  
8 where their taxes go.

9 But again I think what it boils down to is what

would  
10 the income tax have to be to replace the property tax,

11 which brings me to the point number two, is what are we

12 looking to replace? Are we looking to replace the real

13 estate, property, school taxes in total across the whole

14 board? Or are we looking to replace the owner-occupied

15 real estate property tax, as Mr. Levinson suggested.

16 DR. KAMER: If you're going to replace it in

17 total, that is one thing. You're adding a tax but

taking  
18 away a tax. If you're going to replace it only

partially,

19 you're adding a tax. I think that is what the public's  
20 perception would be. The public distrusts government to  
21 begin with, so you're simply feeding that  
distrust.

22 Another point that I wanted to make is regarding  
the  
23 sales tax. We will have to deal with that issue too  
24 because we raised it.

25 CHAIRMAN LINDSAY: I didn't get that.

26

1 DR. KAMER: Can I get there?

2 CHAIRMAN LINDSAY: Sure.

3 DR. KAMER: Two thirds of all tax revenues in  
4 Suffolk County come from the sales tax. Half of all tax  
5 revenues in Nassau come from the sales tax. Suffolk is  
6 very dependent on sales tax. Anything you do in retail  
in  
7 Suffolk has major implications in the county and that  
has  
8 to be written up in the report.

9 I don't think we're seriously considering a sales  
tax,  
10 but for the sake of completeness, that has to be taken

into

income

tax.

family

that

And

questions.

commissions,

of the

free

11 consideration. I think your third section is on the  
12 tax and I think your fourth section is on the sales

13 CHAIRMAN LINDSAY: Going back to three on the  
14 income tax. The reason for the owner-occupied relief is  
15 some of the following issues: second homes, multi-  
16 dwellings, minimum and maximum payments is something  
17 we had discussed, and industrial commercial property.  
18 how do you distribute it were some of the

19 Starting from the top, I know in previous  
20 one of the reasons that was cited why an income tax  
21 wouldn't work because it could be devastating to a lot  
22 school districts that have a summer home community where  
23 there was a great deal of second homes. If the second  
24 homeowners only had a pay an income tax, probably not in  
25 this jurisdiction, they would walk away virtually scot-

1 and save a great deal of money. That was one of the  
2 proposals, where the owner-occupied real estate tax  
would  
3 be the only thing that worked.

4 The second thing is the multi-family dwellings  
where  
5 someone owns a legal two family, three family, four  
family  
6 to not keep them on the real estate tax roles would give  
7 the owner a great deal of relief, but there is no  
assurance  
8 that relief would go down to the renter. The rationale  
was  
9 to keep that on the real estate property tax as well.

10 The third item there is was talk about again  
11 Mr. Levinson's presentation about creating some kind of  
an  
12 income tax system, a minimum and maximum payment so that  
13 everybody paid something into the system, but yet that  
the  
14 very wealthy won't be so overtaxed. That there would be  
a  
15 cap of how much income tax you would pay towards funding  
16 our schools.

17 The fourth item was assuming that it was only on  
18 owner-occupied home and everything else, including

19 industrial commercial property tax stayed on the tax --  
on  
20 the real estate property tax roles, it was brought up  
about  
21 this is kind of complex, and Gary, I'm sure you're going  
to  
22 have some input into this, about the industrial  
commercial  
23 property tax being pooled as an equalization pool to  
24 equalize the different school districts because it's  
very  
25 obvious if you went to an income tax, some of our school

28

1 districts in the more wealthy areas would have an  
abundance  
2 of revenue. Others would certainly be shortchanged.  
And  
3 it was viewed that the industrial commercial property  
tax  
4 would be used as an equalization pool to make our poorer  
5 districts whole, and to kind of make the system work.

6 Now of course, the down side of that is the folks  
that  
7 say, you know, I have a power plant in my district.  
You're  
8 going to take revenue to help a school district in

another

9 part of the county. That goes back to our mentality of  
 10 funding our schools on a district by district basis  
 instead  
 11 of more on a regional basis. And I don't think we will  
 12 ever break that mentality because it's been seen over  
 and  
 13 over again how protective we are of our individual  
 school  
 14 districts. Go ahead, Gary.

15 MR. BIXHORN: I would agree with you  
 16 completely. I don't think you will every hear any  
 17 consensus of regionalizing the districts. I know  
 18 personally before I moved to BOCES, I was assistant  
 19 superintendent for business in Northport where we have  
 the  
 20 power plant.

21 I can remember going to a county legislative  
 hearing  
 22 probably twenty years ago where a proposal was made to  
 23 regionalize the LILCO plant at the time up there. I  
 gave  
 24 the testimony on behalf of the district on all the  
 reasons  
 25 it should not happen.

regional

1           On the other hand, when you look at it from a  
2           and equity perspective, you can make some very strong  
3           arguments on why it should happen. I think that is an  
4           issue that you're not going to get consensus on. The  
5           districts that have those types of resources, there is a  
6           strong rationale to protect those resources and districts  
7           that don't have a strong rationale for them to try to  
8           piece of the action,

get a

9           When you move into regionalizing certain taxable  
10          properties, that leads you to the whole discussion of  
11          school consolidation and the whole array of other issues  
12          that really tend to divide people pretty dramatically  
13          pretty quickly, so people will fall into a couple of  
14          different camps when those issues are put on the table.

and

15                 CHAIRMAN LINDSAY: My question though is, if  
16          just address the issue of regionalizing the industrial  
17          commercial base as a lone item, I certainly think that  
18          would run into tremendous opposition.

you

you

19 MR. BIXHORN: Absolutely.

20 CHAIRMAN LINDSAY: In the what if scenario,

21 we scrap the whole system and start over again. I would

22 think that people would look where do I stand in this

23 system. Am I better off or worse off.

24 MR. BIXHORN: I think part of the difficulty

25 what we're trying to do is that the property tax and the

1 school district boundaries and system is so deeply

2 ingrained, that realistically you can't look at a blank

3 slate and it's very difficult to get your mind out of

4 structures that exist. That is why when we had the

5 with Mr. Levinson, it was difficult to visualize how you

6 could talk about the revenue side of the budget without

7 talking about the expenditure side of the budget.

8 To the extent we have local control in the school

9 districts, the school districts over the years

10 their budgets and spending patterns with an

11 of where the revenues are coming from. If you have a  
power  
12 plant or mall in your district or those types of  
resources,  
13 then the spending tends to be built around the resources  
14 available to you. If you talk about taking things away  
or  
15 regionalizing things, it's the entire history and  
16 expenditure history and structure and traditions and  
17 educational programs in the district are built around  
those  
18 structures.

19 That is why there are inequities. There are  
districts  
20 spending forty or fifty thousand dollars a student or  
21 districts spending nine or ten thousand dollars per  
kid.  
22 The districts that are spending nine and ten have the  
23 programs that are offered to those kids over the years,  
24 just like the districts spending twenty and twenty-two  
25 thousand dollars on their kids. It's a tough issue when

31

1 you start moving away, when you start trying to tinker  
with  
2 one piece of the structure that is really part of a much

3 larger system.

4 MR. LIPP: With Mr. Levinson's presentation  
the  
5 way I understood it to be, he would keep the revenue  
from  
6 the income tax in the school district. On the surface,  
7 what is the point if that is going to happen? However,  
8 what he also would do would be to regionalize the  
9 commercial property tax, and that would supposedly  
10 introduce the equity portion.

11 If you're going to go through an income tax, just  
from  
12 an equity point of view, to me there is no point of it  
13 unless you have some port of equalization. He gets  
that,  
14 not that I'm agreeing, you, by going to the regional  
15 situation, I don't disagree with you at all in terms of  
the  
16 difficult sell on it.

17 I made myself clear several times that I don't see  
the  
18 point in repeating myself. In the past I said that I  
don't  
19 think it's the best idea. What we're talking about here  
on  
20 an equity level, some of the reasons why I don't think

it's

21 a good idea or the main reason on an efficiency reason I  
22 don't think it works, but I made those points in the  
past.

in

23 Here we're talking about the equity. Does it work  
24 income tax? What is the point if you're not

regionalizing

25 that to begin with. Mr. Levinson has that covered by

1 regionalizing the commercial. I think what Legislator  
2 Lindsay is saying localistically, then, the equity thing  
3 works if you take those two pieces together.

4 CHAIRMAN LINDSAY: Which is the next thought  
5 about again, what if? What if we had an income tax; how  
6 would it be distributed? What Mr. Lipp just alluded to

is

7 the one model that we heard about is that it would be  
8 distributed into distinct factions. That the income

tax

9 of the homeowners with this district would stay in the  
10 district. And the industrial commercial base with that  
11 district would be pooled as an equalization pool. Maybe  
12 there would be a hybrid of that. Maybe a certain amount

1  
of  
  
district  
  
  
numbers.  
  
  
multiple  
  
  
if  
  
tax  
  
  
33

13 the industrial commercial base would stay in the  
14 and the rest of it would go into the pool.

15 But again, I think what it boils down to is

16 What are the numbers? What do the numbers show? The  
17 average taxpayer, I think, would view it, whether it's a  
18 good thing or bad thing, based on the tax bill.

19 The other issue having to do with that, and the big  
20 disadvantage of the income tax, it could be a very small  
21 percentage on the surface because most homes have  
22 breadwinners. Some, probably most homes have two, at  
23 least, and some might have three or four, so although it  
24 might not be paying a lot of income tax per individual,  
25 you pooled the whole thing together it may be a large

1 per household.

2 MS. TYSON: There are other ways of looking  
3 the income tax. What we are looking at is basically

4 everyone gave the same percentages. There are other  
ways.

5 I think three or four years ago the New York State  
Senate

6 and Legislator vetoed it. The Governor had a one  
percent

7 tax income over a hundred fifty thousand dollars and two

8 percent over two hundred thousand dollars, which raises  
a

9 huge amount of money,

10 If you look at how much it raises, if you look at  
who

11 pays, it's a small percentage of the people that pay.

It's

12 a small. In Nassau, we had a plan where we reduced

taxes

13 by twenty percent, Nassau County property tax, and then

we

14 had a one percent tax on incomes above one hundred

fifty,

15 two percent on incomes above two hundred thousand

dollars.

16 Ninety percent of the taxpayers in Nassau would not pay

the

17 tax at all and they would pay a reduction,

18 We did a professional poll and we asked the people

who

19 would be paying the additional tax, how they felt about

it,

20 and forty-six percent of the people supported the tax.

The

21 dialogue with the pollsters was it's okay to be taxed at

22 that level, it's very expensive to live on Long Island.

23 We came out with different tax ways. There is more

24 than one way of doing it. Frank Morris' presentation

was

25 clear in saying that the tax system has been eroded;

it's

34

1 not effective any more. They basically starved the

system

2 of funds. Locally they stopped funding education. They

3 used to fund fifty percent of education. Now it's the

4 State has starved the system of funds, and that is why

our

5 property taxes continue to rise exponentially,

6 In looking at the system, we can look at having

7 different tax rates as well. You're talking about

8 different income levels, the seniors, lower middle

class;

9 how do they make out. So you can look at different

10 segments of the population and the different taxes that

11 they would be paying.

12                   CHAIRMAN LINDSAY:    Which really goes to the  
13           fifth item in my thought list, is it a flat tax or  
14           progressive tax, or I guess you are thinking about just  
tax  
15           households of a hundred fifty thousand dollars is just a  
16           tax on one segment of the population.

17                   MS. TYSON:    Or you can have a higher  
percentage.

18           One pays a half percent.

19                   CHAIRMAN LINDSAY:    Progressive tax.  I think  
20           that kind of goes back to one of Pearl's comments  
earlier,  
21           will that cause whole segments of our population to walk  
22           with their feet.

23                   DR. KAMER:    Not only walk with their feet,  
but  
24           hide their income.  The wealthy have very good  
accountants  
25           and know how to hide their income and do so, in fact.

35

1                   CHAIRMAN LINDSAY:    That goes with the formula  
2           when you're considering what kind of tax to do, we need  
on  
3           that kind of income base, is it on the gross base or

4 adjusted base? I don't know whether anybody has any  
5 thoughts.

6 MS. GAZES: If you do that kind of system you  
7 have to regionalize. You couldn't do something like  
that  
8 without regionalizing the distribution of the funds. If  
9 you do something like that, you will have certain  
districts  
10 that are going to collect virtually no income tax. You  
11 can't keep the income tax in the district if you're  
going  
12 to do that type of a system.

13 MR. LIPP: Which brings us to what we have  
been  
14 talk about, equity. Going back to what Gary said, he's  
15 spoken on both sides of the issue. It's probably not  
going  
16 to happen. How do you make the thing for equity. The  
17 answer could be as follows: What you need to do is, on  
18 the surface have something, I'll call it a supplemental  
19 tax. The supplemental tax is not real. It could be  
20 structured that it's not really meant to be supplemental  
21 but rather a replacement in the following sense.

22 If you could cap in some way the property tax now  
and

23 say look, what we're going to do is we're going to use  
this  
24 additional tax via sales tax, mortgage tax. You use  
that  
25 as the, quote, regional pool.

36

1 It seems to me, and I don't claim to have the pulse  
of  
2 the public, but it seems to me that people are going to  
3 kick and scream if they think you're rearranging taxes  
and  
4 taking it out of their school district even if they are  
a  
5 lot wealthier and don't have the needs that a poorer  
6 district was. Even if that would be more equitable.

7 I think what people would be more willing to do is  
8 have some additional tax that is used to keep taxes from  
9 rising too much and also use it judiciously to improve  
on  
10 the equity of the system. So what we're talking about  
11 there is basically a discussion of whether or not we  
don't  
12 replace or supplement.

13 CHAIRMAN LINDSAY: You're getting ahead of  
me.

14 I'm trying to keep the discussion to the income tax for  
the  
15 moment.

16 LEG. NOWICK: You know, we're sitting here and  
17 talking a lot about what the public wants and what our  
18 taxpayers want, and I have to say this, with all the  
19 discussion, what I really want to know and really

putting  
20 it in laymen's terms, we don't have these numbers. I  
want  
21 someone to say to me Lynn, if we do an income tax you're  
22 going to save this much money. But we can't do that  
23 because we don't actually have the figures,

24 It's a very difficult thing to do and it becomes a  
25 difficult thing to sell it our public. I don't know

what  
37  
1 to say. I'm sitting here thinking quite honestly, will  
I  
2 save money. I'm sure you're all thinking about that.  
How  
3 do we arrive at those answers?

4 CHAIRMAN LINDSAY: The point is everybody

will

5 view that on an individual basis. How do I make out in  
6 this restructuring of financing the schools. Am I ahead  
or  
7 behind. When you're raising, you have to raise X  
8 revenues. We have identified it as one point eight  
billion  
9 dollars to fund all the districts to replace the  
10 owner-occupied property tax. One point eight billion  
11 dollars,

12 We know what the gig is. We have to figure out  
what  
13 is the total amount that we would have to tax to raise  
that  
14 amount of money. From that you would know, only you  
would  
15 know what you're paying in property taxes now and if you  
would  
16 knew what your income was and the percentage that you  
17 be paying, you would know individually whether you're  
ahead  
18 or behind and it's going to be winners and losers.

19 MR. SAWICKI: That's right. As he just said,  
20 you have to come up with a certain base of money. There  
is  
21 a certain amount of money that we need.

22 CHAIRMAN LINDSAY: One point eight billion

23 dollars.

24 shifting.

LEG. NOWICK: This could be a matter of

25 You have to come up with the amount. This could be a

38

1 matter of shifting the burden, possibly from senior  
2 citizens who are hurt by it. Possibly low income single  
3 mom incomes. The house is worth a lot. You had it for  
4 years, so of course it's worth a lot, but so you're  
5 assessed on it.

6 This could be a matter of shifting the burden from  
7 those that can't to those that can.

8 CHAIRMAN LINDSAY: Even the losers in this  
9 scenario, the silver lining is you only pay that amount  
of  
10 taxes when you're earning that amount of money. There  
will  
11 come a period of time when you go into retirement years  
12 when your income won't be as high, where you wouldn't  
pay  
13 as much as money.

14 The other side is your children are starting out in  
15 this community and initially they're not making that  
amount

16 of money. They're trying to acquire a home and

initially

17 the taxes is the stumbling block on trying to acquire

their

18 first home, so that kind of gives them a break.

19 The other thing that was troubling to me in this

20 scenario, it's a very practical thing, but if we did

21 change from one tax system to another, what do we do

with

22 school budgets. People vote for school budgets because

23 they know they have an equity stake. They know if the

bill

24 is approved, their taxes will go up X amount of

dollars.

25 They have to make a conscious decision, am I willing to

pay

39

1 for it. If the system is switched to an income tax,

2 especially if it's one rate, whether progressive or flat

on

3 a regional basis, what is the incentive to vote in

school

4 budgets. I don't have an answer to that.

5 LEG. NOWICK: Bill, sadly, people don't go out

6 now and vote in school budgets.

7                   CHAIRMAN LINDSAY:    How many would vote if  
they  
8                   didn't have an equity stake in it?

9                   LEG. NOWICK:    I don't know.

10                  MS. TYSON:    I think they're still deciding on  
a  
11                  particular budget number amount.  They are still  
voting.  
12                  We are still going to raise one point eight billion  
dollars  
13                  for this budget.  The income tax might make it so there  
is  
14                  less personal burden on these people.  Some people can  
go  
15                  out and vote against it.  I don't know how that changes  
how  
16                  people will vote on it.  The people will still vote it  
17                  down.  I don't know how that changes so much.

18                  MR. BIXHORN:    Won't repeat myself from  
earlier.  
19                  You're really getting to the crux of the problem that I  
was  
20                  trying to describe.  The system that we have in New York  
21                  State and on the Island is so focused on local control  
and  
22                  on district by district decision making, as soon as you  
23                  talk about regionalizing any resources or moving away

from

24 where the community is taxing itself you're going to run  
25 into -- you're going to run afoul of the tradition of

local

40

1 control.

particular

2 I think you're right. I think there is a

people

3 possibility that there would be a disincentive for

4 to vote on their budgets. Right now it's very

5 personal. You know within our community were going to

the

6 raise X number of dollars to support the programs that

7 school board is proposing for the kids in our school.

8 People choose to go when it becomes a little more

9 contentious and people choose to ignore it when it's not

10 contentious. It's a high stakes thing for many

11 communities,

get

12 What I don't have a grasp on and what I tried to

13 from Mr. Levinson, how would you establish a budget when

budgets

14 the revenues, do you have to establish expenditure

15 to match the revenue that the State decides to give you  
16 from an income tax, and at that point, how does a  
17 community, if we want to provide a program that is  
richer  
18 than the economic limits from the income would tax or  
state  
19 aid would generate. How do they decide to do it?

20 Their kids go on environmental education trips, X  
21 number of field trips, additional athletic teams. If  
the  
22 revenues are constrained, are we, in essence, saying to  
the  
23 community you can buy what we are willing to give you to  
24 support your schools, but you can't buy anything beyond  
25 that. It's really a much bigger question, but as I

said,

41

1 earlier communities over the years have developed  
programs  
2 and developed offering for student based upon what the  
3 community is able to afford.

4 If you all of a sudden reduce the revenues able to  
5 support the schools and redistribute the revenues, then  
6 schools are not going to be able to offer the programs

if

7 they can't raise money on a supplemental basis. If you  
go  
8 back to the original problem, what are we going to do.  
Get  
9 rid of the property tax and one district is able to  
raise  
10 the money for an additional program, how are we going to  
do  
11 that?

12 LEG. NOWICK: Schools spend based on what the  
13 community can afford. My schools are spending -- I  
can't  
14 afford it. It's not really based on what the community -  
-  
15 it's based on a budget, I believe, that is based on a  
very  
16 very small percentage. Be that as it may, the question  
17 here is, just to go back on track, is whether or not we  
18 have people still vote on school budgets.

19 Legislator Lindsay said well, what is the  
motivation.

20 You're right in a way. However, if you just take it to  
any  
21 general election a lot of people are not motivated to  
22 vote. They say I don't like who is running, what is the  
23 sense, but they have the right. I don't think we can  
even

24 hope to take it away. People feel they need to have a  
25 little control.

42

1 CHAIRMAN LINDSAY: No, I'm not suggesting it  
be  
2 taken away. I'm asking the question what is the  
3 motivation to vote on a school budget if it doesn't have  
4 any individual impact on a household? For example, just  
5 say the income tax is established as a nominal rate.  
It's  
6 a wealthy community. They have a lot of income coming  
into  
7 that community, but they want more. They want to  
implement  
8 another program.

9 Where do they get additional income from? Do they  
go  
10 back to the equalization pool that we talked about?  
Then  
11 are you going to hear an uproar, one community knew  
their  
12 commercial industrial base is financing a pool for a  
13 program that they consider rich that they don't have in  
14 their own schools. So, I don't have the solution to  
this

15 particular problem on the logistics, but it's something  
16 that I think we really have to think about is, are we  
17 coming down to the fact that an income tax would only  
work  
18 if there was a regionalized school system?

19 MR. LIPP: I think what we're saying is even  
if  
20 we think income tax is great because of the local  
control  
21 issue, to the extent people don't want to give that up,  
I  
22 don't see where people are interested in giving that  
up.  
23 Then you have to have some flexibility in the system.  
24 Where you say this is how much you can spend; that's  
it.

25 You need some sort of safety valve, perhaps, for

43

1 instance, you have some sort of formula, this additional  
2 tax to keep the property taxes from going up. Maybe a  
3 total replacement with a minor property tax. Then you  
4 allow for any growth through this regional pool. Then  
you  
5 give the flexibility of the local communities to go  
beyond

schools;

6 that and tax more heavily on the property in their  
7 otherwise, you don't have local control.

can't

8 MR. BAHR: I just don't want anybody to under  
9 estimate the importance of what Gary said and Robert  
10 touched on now. With the plans we have talked about so  
11 far, we have said districts will be told in advance how  
12 much money they have to spend. If they're told you  
13 go beyond that, this plan is dead on arrival. It's that  
14 simple. These districts were not going to accept any  
15 recommendations or plans that we or anybody else makes  
16 we take that level of local control away from them.

if

17 It goes back to why are they voting on the budget.  
18 The original way, if you tell them you have X numbers of  
19 dollars to spend, they're voting on the distribution of  
20 money. What if they vote no, what happens to the money  
21 they chose not to spend, does that go back into a pool?  
22 What if they decide they want to have more field trips,  
23 we take that right away?

do

24 That is not going to work. We have to consider

that

25 before we come up with any recommendations.

44

1 CHAIRMAN LINDSAY: Which kind of leads me to  
the  
2 fourth point, that again, it was my personal thought  
about  
3 what our final report should include. That is going to  
4 really have both issues. That is, should we look to  
some  
5 other alternative taxes, whether it be an income tax.  
6 Mr. Byrne was here and talked about the inheritance tax  
7 that has been reduced. When the fellow from O TV talked  
8 about Jeff Casale, about the lottery terminals, about  
the  
9 revenue there. Would we want to talk about a system  
with  
10 some other alternative revenue sources to act as a  
11 supplement to freeze existing property taxes, and raise  
12 some kind of regional pool for stabilization to stop the  
13 steady increase that is really devastating some of our  
14 communities.

15 MR. BAHR: How can we ignore something like  
16 that? I think we have an obligation on this commission

to

the  
and  
machines?

17 investigate any way or means to help the taxpayer with

18 burden that they're shouldering now. If we can find a

19 revenue stream that is not a tax, how do we ignore it

20 not put it in the report? How about the lottery

21 We were told it's going to happen. Whether the OTB or

22 Native American tribes do it, it's going to be happen.

23 us not to get a cut of that money is irresponsible on

24 part. I think whatever things come up it's important

25 us to consider.

For  
our  
for

45

capping  
option  
taxes  
cap

1 DR. KAMER: I think we have to look at

2 the property tax. If you cap the property tax, what

3 will be capping the property tax if you have to consider

4 that option. Then have to come up with supplemental

5 that have been levied, or fees, that will allow you to

6 the property tax and make that as one of your options.

7 That is part of the general discussion, I think.

8 something?

CHAIRMAN LINDSAY: Do you want to say

9 capping

MS. TYSON: Yes. I'd like the idea of

10 to

the property taxes. I think the problem is, if you want

11 more

cap graduation payments, if the school district needs

12 money, the funds have to be there. You can't say we're

13 going to stop sending more money for education.

14 There is inflation, it would be great if we can cap

15 property taxes here and make the State pay all the

16 additional money needed for the school districts through

17 are

the State income taxes. We can say our property taxes

18 now

in a locked box and wouldn't go up any more, but from

19 on the State pays it.

20 before

I think we have to make sure the money is there

21 we talk about a cap. The money has to be made available

22 for all school districts and the distribution has to be

23 made clear.

24 we

THE CHAIRMAN: Gary, what kind of revenue are

25 looking at to raise on an annual basis in order to cap

real

46

1 estate taxes? Do you have any numbers on what the

amount

2 in total of school expenses go up every year?

3 MR. BIXHORN: The schools on Long Island, the

4 aggregate budgets on schools on Long Island is seven

point

5 five billion dollars. I think the State aid, school

tax,

6 the property taxpayers pay up essentially whatever is

7 not -- whatever doesn't come from Albany is what makes

up

8 your local property tax levy, whatever. One of the

9 difficulties in talking about State aid, and in general

the

10 State's share of revenues to your school districts

ranges

11 anywhere from as low as five to six percent, up to as

much

12 as sixty percent.

13 We have many school districts that receive very

14 little of their income from the State the State aid. Of

15 the east end districts, State aid cut of fifty percent

16 wouldn't make a significant difference to their

taxpayers

17 because the total share of their expenses covered from

18 State aid might be as low as four or five percent,

19 Other large districts that have a lot of property

20 wealth would be in a similar situation. Some of our

large

21 wealth property districts, seven or eight percent.

There

22 are other districts that aren't particularly high wealth

23 getting between twenty-five and thirty percent from the

24 State. The percentage of our school district is

probably

25 in most cases a large part of the total income to the

47

1 school district.

2 If you start talking about capping two thirds or

3 ninety percent of your income, you're really talking

about

4 putting severe constraints on your ability to raise the

5 funds that cover the inflationary costs that we were

6 talking about.

7 I have all the data. I could give you the answer

to

8 that question. When you start talking about capping the  
9 property tax and looking at alternatives to make up what  
10 you would lose by putting a cap in place, it really  
comes  
11 full circle to the first issue because we're so heavily  
12 dependent on the property tax,

13 It's such a big share of the cost in most school  
14 districts. The only districts getting significant  
shares  
15 of State aid well above forty to fifty percent would be  
16 exceedingly poor school districts. Even the districts  
17 below State average in terms of wealth are still in that  
18 forty to fifty percent of revenue from the State. Even  
our  
19 poor districts aren't heavily State supported.

20 MR. LIPP: Actually, we have some numbers. I  
21 don't have them in front of me. I left it in the car.  
The  
22 school property tax is like two point eight billion  
23 dollars. A cap by five percent would be a hundred forty  
24 million, ten percent would be double that two hundred  
25 eighty million in alternative sources to quote, cap.

1 DR. KAMER: I think Gary's point is very well  
2 taken. We have to show what a cap would do to individual  
3 school districts based on the proportion of their total  
4 revenue comes from local property taxes. If you have a  
5 school district that gets only ten percent of its total  
6 revenue from State aid and you're capping the property  
tax  
7 and they get ninety percent of that revenue from  
property  
8 tax, what would they have to use alternative sources.  
It  
9 will prove it's probably not feasible to cap it. We  
have  
10 to deal with the concepts of capping it because the  
public  
11 would expect you to cap it. They will say why can't you  
12 cap it. We have to demonstrate the implications of  
capping  
13 it.

14 CHAIRMAN LINDSAY: If we created an  
equalization  
15 pool that came out of lottery terminals or sales tax or  
16 inheritance tax or whatever that could be used to  
stabilize  
17 the increase of real estate taxes, what is the incentive  
18 back to the district. In other words, if the district  
knew

all.

19 that the real estate taxes weren't going to go up at  
20 I will adopt this environmental research program because  
21 there is no economic impact do me. I'm going to get the  
22 money out of the pool.

23 DR. KAMER: Somebody else is paying for it.

24 CHAIRMAN LINDSAY: Their taxpayers are paying  
25 for it too in some sense but there is no direct economic

49

1 impact to those taxpayers.

two

2 MR. LIPP: There is on a simple level, but

3 things. Number one, with the differentiation from one

4 school district, what piece of the action is property

5 taxes? The numbers which I was referring to which

6 obviously are averages, you could use those revenues to

7 give a greater amount than those that rely more heavily

on

8 the property tax to adjust for that fact, and less to

those

9 who get greater State aid. You can take care of it that

10 way.

11 You have to look at other issues of equity. So if

you

12 districts

13 that

14

15

16

17

to

18

we

19

20

21

if

22

more.

23

24

25

want

want to build in more money to the poorer school

as well as those that don't get that much State aid,

would be another consideration,

Lastly, in terms of the issues that you're talking

about here with keeping them from the spending wildly

because their property taxes are capped, you would have

have a formula which we briefly discussed last time but

didn't talk about. What are the pluses and minuses in

terms of the aid would be the function of how much the

budget goes up so that it wouldn't be completely capped

school districts were able to control their spending

They would get conceptually no tax increase dollars,

perhaps even future dollars to allow them to lower the

property taxes, and if school districts decided they

1 to increase significantly, for whatever programs, they

2 would have to pay an increasing share of it through

3 increase in their own school taxes.

4 CHAIRMAN LINDSAY: We are back to the plan of

5 the last year, if you don't increase your budgets by

less

6 than four percent you will get additional State aid.

7 Besides the numbers maybe not being workable, is that

8 formula workable in that if you limit the increase in

9 property taxes you can access a pool of money to offset

10 property taxes.

11 MR. BIXHORN: One of the issues that came up

12 around that proposal last year, I can't remember what

the

13 exact cap was that was proposed, in order to get the

14 additional aid -- four percent, if you just factored in

the

15 cost of increased pension cost for the State retirement

16 system, increased insurance costs through the Empire

Plan

17 and increased energy costs, most of the districts are

18 already at double the cap that was proposed in the

19 legislation.

20 If you factored those ongoing expenses that really

you

21 don't have a great degree of control over, it already

22 pierced the cap. The proposal as it was proposed last  
year  
23 was quickly disposed of by the Legislature based on  
input  
24 from the constituent because the way it was structured  
it  
25 wasn't workable.

51

1 Just want to mention one other thing. I don't want  
to  
2 get off your point. All of the numbers that I was  
talking  
3 about earlier were in terms of the State share really  
4 exclusive of the STAR subsidy. I think one thing that  
the  
5 commission really has to develop an understanding of  
6 because it's a bone of contention, any time you start  
7 talking about school aid is STAR. The way the State  
8 accounts for STAR, they consider it school aid. They  
9 consider it support to schools. The way schools tend  
to  
10 regard STAR is a subsidy that goes to local property  
11 taxpayers. It's not money that comes into schools to  
12 offset the amount of money they have to raise by  
property

13 taxes,

14 Any time you get into a discussion with members of

the

15 Legislature about State share you will also -- there is

16 always going to be a little bit of a gap where you say

the

17 school district is only getting fifteen percent of the

18 revenues from the State. The Legislature will say

19 no, if you count STAR they're actually getting twenty-

three

20 percent. There is a big variable. I believe it's about

21 six hundred forty-three million dollars. There is a lot

of

22 money tied up in STAR.

23 CHAIRMAN LINDSAY: If the six hundred forty-

one

24 million dollars went to the school districts, is there

any

25 assurance that the school districts would cut the

52

1 taxpayers' rate by that amount of money?

2 MR. BIXHORN: I can't tell you that. If the

3 spending was the same and the six hundred forty-one

million

4 went to the school district, the aggregate would be

about

5 eleven percent lower, however. It's a matter of how the  
 6 money is applied to the system. I'm not suggesting  
 7 anything other than STAR. Something that we have to be  
 8 considered when we start talking about State share  
 9 it's looked at differently, depending on what you said.

because

10 MR. BERNHARD: In the Town of Babylon, I  
 11 analyzed, we have ten school districts. Since the  
 12 2000-2001 tax school year, the proportion of the budget  
 13 sixty percent State aid, forty percent property tax.  
 14 the '05-'06 school year, that number is fifty-fifty.

is

For

The

15 increased amounts that homeowners enjoyed in STAR  
 16 each year, what the State is doing is just shifting

that.

up

17 They're giving the school less because they're making it  
 18 in the STAR

on a

19 The taxpayers think you're getting a thousand off  
 20 basic STAR exemption when in fact it's coming out the

other

21 side.

22 LEG. NOWICK: Just as a comment, I think  
probably  
23 maybe the idea behind it was the idea that it was  
24 guaranteed that the taxpayer would get a reduction on  
their  
25 tax bill. Like Legislator Lindsay said, if there was  
not a

53

1 STAR and six point one was poured back.

2 MR. BERNHARD: Six hundred twenty-one

million.

3 LEG. NOWICK: Six hundred twenty-one million

was

4 poured in -- I have to put this delicately.

5 MR. BERNHARD: I don't think you can.

6 LEG. NOWICK: I wasn't. Then the school  
7 district will say let's spend it. As opposed to each  
8 senior getting sixteen hundred -- so the seniors say

hey, I

9 see it here, I see that two thousand.

10 MR. BERNHARD: That is the reason the  
11 Legislature did it and also the same reason they're

coming

12 out with the rebate checks, which is another fiasco.

13 MS. TYSON: Because I'm a new homeowner I had  
to  
14 pay interest on the STAR, on the money I'm getting  
back. I  
15 had to pay up front. It was amazing in the mortgage  
system  
16 they don't know how much STAR is going to give you.  
You  
17 have to, in the first year, pay interest to the bank,  
18 I find it offensive they're basically taxing me and  
19 then paying it back.

20 MR. BERNHARD: Don't you get it back after  
the  
21 first year?

22 MS. TYSON: You have to wait two years.

23 MR. BERNHARD: Changes banks, Lisa.

24 MS. TYSON: I got a government loan. It was  
25 amazing for the tax liability. I think just from the

1 consumer you're taxing it and -- I think it's  
politically  
2 to get it to stop people thinking I'm getting a straight  
3 STAR reduction. It's better, definitely a better way to  
4 eliminate STAR.

5 CHAIRMAN LINDSAY: We have been joined by  
6 Michael Bernhard from the Tax Assessor's Association,  
who  
7 chimed in. First of all, the concept of STAR is to give  
8 the school aid directly to the taxpayer rather than to  
the  
9 school because the thought process is the school  
wouldn't  
10 pass it all on to the taxpayer but will spend it or will  
11 spend part of it.

12 Michael just raised an issue, by giving STAR is the  
13 school tax aid being reduced to the school district.

14 MR. BERNHARD: Absolutely.

15 CHAIRMAN LINDSAY: Is it giving with one hand  
16 and taking with the other? Its going back to the income  
17 tax proposal. That is something that if you were to  
switch  
18 to an income tax, you would have to factor that into  
STAR  
19 money. Are you going to lose the STAR money or is the  
STAR  
20 money a ready made for the equalization pool we're  
talking  
21 about.

22 DR. KAMER: That STAR money should be fed  
into

23 State aid and regarded as State aid.

24 MR. LIPP: I need to go back to the point

that

25 Gary made about where you mentioned the four percent

Pataki

55

1 proposal. What I was talking about maybe conceptually

2 relates to that.

3 What we're talking about here is definitely

4 different. We're talking about developing what we

perceive

5 to be trend growth in property taxes, then coming up

with a

6 supplemental source of revenue to, on average, keep

7 property taxes from going up. So therefore, to the

average

8 school district conceptually would it be enough money to

do

9 that. If the individual school district decided they

want

10 more or if for whatever reasons their growth and costs

11 happen to be more than average, they would have to dig a

12 little deeper into their pockets. If you don't have

them

13 dig deeper into their pockets, as Bill said, what will

be

14 done.

15 MS. TYSON: Harvey Levinson said those that

give

16 their STAR money to the poor school district -- we don't

17 think that works. He was saying how to redistribute the

18 STAR money.

19 CHAIRMAN LINDSAY: I don't think he exactly

said

20 that. I think he envisioned the STAR going into the

21 equalization pool along with the industrial and

commercial

22 real estate property tax.

23 MS. TYSON: I think the State would take

away.

24 I don't think they will say if you move away from the

real

25 estate tax to the income tax we will take away the STAR.

56

1 CHAIRMAN LINDSAY: In switching from one

system

2 to another, if you lost that supplement, the region

would

3 be a huge loser.

4 DR. KAMER: That is an excellent reason for

not

5 switching to an income tax because the State STAR money  
6 would disappear. Unless you put a proviso in there that  
7 STAR money is actually a form of State aid.

8 MR. BERNHARD: That is exactly what it is.

9 DR. KAMER: Because it allows the State to

10 cut back your aid to take it out through the back door. You

11 money would have to put in a provision that you regard STAR

12 of as State aid and therefore should go back into the pool

13 State aid.

14 CHAIRMAN LINDSAY: I'll go back to the

15 original question and premise. Some kind of equalization pool

16 along the lines that the governor proposes, but not in

17 numbers. Is that a workable system?

18 DR. KAMER: No. Not unless you regionalize

19 the school district. I think Gary made the point very

20 eloquently. If you don't have a regional school system

21 administratively, then such a pool system wouldn't work.

22 CHAIRMAN LINDSAY: The governor's proposal

was

fending

23 that school districts that watch and curtail their  
24 would be able to tap in to the. Equalization pool.

25 DR. KAMER: If the cap was four percent and

57

1 required expenditures would pierce that cap.

numbers

2 CHAIRMAN LINDSAY: I'm not staying his

percent

3 were realistic. What we're talking about is four

4 increase in the expenses of the district, not a four

5 percent tax increase to the taxpayers.

6 MR. BIXHORN: I believe the proposal was four

7 percent expenditure increase cap.

than

8 CHAIRMAN LINDSAY: Which is much different

9 the property tax. One doesn't necessarily equate to the

10 other.

11 MR. BIXHORN: No.

the

12 DR. KAMER: I think we would have to look at

13 numbers.

would

14 MR. BIXHORN: If what you're talking about

15 be establishing some sort of incentive for districts to  
16 hold down costs, it's something to look at. But I  
think, I  
17 think there will be some disagreement on this. The  
local  
18 school boards are under tremendous pressure within their  
19 communities already to try to do their best to hold down  
20 expenditures. I don't think if you try to hold down the  
21 target, they would benefit from it. I don't know how  
much  
22 of a difference it would make.

23 MR. BERNHARD: The original proposal will  
not.  
24 Only had the four percent cap. It was also the  
incentive  
25 to the rebate program that they're still going forward  
with

58  
1 this fall. If the school district kept its spending  
down  
2 to four percent, not only would they be eligible to more  
3 State aid but the residents of that district would be  
4 eligible for more of a STAR rebate, so it was twofold.

5 DR. KAMER: I think we have to discuss it in  
a

6 final report. We have to put in a few numbers, but I  
agree  
7 with Gary. I think given the tax revolt, many school  
8 districts are doing what they can to hold down their  
9 expenditures, but an additional incentive may not do  
very  
10 much.

11 CHAIRMAN LINDSAY: Wouldn't it create a  
reward  
12 system if the school boards are doing the right thing?

13 DR. KAMER: It would be, but I don't know how  
14 many schools districts what able to hold down their  
15 expenditures that much.

16 CHAIRMAN LINDSAY: Four percent may not be a  
17 workable number.

18 DR. KAMER: It may work if you have a higher  
19 cap. Yeah, it would be an incentive.

20 MR. BAHR: An incentive to what? What is the  
21 right thing? What school district would that be  
incentive  
22 to cut out things that might be vital simply to get more  
23 State aid I worry about that. I don't know what the  
answer  
24 it is

25 CHAIRMAN LINDSAY: You get back to the question what is

59

1 vital and what isn't.

2 DR. KAMER: You wouldn't get any agreement on  
3 that.

4 MS. TYSON: I think Gary said earlier the

reason

5 why school budgets are going up, inflation, fuel and

6 pension costs and health care costs. Those are things

that

7 are not necessarily directly related to student

education

8 and how good they're going to do. Unfortunately, the

9 programs, those things, their costs continually go up.

10 Its the perhaps that gets cut in order to get the four

11 perks it will be reading programs and after school

12 programs, the really interesting programs that are

helping

13 with achievement.

14 Right now when you see the sports programs many

people

15 think it's not so bad to cut a sports program, but when

the

16 kid is a high school senior and he needs to go to

college

17 with an athletic scholarship to go to a good school is  
18 gone. The things that get cut because of the added  
expense  
19 due to fuel and other things not within the control of  
the  
20 school board,

21 These are the things really making it so we're not  
22 competitive educationally. This is why we are not  
23 educating enough engineers. We are teaching to tests  
and  
24 all the mandates and the kids are not learning more and  
25 achieving more.

60

1 DR. KAMER: Lisa's point is well taken. This  
is  
2 why you have to address not only the revenue side in the  
3 report, you have to look at what is driving up school  
costs  
4 to begin with. Many of the factors are beyond the  
control  
5 of the school district. When you talk about capping  
school  
6 expenditures, this is something that may be impossible  
to  
7 begin with.

8 MR. BERNHARD: Just to add to what Pearl  
said.

9 There are many layers of government that face the  
system,  
10 problems with fuel costs, pensions, health care and many  
11 municipalities, villages, counties. My town, a lot of  
12 towns, they are not raising taxes at more than four  
13 percent, some of them at zero percent. There has to be  
14 more to it from the educational side that is forcing  
that  
15 number a lot higher,

16 I think another thing affecting the school  
districts,  
17 I know in conversations every day with usually the  
18 assistant superintendents of finance in my town has to  
do  
19 with the timing of a lot of things. Like in Suffolk  
20 County, when the assessment roles are set, the tentative  
21 role is made first. They're voting on the third Tuesday  
in  
22 May. They already had a budget prepared weeks prior to  
23 that. They don't know what the assessment will be.

24 We just finalized our role two weeks ago. Now  
they're  
25 plugging into divide that into their property tax levy  
to

61

up

1 find out what their tax rates will be. They didn't know  
2 until then. It's a difficult position for a lot of the  
3 schools.

4 CHAIRMAN LINDSAY: Last word. Then we will  
5 break for a half hour.

pool

6 MR. LIPP: The conversation about how you  
7 money to freeze taxes or keep them down really doesn't  
8 speak clearly to trying to cap expenditures because that

is

9 not part of our mandate. In theory, we would have

another

10 pool of money here is trend growth. Here is how much

money

11 we could come up with, an additional mortgage tax or

sales

12 tax or income tax, and we will give districts, based

upon

13 their trend growth, revenues to keep their property

taxes

14 from going up.

15 If they're able to deal with it and keep their

16 expenses down perhaps their taxes will go down. If they

17 can't deal with it and that is the best we can do, they  
18 will have to go to the people in the school district and  
19 raise the property taxes. If the people feel that the  
20 programs are worthwhile, God bless them, that's fine.

21 CHAIRMAN LINDSAY: I'm going to recess the  
22 commission for a half hour until twelve thirty and we  
will  
23 take public testimony for two hours,

24 (The meeting adjourned at 12:00 p.m. The  
public

25 hearing commenced at 12:33  
p.m.)