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HOMEOWNER'S TAX REFORM COMMISSION

6

MEETING

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725 Veterans Memorial Highway

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Hauppauge, New York

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September 20, 2006

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10:25 a.m.

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Taken by: Joann Bunze

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Court Reporter

- 12 Association
- 13 Gary D. Bixhorn, Chief Operating Officer
14 Eastern Suffolk BOCES, New
15 York State Council of School
16 Superintendents
- 17 Daniel A. Bahr, Regional Staff Director,
18 New York State United
19 Teachers
- 20 Joseph Sawicki, Jr., Suffolk County
21 Comptroller
- 22 Thomas Kohlmann, President/CEO Suffolk
23 County National Bank
- 24 Lisa Tyson, Director Long Island
25 Progressive Coalition,
Taxpayer Advocacy
Organization
- Dr. Pearl Kamer, Chief Economist, Long
Island Association
- Melvyn Farkas, Long Island Board of
Realtors

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- 2 Celine Gazes, Chair of Council, Government
3 Finance Officers Association
4 Suffolk Chapter
- 5 Nicholas LaMorte, CSEA Region 1 President,
Long Island Federation of
Labor

6 Christina Capobianco, Chief Deputy

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PRESIDING OFFICER: I am

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going to call this meeting of the

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Homeowner's Tax Reform Commission to order,

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and if we could, like we always do, read

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and start with the salute to our flag.

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(The Pledge of Allegiance.)

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PRESIDING OFFICER:

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Thank you all for coming this morning. We

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are starting the final phase of our task.

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We do not have any public comments this

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morning, although we do have a few people

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with us which are very welcome to observe

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the proceeding.

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First I am going to

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start off by introducing everyone and who

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they represent.

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To my far right is

19 Christina Capobianco who is the Chief
20 Deputy, Suffolk County Comptroller.
21 Melvyn Farkas represents the Long Island
22 Board of Realtors. Dan Bahr, New York
23 State United Teachers, Celine Gazes is the
24 Government Finance Officers Association.
25 Dr. Pearl Kamer is the Chief Economist for

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2 the Long Island Association. Lisa Tyson, I
3 don't see her with us this morning, as well
4 as Nick LaMorte, but they might be arriving
5 a little latter. Then Robert Lipp is our
6 Columnist from the Legislature's Office of
7 Budget Review. Joseph Sawicki is to my
8 right, who is our Suffolk County
9 Comptroller. Myself, William Lindsay.
10 Directly to my left is Lynne Nowick,
11 Legislator from Smithtown. To her left is
12 Ester Bivona, who represents the Suffolk

13 County Tax Receivers and Collectors
14 Association. Michael Bernard isn't here as
15 yet. Next is Pat Byrne, who is a Designee
16 of the Suffolk County Executive Levy, but
17 also involved in the tax packet. Right
18 next to him is James Kaden from the
19 Nassau-Suffolk School Board Association.
20 Gary D. Bixhorn is next to James, and he
21 represents the School Superintendent's
22 Association, our council. Next to Gary is
23 Thomas Kohlmann, who is the President
24 Suffolk County National Bank and Mortgage
25 and banking experience expertise, and

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2 Robert King is not with us as yet.

3 We have a couple of

4 important pieces of business. First, I

5 would like to call your attention to, there

6 is a list of four tentative meeting dates
7 of which that one is -- either or. I was
8 hoping to identify at least two, because I
9 think we probably need two or three more
10 meetings to go through, you know, drafting
11 a report that I think is the final mission
12 of this commission.

13 Any comments on those
14 dates? Could you maybe check them and we
15 could pencil in something?

16 DR. KAMER: I can't make
17 the 3rd. I can make the 4th.

18 PRESIDING OFFICER: Is
19 the 4th okay with everybody?

20 DR. KAMER: Is it going
21 to be here?

22 PRESIDING OFFICER: Yes.
23 Everything will be here. How about the
24 19th? 19th is no good, okay.

25 MS. NOWICK: Did you

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2 want to schedule both?

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PRESIDING OFFICER: I

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really want to schedule three, but let me

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see of this list what we can identify. How

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about November 17th? No good?

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MR. FARKAS: I can't

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make it.

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PRESIDING OFFICER: No,

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okay. So, Barbara, before you go, the 4th

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is good. Maybe you could go back to the

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calendar. 19th and 17th are no good. I

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really think that if we --

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MS. NOWICK: This list

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here, this is tentative meeting dates?

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MS. MUSACCHIO: All

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those dates are good on your calendar.

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PRESIDING OFFICER:

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November 1st is a Wednesday.

20 DR. KAMER: That's good.

21 PRESIDING OFFICER:

22 November 1st?

23 DR. KAMER: 10:00 a.m.?

24 PRESIDING OFFICER: Yes,

25 okay. We will keep the 4th and the 1st,

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2 and you know, maybe what we can do, being

3 that November 1st is so early in the

4 process, my goal is to have a report

5 finished, bound and distributed by

6 December 31st. So, let's see where we are

7 after the November 1st meeting to see if we

8 need another meeting after that.

9 Again, what I envision

10 is some kind of approval from the

11 commission on, you know. I'm sure we can't

12 come to an agreement on one course of

13 action, but I think we could lay out a road
14 map of different steps that can be taken
15 along different ways of providing some kind
16 of relief for our taxpayers.

17 In those two working
18 meetings, if we can finish or get a
19 consensus on those steps, the drafting and
20 the printing and the binding will take us a
21 little while, you know. So let me put that
22 out of the way.

23 Originally, this
24 commission was supposed to expire in
25 September, and I have sponsored and passed

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2 a resolution extending the life of the
3 commission to the end of the year, and I
4 really don't want to go back for any more
5 extensions. Having said that, I just have
6 some other things.

7 There has been a flurry
8 of editorials about the work of this
9 commission. I'm sorry to say that the
10 comments and the reporting of it wasn't the
11 most accurate at times. I have made copies
12 of those which should be in front of you.
13 The one in Newsday by Mr. Keating annoyed
14 me so much that I replied to it, which I
15 try not to do that.

16 MR. LIPP: He was
17 effective.

18 PRESIDING OFFICER:
19 Yeah, but I think overall the editorials,
20 even if they are not correctly reported, do
21 serve a positive purpose, because I think
22 it keeps the issue in front of everybody
23 and keeps it alive, and that I don't think
24 is a bad thing.

25 It's interesting to me

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2 that in both the Suffolk Life editorial, as
3 well as Mr. Keating's editorial, and there
4 was another piece in the New York Times by
5 a Mr. Andretta, and the assumption on all
6 of them is that we are going to recommend
7 that an income tax be adopted, and that
8 it's -- I mean I don't even know where some
9 of this came from, but that the income tax
10 will be in addition to the real estate tax,
11 which I mean, even for us, proponents of
12 the income tax was never envisioned that it
13 would be an addition, but would be a
14 replacement if it was in totality.

15 But anyway, I thought it
16 was -- I made copies in case you missed
17 some of those editorials in the paper, and
18 my response to Mr. Keating, and I know
19 Mr. Byrne was moved to the point that he

20 might respond to Mr. Willmott. It still
21 might be ongoing.

22 The other, this morning
23 Gary is going to make a presentation on
24 something that his group has been working
25 on with the LIA; is that correct, Gary?

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2 MR. BIXHORN: Yes.

3 PRESIDING OFFICER:

4 Which I look forward to hearing about. And
5 additionally, Robert Lipp has a draft, one
6 of the first components of the final
7 report, and that's to outline the problem.
8 So that's before you, as well.

9 So, I am going to turn
10 it over to Gary, and we are going to listen
11 to him for a while, and in the second part
12 maybe we could take a few minutes to read
13 Robert's introduction, more or less, to the

14 problem, and maybe we could comment on that
15 and try and firm up at least the first
16 portion of the report, which would really
17 be progress.

18 I turn it over to you,
19 Gary.

20 MR. BIXHORN: If it's
21 okay, I would like to do the power point,
22 and I would like to introduce Andrea Grooms
23 who is a researcher on the Eastern Suffolk
24 BOCES staff, and Shane Higuera who is the
25 associate superintendent for management

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2 services.

3 Let me just provide a
4 little bit of background on Innovate Long
5 Island. Innovate Long Island is an
6 initiative solely sponsored by the Long

7 Island Association. The Long Island
8 Association had anticipated coming into the
9 advocacy season, with the elections coming
10 up and all of the changes that are
11 occurring on Long Island, the need to do
12 some preliminary planning to create, in
13 essence, a strategic plan for Long Island
14 establishing goals around areas of
15 importance. The areas that the Long Island
16 Association elected to focus on are human
17 resources, education, research and
18 investment.

19 The LIA has lead
20 innovation on the island. Long Island has
21 a reputation nationally for being a source
22 of innovation. I think one of the things
23 that has occurred over the last 10 or 12
24 years as the economy changed, and as we had
25 to respond to changing sectors in our

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2 economy, the LIA has I think provided
3 itself and done a wonderful job of
4 representing the interest of Long Island.

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In 1996, there was -- or
actually prior to 1996 you probably all
remember there was a very contentious
relationship between the business community
and the educational community. I believe
there was a belief that spending was out of
control on Long Island and by Long Island
schools, and that the performance and
outcomes of the students was not
exceptional when compared to outcomes
across the State.

Fortunately, at that
time. Mat Cross approached representatives
at educational community and invited us to
come to the table and at least establish a
framework for future discussions, and the

21 exercise at that time was let's look at
22 verified data. Let's look at data
23 available from the comptroller, from the
24 legislature, State Education Department.
25 Let's look at real numbers, agree that the

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2 numbers are valid and redefine the issues,
3 and have a discussion based on agreed upon
4 common set of information.

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That really was the

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beginning of a very long and positive

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relationship between the educational

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community and the Long Island Association,

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and over the years that has blossomed into

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a full-fledged partnership. And both the

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LIA and the educational communities

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represented by the Long Island Educational

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Coalition has worked together to advocate

14 focusses around the recognition of cost of
15 doing business and living on Long Island is
16 greater than across the State. And without
17 any regard to the differences in regional
18 cost, LIA has also been a leader in
19 advocating that Long Island get a fair
20 share of State aid.

21 One of the things the
22 traditional methodology behind the
23 distribution of aid in New York State has
24 been the establishment of shares; a certain
25 share to New York City, a certain share to

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2 Long Island and the rest of the State.
3 Those shares are locked in a number of
4 years ago. And at present, the Long Island
5 share is somewhere between 12 and
6 13 percent. That's the share of the total
7 State aid that comes to Long Island. At

8 one time that was based on the percentage
9 of students in each one of the regions.

10 What's happened since
11 that share is locked in, enrollment has
12 grown. We have 16 percent of the kids and
13 only get 12 percent of the State aid. Even
14 though we are not an advocate for sole use
15 of shares, there is a disproportion going
16 elsewhere in the State, and one of the
17 things the LIA has been especially strong
18 on is that Long Island gets its fair share.

19 Over the years, LIA; as
20 the graduation requirements for high school
21 have changed, as the academic standards
22 have been introduced, more testings
23 introduced; the LIA has taken positions on
24 all of those areas, generally very closely
25 aligned with those of the educational

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2 community. And the LIA has also been
3 important in promoting business
4 partnerships between business community and
5 schools, and between K-12 education and
6 higher education.

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The report that you have
8 in front of you that I am going to present
9 today is based upon a number of prior
10 reports that have been issued since 1996.

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In this report, we basically have 18 data
tables that deal with all sorts of
information about Long Island schools,
regional cost differences, expenditures,
enrollment, local share, all sorts of
different factors related to educational
cost on Long Island.

One area that is
focussed on is an area of focus that I
think you will find interesting is the

21 difference in student outcomes in the
22 wealthiest and least wealthy school
23 districts. There is an achievement gap on
24 Long Island between those districts. Based
25 on all of the data we identified, certain

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2 key facts on education on Long Island is
3 based on those, and we purport is a goal
4 for Long Island.

5 Now I am going to go
6 through the 20 facts, and I will try to do
7 it somewhat quickly.

8 The first basically is,
9 by every measure, Long Island students out
10 perform students in the rest of the State.
11 The regents exams, the assessments,
12 basically the other measures of student
13 outcome all shows Long Island students
14 outperforming students in the rest of the

15 State.

16 When we are arguing for
17 more money for Long Island schools the
18 question is, if you are doing so well, why
19 do you need more money? As I mentioned
20 before, there are school districts that
21 have tremendous fiscal needs, poorer
22 districts that are heavily taxing
23 themselves, and those districts are not
24 getting the same kind of results. Those
25 are masked by some of the island-wide

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2 results.

3 Basically, this is the
4 data that stands behind the comments I
5 made. Levels three and four on the State
6 assessments are levels of proficiency,
7 meeting or exceeding the standards in each

8 area, and you see on Long Island in every
9 one of the area of assessments, the Long
10 Island kids are doing considerably better
11 than the kids in the rest of the State. I
12 point out to you also that the rest of the
13 State, column two, column in the middle,
14 excludes New York City. If New York City
15 were included, those gaps would be larger.
16 By every measure, kids on Long Island are
17 doing better than kids in the rest of
18 State.

19 However, the same holds
20 true on the regents exams. Again, if you
21 look at Long Island students -- these are
22 kids passing the regents at 65 or better --
23 the percent of kids in every one of the
24 regents exams that we have itemized on this
25 chart, and basically these are the most

2 common regents exams, kids on Long Island
3 score better than their counterparts in the
4 rest of the State.

5 The difference comes --
6 and this is new information, this is
7 something that I am sure you haven't seen
8 before, and this is really the first time
9 this report's been presented in public.

10 When you look at the least wealthy and the
11 wealthiest school districts, the percent of
12 kids passing the regents tends to mask some
13 of the differences. If you look at the
14 nine districts, the wealthiest, and the
15 measure is a combined index that combines
16 income wealth and property wealth for every
17 district in the State. These numbers come
18 out of Albany, and it gives us common
19 ground for comparing the wealth of the
20 school districts, the K-12, over 1,500.

21 If you take the

22 wealthiest nine and least wealthiest nine,
23 you see the gap that exists between the
24 wealthiest and the least wealthy school
25 districts. These five particular regents

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2 exams are the five required for high school
3 graduation. The global U.S. history and
4 English are required. The environment
5 would be the entry level which most kids
6 would take.

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Fact number two,

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something that I think we are all aware of

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is that the non-English speaking population

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on Long Island is exploding. This is an

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indicator of the need by Long Island in

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Long Island school districts, the need for

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resources that are necessary to work with

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kids that have some special needs. And as

15 you can see that, again, in the least
16 wealthy school districts, as opposed to the
17 wealthiest school districts and the average
18 districts, there is a larger population of
19 LEP. If you look at Long Island, which is
20 basically a combination of Nassau and
21 Suffolk, in this particular instance you
22 can see the percentage of limited English
23 proficient kids at schools is 5 percent of
24 the population, and only Westchester and
25 Rockland have larger percentages.

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2 If you look at outcomes
3 of the percentage of kids with regents
4 diplomas, these are taking a rigorous high
5 school program, 71.8 percent of the kids on
6 Long Island are receiving regents diplomas,
7 and that's far in excess of the State
8 average. And again, that does mask the

9 differences in wealthy and least wealthy
10 districts where we see a tremendous gap in
11 the percentage of kids receiving regents
12 diplomas. This gives an idea of where Long
13 Island stands in that 71.8 percent. The
14 median county in the State, 67.7 percent;
15 the highest ranked county in the State,
16 87 percent. But if you look at the number
17 of completers, the entire county only 46
18 high school graduates.

19 **Innovate Long Island**
20 report, I draw your attention to I believe
21 appendix A, but in appendix A all of the
22 counties are listed and with the map and
23 the total enrollment for each one of those
24 counties is indicated, and it just gives
25 you the idea of the scale. So when we

2 start comparing counties, there are some
3 differences.

4 Key fact number five,

5 Long Island ranked third highest of the 56
6 counties, and percentage of kids going on
7 to higher education, as you can see, on
8 Long Island with 90.4 percent of the kids
9 are going on to two or four-year schools.

10 The median in the State is 82 percent. So,
11 we are well in excess of the median, as
12 well as the average.

13 Key fact six and seven,

14 this is something that has changed over the
15 years. These are numbers that the State
16 has changed the accounting for dropouts
17 recently, so you are going to hear numbers
18 out of Albany that are far different than
19 these numbers. These numbers are somewhat
20 lower than the numbers the commissioner and
21 the legislature are talking about now. But

22 still, in the comparison, if you want to
23 compare Long Island to the rest of the
24 State, our dropout rate is well below the
25 State average; and again, the differences

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2 between wealthy and poor districts are
3 significant.

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Here are the numbers on
5 the dropout rate. As you can see, on Long
6 Island it's about 2 percent. The county
7 median is 2.6 percent, and none of these
8 numbers include New York City, which would
9 only make Long Island look better compared
10 to the rest of the State. We summarized
11 all of these indicators and the gap between
12 the performance of kids in the wealthy and
13 least wealthy school districts, and this
14 just kind of summarizes some of the
15 information I already shared, but you can

16 see the considerable real differences in
17 the levels of achievement and performance
18 of Long Island schools.

19 You might be wondering
20 why we collected these particular
21 indicators. These are what the State has
22 consistently maintained over the years.
23 When we started in 1996 these were the only
24 indicators we had to use as a judge of to
25 measure student outcomes, so these are the

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2 longstanding indicators that the State has
3 used, and these are the ones that we have
4 available to us.

5 Now we get a little into
6 cost, and basically one of the initial
7 findings of the LIA and the group educators
8 that work with them initially related to

9 the cost of the education on Long Island
10 is, in order to look at cost and compare it
11 to cost in other parts of the State, you
12 really had to get a sense of the purchasing
13 power of a dollar on Long Island compared
14 to other regions of the State. It's
15 something that Pearl did a lot of work with
16 us initially, and Pearl's arranger for
17 BOCES at the time actually created an
18 entire index on a county-by-county basis of
19 differences in the value of a dollar in
20 each county of the State.

21 One of the things we
22 advocated at that point is for the State to
23 take that responsibility and create a
24 similar index, something that we could use,
25 so we didn't have to use something that was

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2 locally established. And over the years

3 the State did, and it proved out to exactly
4 what we have been saying, that \$1,000
5 upstate is worth about \$670 down state, and
6 those are numbers based on Department of
7 Labor data.

8 If you adjust or
9 equalize the per pupil cost in different
10 regions of the State, when you take Long
11 Island cost is about 6.6 percent below the
12 State median after you adjust the regional
13 cost differences. This shows you the labor
14 force regions in the State. These are the
15 regions that were established by the
16 Department of Labor. This system is what
17 Albany uses, and these are the same regions
18 that we used in all of our comparisons.

19 These are the numbers
20 straight off the State Education Department
21 developed index. These are basically
22 showing you the purchasing power of \$1,000

23 in different regions of the State within
24 our report. And one of the appendices, it
25 has all of the nine labor force regions

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2 itemized there. This allows you to compare
3 the purchasing power of \$1,000 on Long
4 Island to the region of the median and the
5 north country. Again, once you factor in
6 those differences and you compare per pupil
7 expenditures, you can see that Long Island,
8 on an equalized basis, is spending \$10,017.
9 Unadjusted is close to \$15,000. But once
10 you factor in the purchasing power of those
11 \$14,000, it's actually \$10,000. If you do
12 that across the board, the median comes out
13 to 27 and Long Island is 6.6 percent below
14 the median.

15 These are numbers that

16 you probably find surprising because they
17 are given the tax situation, the escalation
18 taxes over the last few years on Long
19 Island, these are almost hard to believe.
20 But over the last ten years we have had an
21 average annual increase of 2 percent on
22 Long Island. This is well below the
23 State-wide average which is 3.2 percent.
24 And the other fact that's important in this
25 relates back to my opening comment on the

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2 State share, that over the last ten years
3 our enrollment on Long Island has grown
4 18 percent or 1.8 percent over each of
5 these years, and the enrollments have been
6 unchanged. Therefore, the percent of kids
7 in your region has increased.

8 This gives you the idea
9 of the change over the last ten years and

10 per pupil expenditures. You can see it
11 grew from \$12,461 to \$14,986, which is a
12 change of 20 percent or 2 percent a year
13 over those ten years. And if you compare
14 that to the region at the median, it's a
15 rate of increase two thirds of that of the
16 region of the median. And if you look at
17 the region, I don't know what happened in
18 Wyoming County, but I assume that's a
19 combination of increased expenditures and
20 loss of students. This is per pupil
21 expense. So, you have a couple different
22 factors involved in the calculation.

23 Percent change in
24 student enrollment. Again, this is
25 something I think that has been lost on a

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2 lot of people during the last few years

3 when all the focus on taxes and
4 expenditures during that time are the
5 number of kids in the schools has increased
6 by about 20 percent, and that has a very
7 real impact on expenses. And so all school
8 district operations, you see a lot of
9 school districts involved in building and
10 renovating over the last years. When you
11 increase your customer base or student base
12 by 20 percent you need to improve your
13 infrastructure.

14 Teachers' salaries, this
15 is again something that we have worked
16 based on a model established by Pearl and
17 the work she does on an annual basis
18 putting together a profile of the labor
19 market on Long Island. We used the
20 Department of Labor database, and the
21 Department of Labor maintains an enormous
22 database with salaries for all sorts of

23 different occupations. Three of the
24 occupations that they do maintain data on
25 are elementary school teachers and

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2 secondary school or high school teachers.

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You can see within our

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region the median salary for people in

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those three categories is between \$67,000

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and \$69,000, and in all three categories

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those averages are very close to the

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State-wide averages. These are not

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adjusted numbers. These are numbers that

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come straight out of the database. What

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this tells us is Long Island teachers are

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paid comparable to their colleagues across

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the State, even though we are in a higher

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cost region.

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The last bullet point,

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and we have a table, we picked out other

17 occupations with similar average salaries
18 as to what it compares to these other three
19 categories of teachers, and this gives you
20 the average of the teachers, the entry
21 level average and the average of the
22 experienced teacher. This is -- these are
23 the comparable salaries. In there is a
24 much larger group of occupations listed,
25 but these are the types of positions that

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2 are paid at similar salary levels to
3 teachers. You can look at it for yourself.
4 I don't need to read them all to you, but
5 you can see there is a large group of
6 occupations with very similar salaries.

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This is again getting
down to the tax burden issue. If you
measure the amount of gross household

10 income required by Long Islanders of Long
11 Islanders to pay their property taxes, it's
12 about 20 percent more than New Yorkers in
13 general. Why does that occur if our costs
14 are in line? Are people spending 20
15 percent more of their household income on
16 property taxes? When you start looking at
17 the share of expenses picked up by the
18 State, that starts to address the question.

19 The thing that I just
20 want to point out to you is that on Long
21 Island we have many, many school districts,
22 39 in 2004, to get less than 10 percent of
23 their total revenue from the State. These
24 are districts that are getting anywhere
25 from 5 to 9 percent of their revenues from

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2 the State. And out of the entire State,

3 there is only 74 districts in that

4 situation. So, over half of the districts
5 in the State that are getting that little
6 aid happen to be on Long Island. 50 that
7 get everyone from the State. There are
8 only 140 in the State in that situation.
9 So, 40 percent of the districts get that
10 small amount of revenue are on Long Island.

11 We have a lot of
12 districts that get very, very little State
13 aid. When this -- I basically went over
14 this point already, but when you look at
15 the share of kids on Long Island as opposed
16 to the share of aids coming in we have
17 16.7 percent of the kids in the State and
18 12.7 percent of the aid. If you take New
19 York City out of the equation, we still get
20 a far smaller percentage of the aid than
21 our enrollment if we based it solely on
22 enrollment.

23 STAR subsidies. I want

24 to be very clear on the discussion of STAR.

25 STAR is a very important program. STAR is

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2 a very good program. STAR provides

3 property tax relief to people that need

4 property tax relief. STAR, however, is not

5 State aid. STAR is not aid to school

6 districts that helps reduce the property

7 tax levy of school districts. STAR is our

8 subsidies. They go directly to tax payers

9 to help people to subsidize the taxes of

10 targeted individuals.

11 This year Long Islanders

12 received \$640 million in STAR subsidies.

13 It's made a significant difference to a lot

14 of people on Long Island, but that is

15 \$641 million that did not go to schools as

16 school aid. It went directly to tax

17 payers. Tends to lead to some level of
18 discussion about the State share. There is
19 also a difference in the way STAR is
20 treated by people looking at it from the
21 school perspective, as opposed to people
22 looking at it from the State perspective.

23 In order to give you the
24 full picture of what it looks like with and
25 without STAR, we put together this chart.

33

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2 You could see in Suffolk County total State
3 aid make up about 31 percent of the income
4 to the schools. STAR subsidies make up
5 about 8.1 percent. If you want to count
6 total receipts from the State is about
7 40 percent federal aid, next to nothing,
8 but in Suffolk County about 57.6 percent of
9 total revenues is coming from the tax levy.
10 If you compare that to what's happening in

11 the rest of the State, you can see that
12 it's far greater in Suffolk County than the
13 rest of the State where property taxes are
14 only paying about 44 percent of the total
15 school bill and Suffolk County is
16 57 percent, even higher in Nassau County.
17 This is -- again, these numbers come
18 directly from the State Education
19 Department. These haven't been regionally
20 adjusted or modified in any way. These are
21 the straight numbers.

22 Again, when we start
23 talking about additional income tax or
24 sales tax, or however you want to talk
25 about getting more money from Albany, for

34

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2 every dollar we send on up to Albany we get
3 far less than a dollar back. Long Island

4 sent up about 30 percent of the annual
5 taxable sales and is responsible for
6 30 percent, and 36 percent of the total
7 income tax paid by residents of the State
8 outside New York City.

9 This last fact is I

10 think one that you should be aware of.

11 There is a perception that Long Island is a
12 very wealthy region. People often think of
13 certain high profile wealthy communities
14 when they think of Long Island. If you
15 look where the kids are and the enrollment
16 is, it's very clear that there are many,
17 many, many kids in the different regions on
18 Long Island enrolled in school districts
19 below average wealth. Using the combined
20 ratio, which this is what the State uses,
21 if you look at Eastern Suffolk County,
22 66 percent, two thirds of the kids in
23 Eastern Suffolk County are enrolled in

24 school districts below average wealth. If
25 you look at Western Suffolk, it's 27

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2 percent, and in Nassau, again, it's a
3 little different in Nassau County,
4 10 percent. But overall on Long Island,
5 you have 34 percent of the kids on Long
6 Island are enrolled in school districts
7 below average wealth. It's a different
8 picture than what people would like you to
9 believe in presenting Long Island as a
10 wealthy region.

11 Basically, the key facts
12 indicate by every measure kids do well.
13 The disaggregated data indicates a gap.
14 The costs are in line with the State and
15 below the median and the tax is heavy for
16 Long Islanders. Basically, that leads us
17 to believe that New York needs to look at

18 the way it's financing its schools. It
19 needs to make significant changes that the
20 State has to consider that achievement gap
21 as a major factor when they are making
22 changes, and that the State aid formula
23 ultimately has to account for wealth, needs
24 and regional cost differences. All that
25 translated for State financial reform. The

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2 bottom line, we have to provide property
3 tax relief for Long Islanders. They are
4 overburdened.

5 The best way to do that
6 is by the State picking up a larger share
7 of school costs for Long Island. We
8 believe that should be done through
9 comprehensive reform of the formulas that
10 address significant issues. However, that

11 reform has been talked about for years. It
12 has not considered until such time that
13 true reform occurs we, at the very least,
14 adjusting the share so that additional
15 shares be driven to New York. We estimate
16 that if Long Island were incurring 16.7 it
17 would be \$680 million additional. The
18 State should significantly increase its
19 commitment to education in New York State.
20 An additional \$3.9 billion in aid will
21 raise the State Share to the national
22 average of 48.7. That is not accounting
23 for STAR to school district. That does not
24 count. It's a tax subsidy. Recognizing --
25 when true reform occurs, recognition of

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2 student needs has to be accounted for, and
3 student needs on Long Island are very real,
4 as the data indicates. Recognition of

5 differences of regional cost has to be
6 recognized, because that's a very real
7 issue.

8 So many school districts
9 receive so much aid. We believe that every
10 district should receive some minimum
11 amount, minimum share of revenue coming to
12 all school districts. We believe that
13 multi-year State aid appropriations so that
14 school districts could plan ahead for
15 budgeting would be a tremendous benefit,
16 and you heard time and time again that the
17 formulas are so complicated that there is a
18 hand full of people in the State who
19 understand them.

20 I go a little further
21 and say that over the last few years the
22 formulas that were so different and complex
23 have basically been abandoned, and the
24 appropriations over the last few years have

25 been simple tinkering in the amounts to

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2 generate aid for school districts. But the
3 more that's done, the further away from the
4 real formulas we move. They might work if
5 we were fully funded. It's a possibility.

6

As I said, this is one

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very small part of a much larger report,

8

but it's a part of the report that I

9

thought the committee might be interested

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in hearing, and the full report hasn't been

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released yet by the LIA, but Mat did give

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me permission to share this part with you,

13

and I would be happy to answer any

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questions.

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PRESIDING OFFICER:

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Legislator Nowick has a question, then

17

Pearl.

18 MS. NOWICK: Thank you.
19 That was quite a report. Just a few things
20 I didn't understand. Other than the fact
21 that the print is so small, I can't read
22 it.

23 Teachers' salaries,
24 starting salaries -- let me just say ahead
25 of time I have nothing against teachers'

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2 salaries. My daughter hopefully in
3 December be a full-fledged special ed
4 teacher, so bring on those salaries. But
5 these starting salaries will be about
6 \$34,000 in this area? Let's assume the
7 mean salary for elementary is \$67,000, so
8 the starting salary is about \$34,000; is
9 that what they start with?

10 MR. BIXHORN: You
11 probably can't -- let's go back to the

12 chart. I have the special version here.

13 MS. NOWICK: The mean is
14 \$67,000. The starting is \$34,000.

15 MR. BIXHORN: Entry
16 level, as indicated by the Department of
17 Labor, is \$43,000.

18 MS. NOWICK: \$43,000,
19 and the highest salary probably goes to
20 about \$101,000?

21 MR. BIXHORN: Depending
22 on the school district, the salaries could
23 range anywhere along the salary schedule.
24 I think that the Department of Labor
25 considers experienced people with 10 to

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2 15 years of experience.

3 MR. SAWICKI: Teacher is
4 there, and they have to spend about

5 20 years before retirement. What do you
6 figure the average retirement salary is of
7 a high school teacher? Maybe you don't
8 know that.

9 MR. BIXHORN: It's
10 dependant on a number of factors. It would
11 be dependant on the number of years that
12 the person worked and the final average
13 salary of the teacher. That's a formula
14 that's established by the retirement
15 system. So someone that works 25 years
16 would probably -- and if their final salary
17 is in the neighborhood of \$80,000 or
18 \$90,000, would probably have a \$40,000 to
19 \$50,000.

20 MS. NOWICK: So, the
21 average salary is \$80,000 or \$90,000?

22 MR. BIXHORN: Dan
23 probably has better information on this
24 than I.

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MR. BAHR: It varies so

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widely. A better gauge would be if you

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could get to the teacher's retirements and

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get the pension numbers. It's probably

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more accurate, but I have seen people

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retire with salaries anywhere from \$80,000

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to \$105,000, \$110,000. It varies so widely

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I don't think there is a pattern, and it

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depends on the tier of the retirement

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system. If they are in tier II, III or IV,

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they are longer than tier I, and the people

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age 55 -- obviously, the more they stay the

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more they make. Bachelors with step one,

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low 40s. That's the entry rate. We have a

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lot of six figure. The lower right-hand

16

section of the salary we have a lot of

17

six-figure people.

18

MS. NOWICK: They are

19 coming out with masters, and that's higher.

20 MR. BAHR: The school
21 district has the right to hire masters
22 staff. The masters starting salaries are
23 probably anywhere from \$5,000 to \$10,000
24 higher than the bachelors, if in fact the
25 district hires them. There the unions have

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2 nothing to say about initial hiring.

3 MS. NOWICK: It looks
4 like Long Island schools are doing good.
5 Is there anything that's integrated into
6 this report, as far as expenses? I see
7 teachers expenses, but I get a lot of
8 questions in my district office about the
9 cost of administration. We have 39
10 different districts.

11 MR. BIXHORN: There is

12 69 in Suffolk County.

13 MS. NOWICK: That's
14 where a lot of the questions come to me.
15 The cost of superintendents, assistant
16 superintendent, assistants to the
17 assistants and administration, is that in
18 here anywhere, or is that not --

19 MR. BIXHORN: The
20 overall cost of education as reflected in
21 this particular report is shown in the per
22 pupil cost, and it's not divided up to
23 administrative versus other categories of
24 expenses. However, the way the State now
25 requires school districts to develop their

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2 budgets, there is an administrative cost
3 that should be delineated in all school
4 district budgets. So, it's not part of
5 this report.

6 Overall student expenses
7 are reflected in the per pupil. The
8 teachers' salaries were added to the report
9 basically because teachers' salaries are
10 generally the largest part of any school
11 district budget, as they should be, and
12 it's also an area that tends to be subject
13 to a lot of conjecture. But the share of
14 the budget on administrative salaries is
15 not dealt with as a separate item here.

16 MS. NOWICK: Would there
17 be any data that we could learn about, as
18 far as the mean average of the
19 administration, superintendents,
20 assistants? And I think it's something I
21 don't think I hear as many complaints, to
22 be quite honest, about teachers, because
23 they are in the trenches. They do work
24 hard. What they want to know is
25 administration. That's where my complaints

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2 are coming from, and I don't know about
3 anybody else.

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MR. BIXHORN: I think

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the State does maintain that information.

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The State has a compendium of

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administrative salaries on almost a

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position-by-position basis. So it is data

9

that could be developed.

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MR. KADEN: And the six

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five five central administration costs is a

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separate column, which is typically two to

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three percent of the school budget.

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MS. NOWICK: People call

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us and we hear things. The superintendents

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make more than the President of the United

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States, that kind of thing, and I would

18

like to come back and say these are the

19 facts and figures.

20 MR. BIXHORN: It's
21 probably something we would have to put
22 together.

23 PRESIDING OFFICER: We
24 are trying to deal with income, not the
25 expense side of this working group.

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2 Pearl, you wanted to add
3 your --

4 MS. KRAMER: Gary, your
5 findings on student achievements between
6 the wealthiest and poorest districts are
7 startling. Can you indicate which you
8 included in the wealthiest and which is in
9 the poorest?

10 MR. BIXHORN: It's in
11 the full report and the appendix, I think
12 F, page 39 appendix F, and let me just go

13 back over this one more time.

14 We took all the school
15 districts on Long Island with an enrollment
16 of 1,500 or more, which were K-12 students,
17 and we took that. That came out to 89
18 districts in that category. So, the top
19 10 percent are 9 districts which include
20 East Hampton, Southampton, Oyster Bay,
21 Manhasset, Locust Valley, Great Neck,
22 Westhampton Beach, Cold Spring Harbor and
23 Jericho; and the least wealthy districts,
24 Wyandanch, Brentwood, William Floyd,
25 Roosevelt, Hempstead, Central Islip, North

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2 Babylon, Middle Country and Freeport.

3 MS. KAMER: Wyandanch is
4 the poorest on Long Island?

5 MR. BIXHORN: Yes, and

6 that's wealth as indicated or measured by
7 the combined wealth ratio, which is an
8 index established by the State Education
9 Department that considers income and
10 property wealth per pupil.

11 PRESIDING OFFICER:

12 Joseph wants to --

13 MR. SAWICKI: On your
14 last key fact you talked about, the STAR
15 allotment was not included in those figures
16 to show the disproportionate amounts
17 between State aid to our school districts
18 comparatively to the other regions in the
19 State.

20 Number one, do you know
21 if STAR is spread out or distributed evenly
22 across the State, or is that regional
23 distribution; and if you factor the STAR
24 in, how would Long Island do?

25 MR. BIXHORN: Maybe

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2 Andrea, you could go back to -- okay. This
3 table has -- let's just go through for a
4 second. My only reference to STAR with
5 regard to it is 3.9 billion, where I was
6 saying the addition of 3.9 billion of aid
7 bring the State share up to the national
8 average.

9

STAR, on a state-wide
10 basis, is \$2.1 billion. So, basically,
11 what you could say if you wanted to include
12 STAR, and in essence what you would be
13 saying is you would have to increase
14 education funding by \$1.8 billion to get
15 that 3.9. So, the 3.9 is really a number
16 to get people a measure for State effort to
17 bring up to the national average of State
18 share. It's inclusive of STAR. If you
19 wanted to count STAR as aid to education,

20 it would be an additional 1.7.

21 MR. SAWICKI: Do you
22 think Long Island receives more than the
23 rest of the State?

24 MR. BIXHORN: It's
25 right here, in terms rest of the State, and

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2 this is exclusive of New York City. Long
3 Island get \$640 million in STAR, and the
4 rest of the State, excluding New York city
5 and Long Island, it's in essence the same
6 percentage.

7 MR. SAWICKI: Okay.

8 MR. KADEN: If I may,
9 STAR is not equitably spent, though. It's
10 based on the first \$30,000 of the market of
11 your property. If you could tell, \$30,000
12 of the property market on Long Island is

13 going to be a lot lower than upstate. You
14 are getting less, in fairness of the State.
15 It is adjusted based on the sales of the
16 region up to a number, but it's still
17 nowhere near. The amount of property tax
18 offset by STAR is much greater than Long
19 Island.

20 MR. BIXHORN: We are by
21 no means minimizing the importance of STAR.
22 It's significant on Long Island. It's how
23 it's accounted for.

24 MR. KADEN: STAR is
25 certainly money that is coming in to

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2 education from the State level. We don't
3 like to count it as aid. If it came in as
4 aid, you would see a reduction of property
5 tax rates as people applied that against
6 their budgets. They are higher tax rates

7 as if there are no STAR coming in, where
8 the tax is really being offset by the tax
9 payer to the State. It's a PR scam at the
10 State.

11 MR. SAWICKI: If it's
12 spread equally across the State.

13 MR. KADEN: We see a
14 much lower reduction in tax aid with many
15 counties upstate where the entire property
16 tax base is offset by STAR. That's why I
17 said STAR is a wonderful thing, and it has
18 helped our region, but is not aid to
19 education, because it does not allow school
20 districts to show a reduction in property
21 tax rates. We have to show as if there was
22 no STAR payment from -- a PR is
23 responsible. We still show a high tax
24 rate, even though we will call it State aid
25 when it comes to a school district as

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2 revenue that we could use to offset budget,

3 we could reduce the property tax rate.

4

MR. SAWICKI: So we have

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a very disproportionate formula for the

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STAR, just like we do the rest of the State

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education formula.

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MR. KADEN: It's a flat

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rate of market value.

10

MR. SAWICKI: It's

11

unfair to Long Island when compared to the

12

rest of the State.

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MR. KADEN: Because our

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property is much higher.

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MR. SAWICKI: To

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follow-up with what Lynne was saying before

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in asking you, I think it would be very

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handy, at least in my location, because we

19

are asked about school district expenses

20 almost continually, if it's possible to put
21 together some kind of a chart delineating
22 administrative expenses for school
23 districts and how Long Island schools
24 compare to upstate, and define what we mean
25 by or what the chart would mean by

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2 administrative expenses. You know, whether
3 you break it out by superintendent salaries
4 and how they compare to the State and how
5 heavy or how light we are compared to other
6 schools in upstate New York, because the
7 biggest criticism is that Long Island
8 schools are heavily weighted to
9 administration. It would be nice to have
10 those figures to see if it's true or not.

11 MR. BIXHORN: As I
12 indicated earlier, there is data. The
13 State is collecting a lot of data related

14 to administrative salaries. They are also
15 requiring that budgets be developed with
16 the administrative function isolated so the
17 development of the kind of information you
18 are asking for, the data is there. It's
19 just a matter of pulling it together.

20 MR. SAWICKI: Is that
21 something you could do with this? We had a
22 lot of public speaking that focus was on
23 the expense side. You probably have to
24 prepare for the other commission anyway.

25 MR. BIXHORN: We can

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2 certainly do that.

3 PRESIDING OFFICER:

4 Lisa.

5 MS. TYSON: I have

6 several questions. The first one that is

7 just confusing to me is the dropout rate.
8 You say 2 to 6 percent, depending on the
9 school. When Wyandanch has a graduation
10 rate of 34 percent, how could they have a
11 dropout rate of only 6 percent then?

12 MR. BIXHORN: That was
13 the comment I was -- I made when I kind of
14 qualified the data the State has changed.
15 The State has over the last couple of years
16 started a real focus on the dropout rate
17 and the completion rate, and the data that
18 they are still publishing. This is
19 information released by the State within
20 the last year. There is a disconnect
21 between what the commission are and the
22 board of regents are now looking at, which
23 I think is probably a much better
24 representation of what is actually
25 happening in the State, and the data that

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2 has traditionally been published by the
3 State Education Department. These were
4 calculated in the traditional manner that
5 the State has used for the last X number of
6 years, as far back as we have information.

7

I think what has

8

happened, though, is with the looking at

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the impact of the new academic standards,

10

looking at the impact of the regents

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requirements for regents diplomas and the

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new high school graduation requirements,

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the State's put a new focus in trying to

14

figure out about what is happening to the

15

kids that aren't dropping out, but not

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completing. That's the discrepancy. The

17

numbers in this report reflect the

18

additional dropout rates from the State.

19

MS. TYSON: What is the

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difference between a dropout rate and a

21 graduation rate?

22 MR. BIXHORN: The
23 difference is the discrepancy. The dropout
24 rate has traditionally been the kids
25 legally gone through the process of

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2 withdrawing from school before they are of
3 age.

4 MS. TYSON: Is there any
5 position taken here about CFE? It seems to
6 me what your analysis and outcomes are that
7 you would support a state-wide solution to
8 CFE and the formulas they have come up
9 with.

10 MR. BIXHORN: I wouldn't
11 go so far as the formulas they have come up
12 with, but I would say the solution to this
13 is going to have to be a State-Wide

14 solution. I think a couple of the
15 priorities that we're indicating would
16 certainly be well for New York City for
17 talking about -- New York City's got the
18 same issues in terms of regional cost. If
19 you are talking about recognizing student
20 need, I think New York City has more
21 intense issues, in terms of student need.

22 What we don't have in
23 common with New York City is the dependence
24 on the property tax and the local effort,
25 and that's really where, you know, some of

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2 their proposals related to formulas with
3 some of the CFE formula proposals. There
4 might be some deviation of what would be in
5 the best for our region overall. The major
6 points of the state-wide solution, the
7 recognition of the student need, are all

8 things that would be common with CFE.

9 MS. TYSON: It has been
10 added. Is this releasable? Can I talk
11 about this with people? This is exciting.

12 MR. BIXHORN: It's kind
13 of in a state of limbo. The LIA's
14 property. It's the LIA's report. They
15 have not released the complete report, but
16 Mat did give me the go ahead to release
17 this, so I would expect that this is public
18 information.

19 MS. TYSON: Thank you.

20 PRESIDING OFFICER: Go
21 ahead, Pat.

22 MR. BYRNE: No. Go?
23 You want me to wait?

24 PRESIDING OFFICER: No,
25 go ahead.

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MR. BYRNE: Gary, that

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was an excellent presentation. I am just

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trying to wrap my arms around all this

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stuff. Looking around the room, we see

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people from various organizations,

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different parties, and I don't think

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anybody would argue that Long Island isn't

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getting its fair share. Lisa brought the

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campaign for fiscal equity. What is the

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likelihood that the State would give us

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more funding, and with CFE, isn't it more

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likely that we are going to get a smaller

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realization? I am trying to figure out

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what our possibilities are.

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MR. BIXHORN: I think

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CFE essentially has said that there should

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be more funds directed to the education of

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kids in New York City. You know, what that

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means is what has -- I think what becomes a

21 little contentious, I think there is a
22 belief on the part of people outside New
23 York City, or a lot of people, that they
24 are not making the same kind of local
25 effort to support their schools.

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If you look at the

3

aggregate effort of Long Islanders and the

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amount we're paying to support our schools

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and compare to the City, there is less

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local effort. If you asked how CFE could

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be resolved and they refuse another \$3 to

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\$6 million into their school, maybe that

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would address the court case. It's where

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the money is coming from is the question.

11

If you make the

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assumption that it's going to come from the

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State, then obviously that's less money.

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The pot is limited, and that would mean a

15 greater share would be going into New York
16 City. So, if you said it was coming from
17 local taxes assessed on New York City
18 residents and businesses, both ways are
19 responsive to the CFE decision. It's just
20 a matter of the strategy implemented to
21 address it. I guess the answer is, and
22 what the point here is, that these are
23 priorities from a Long Island perspective.
24 In terms of advocate figure, Long Island
25 and Long Island schools, these are the

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2 priorities that we have identified that we
3 should all be embracing.

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PRESIDING OFFICER: I

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wholeheartedly agree with that. The whole

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idea of this commission is to assess the

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needs of Suffolk County. I know it's very

8 parochial, but that's what we are supposed
9 to be doing. When you talk about
10 adjustments to the State aid formula based
11 on region, why wouldn't it be done based on
12 revenue? In other words, if we had a
13 formula with a flaw, whatever revenue sent
14 up to Albany, that we would have an
15 absolute guarantee that a certain amount of
16 revenue would come back. It would
17 automatically adjust with time, rather than
18 this regional break out. Why wouldn't that
19 work?

20 MR. BIXHORN: I don't
21 know that it wouldn't work. The logic
22 behind introducing regional cost
23 differences is that the, you know, the
24 indexing of costs on a geographic basis is,
25 you know, an economic -- it's just an

2 economic reality. Something that every
3 level of government is familiar with. It's
4 something that's traditionally been done.
5 Every time you break out CPIs at any kind
6 of regional basis, you are doing that.

7 One of the problems with
8 the share arguments or with getting back
9 fair portion of what you send up is it's
10 interesting. I'm sure there is someone
11 making this same presentation as I am
12 making in Buffalo today and there is
13 someone else making the same presentation
14 in New York City, and everyone is saying we
15 don't get our fair share.

16 We send X number to
17 Albany and we get Y numbers back. I don't
18 know where the money is going, but it's a
19 very common theme. Any time you get into
20 any one of these regional studies, everyone
21 believes they are being shortchanged in

22 terms of the principle. If you are giving
23 a dollar to a school district in the north
24 country and the school district on Long
25 Island and a school district in the western

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2 part of the State that there has far
3 different purchasing power, so why not
4 equal those dollars, building into the
5 formula a compensation for a difference
6 that is readily understandable.

7 PRESIDING OFFICER: And
8 that part of it, I think especially
9 recently, is being recognized more and
10 more.

11 Just on a totally other
12 issue, but really the same principle, I
13 think it was about three or four years ago
14 we were having a tremendous problem in

15 Suffolk County with the homeless
16 population, and if you looked at why it was
17 increasing so dramatically is the State
18 formulas through our Social Services
19 Department allowed us to subsidize through
20 Social Services to it one dollar amount
21 State wide, and I mean you could get an
22 apartment in Wyoming County for probably
23 \$400 or \$500 a month, which was the formula
24 at the time. Down here it doesn't go very
25 far; and as a result, people got thrown out

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2 of their homes, became homeless. And once
3 they became homeless, we were paying \$500 a
4 week to keep them in a hotel room. The
5 finances didn't make sense, and the State
6 subsidized their portion of the \$500 a
7 week, and it just didn't make any sense to
8 us, and we made that appeal and they

9 recognized it, and they did adjust the
10 formulas for the region, in terms of the
11 homeless. So, there is some precedent to
12 do what you want to do, in terms of
13 recognizing the reality of costs in this
14 region.

15 MR. BIXHORN: When this
16 concept was initially identified, it was
17 almost like an untouchable issue in Albany.
18 Nobody wanted to talk about it. It was
19 decisive, and over the years it has been, I
20 think, generally accepted that these are
21 very real differences. Some State aid
22 formulas, like the building aid formula,
23 have dealt in factors for regional costs.
24 Some of the reform packages advocated by
25 the Governor a few years ago dealt in a

2 regional cost difference. The formula
3 that's been proposed by the regions over
4 the years, as Lisa indicated, the CFE
5 proposes built-in regional costs. It's
6 generally accepted that that's a real
7 factor that has to be dealt with.

8 What we have to do is
9 make sure that the regional cost
10 differences are recognized in a significant
11 way, as it should be, because they have a
12 significant impact. There is a way of
13 building things into a formula where they
14 don't make a difference, and I think it's
15 in everyone's interest to make sure that,
16 when regional costs are factored in, that
17 it makes a significant difference and it
18 drives more money to Suffolk County.

19 I think a real important
20 point is that key fact number 20. That
21 goes over a lot of people's heads. Once

22 you get out, and even people in the region,
23 we have a lot of kids who are enrolled in
24 very poor school districts. If you look at
25 those numbers in Eastern Suffolk, two

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2 thirds of the kids are below average
3 wealth. We have Southampton, East Hampton
4 and even in those districts there are
5 populations, they are wealthy on paper, but
6 we have very large districts below the
7 State average, in terms of wealth, and
8 that's why the kids are --

9

PRESIDING OFFICER:

10 Which leads me to another comment. When
11 you were doing the analysis on teachers'
12 salaries, that first appeared to be a
13 justification for education community, but
14 I think that where you were going is to
15 show that, you know, when everything is

16 regionally adjusted, the perception that we
17 pay our teachers a lot more money than
18 other parts of the State isn't true.

19 MR. BIXHORN: It's more
20 than that, because the data, the teacher
21 data, the salary data is those numbers were
22 not adjusted at all. There is no regional
23 cost differences built in. These come
24 right off the Department of Labor data
25 base, and basically what they are showing

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2 is that at the entry-level, the median, and
3 for experienced teachers, in essence, our
4 teachers are paid comparably to all other
5 regions in the State.

6 I do want to correct
7 something a little earlier. The definition
8 of entry and experienced is on this

9 particular page. It's in very, very small
10 type. Just to clarify, entry wage is the
11 average of the bottom third wages in the
12 occupation, and the experienced wage is the
13 average of the two thirds of the
14 occupation. That's where those categories
15 come from. But again, these numbers are
16 not adjusted for any sort of regional cost
17 differences.

18 PRESIDING OFFICER: The
19 other chart where you showed a great deal
20 of the increase in the cost is due to
21 population growth within the district, but
22 was anything taken into factor as the
23 population increases, the school tax base
24 must increase? It probably doesn't keep up
25 with what it costs, but was that factored

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2 in that chart at all?

3 MR. BIXHORN: No,
4 because there were two enrollment based,
5 one was pupil cost. So there wouldn't be
6 anything having to do with the revenue side
7 and the enrollment growth.

8 PRESIDING OFFICER: Has
9 any analysis been done in that regard that,
10 you know, population has increased,
11 school-age population has increased
12 20 percent? A lot of that is because of
13 the growth of Suffolk County, in terms of
14 population and housing, and has any
15 analysis been done as far as --

16 MR. BIXHORN: Changing
17 assessments relating to change?

18 PRESIDING OFFICER: Not
19 only, but the addition of new subdivisions
20 and additions of tax base.

21 MR. KADEN: That's a
22 difficult thing to look at, because that

23 varies widely across the region. Nassau
24 and Suffolk you don't see in my district.
25 It was declined virtually every year since

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2 1989. The east end of Suffolk has a lot of
3 building going on. The other thing is the
4 enrollment of school-age children is going
5 up. Not necessarily the population of
6 towns. Even if the population is going up,
7 a lot of children -- you get older people
8 moving out and people moving in with kids.
9 The assessed value of the property hasn't
10 changed at all. You get rid of someone
11 enrolled in with no one in school and bring
12 in people with children in school, but the
13 property stays the same.

14 MR. LIPP: If I could,
15 actually assessed value is going up. I'm

16 not sure about Nassau County, but Suffolk
17 County for instance in the section that I
18 patrol and some of the stuff presented
19 earlier, if you go back to 1970 is there
20 long trends, but in general this is true.
21 For instance, from 1970 to 2006 the overall
22 property tax warrant in Suffolk grew by
23 7.28 percent. However, the estimated
24 average tax bill was not the 7.28 percent,
25 but the 5.26 percent. The point, you have

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2 increased development in all of that,
3 that's added to the tax base, and there is
4 still a significant increase in tax bills,
5 but not as large as if it was flat.

6 PRESIDING OFFICER: The
7 other thing is in a lot of the charts --
8 and this isn't a criticism, it's just an
9 observation -- you excluded New York City,

10 but in the salary comparison you did
11 include it.

12 MR. BIXHORN: The salary
13 comparison are difficult, because as I
14 mentioned --

15 PRESIDING OFFICER: My
16 point was, if you didn't include New York
17 City, would that make it secure to make it
18 look like our education community is making
19 a lot more money than the rest of the
20 State?

21 MR. BIXHORN: I don't
22 think so, because the teachers' salaries, I
23 would assume -- and this I don't have the
24 facts to base this -- but I think teachers'
25 salaries in New York City would be lower

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2 than teachers' salaries on Long Island in

3 general, and therefore I think it would
4 create a bigger difference between the
5 State and Long Island.

6 PRESIDING OFFICER:

7 Okay, because there is so many more
8 teachers in New York City, as well.

9 MR. BIXHORN: Yeah. Let
10 me just talk about the difference. In a
11 lot of cases, we didn't include New York
12 City because it's managed and financed so
13 dissimilarly from all the other regions in
14 the State. It's difficult to draw any sort
15 of reasonable comparison. It's almost
16 treated through a completely different
17 system than all the other counties, and
18 therefore all the other school districts
19 and the issues facing it are so much
20 different.

21 PRESIDING OFFICER: I

22 have a question on 16. If you could go to

23 16, I just jotted it down. I'm not sure
24 whether I understand that.

25 MR. BIXHORN: If you

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2 look at the percentage of gross household
3 income that Long Islanders have to spend on
4 their property taxes, okay, it's 20 percent
5 higher than New Yorkers in general. So,
6 the Long Islanders are spending more on
7 property taxes as a share of gross
8 household income, 20 percent more than New
9 Yorkers in other regions of the State.

10 The next paragraph is
11 basically saying that, even though we are
12 raising, people are making a greater
13 effort. The school spending is very much
14 in line with other regions of the State.
15 So, you know, why is the disparity
16 occurring? Why are Long Islanders spending

17 so much more on taxes if our costs are in
18 line? And the bottom line is that we have
19 a lot of districts that are really getting
20 very small amounts of their total revenue
21 coming from the State, and in this
22 particular -- you know, the dramatic
23 numbers are the number of districts of 39
24 districts are getting less than 10 percent
25 of their income from the State, and that's

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2 over half of districts in the State that
3 are getting that little aid just on Long
4 Island, and another 55 are only getting
5 between 10 and 30 percent.

6 If you look at it, we
7 have 94 school districts getting less than
8 30 percent of their income from the State.
9 It is really showing a very small share

10 going to, in essence, a majority of the
11 school districts on Long Island.

12 PRESIDING OFFICER: Why
13 I probably made a note of this is because I
14 think that is our most potent argument, in
15 terms of our residents in Suffolk County
16 and the perception that it's costing them
17 more and more and they don't know why, and
18 they blame the school districts. And
19 really that's the heart of the whole thing.
20 And I don't think a lot of people -- I
21 don't think it's visualized and understood,
22 and you know, I think it's a key thing in
23 the whole thing, and I just have a couple
24 more.

25 The STAR, that

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2 indicates, and I am just looking at the
3 percentages rather than the raw numbers,

4 that regionally we are getting, is that 8.7
5 for Nassau and 8.1 the percentage? So
6 Nassau gets a greater share of the STAR pie
7 than we do in Suffolk, but as a region,
8 it's the same as the State average?

9 MR. BIXHORN: Right.

10 PRESIDING OFFICER:

11 Going back to what Jim was saying before,
12 I'm not sure I understood that. In terms
13 of are you advocating that the STAR money
14 be sent directly to the school districts
15 and that the school district cut the tax
16 rate?

17 MR. KADEN: If you want
18 STAR to be counted as State aid, if they
19 want to say it's State aid to education,
20 then it should come to the school districts
21 as revenue. What I would like from STAR is
22 not to allow school districts into STAR and
23 directly to tax payers.

24 PRESIDING OFFICER: Is
25 that the way it is now?

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MR. KADEN: I think

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where STAR becomes a little contentious,

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STAR is the source of a little bit of, you

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know, of disagreement, because it is

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clearly a property tax subsidy, and it's

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helping people that are having difficulty

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paying high property taxes, and it's

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distributed to individual property tax

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payers through the school districts, but

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it's not State aid.

12

So, it's just a matter

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of how it's treated, what people say it is

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and what it isn't. It's not money going

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into the school district to help offset

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costs. If it was, it would be coming in as

17 aid. It would be applied against
18 expenditures and the tax levy would be
19 lower, but it is money coming into a
20 particular school district going to
21 particular tax payers to lower their tax
22 burden. They should double STAR, but they
23 shouldn't count it as a school aid. It's a
24 property tax subsidy.

25 PRESIDING OFFICER:

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2 Michael made the difference, the analysis
3 in his town, that over the last -- I don't
4 know if you all recall, but I think it was
5 very profound that over the last 10 years,
6 as STAR has gone up, aid to 10 school
7 districts went down. So, it really appears
8 that the State is giving with one hand and
9 taking away with the other hand, and of
10 course, I think we all know the rational

11 for the STAR not going to the school
12 districts.

13 MR. BIXHORN: People
14 believe it will be spent.

15 PRESIDING OFFICER:
16 Right.

17 MR. SAWICKI: You can't
18 blame them.

19 MR. BIXHORN: That's why
20 we have in here that you always have to be
21 careful of how you say things. If
22 expenditures were exactly as they were in
23 and the money of STAR went to the school
24 districts, tax rates would be 11 percent
25 lower. People are skeptical of that. If

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2 they got the additional money, they would

3 just spend it.

4 **PRESIDING OFFICER:** The
5 observation you made before that STAR is
6 masterful public relations, the last public
7 hearing we had had a couple of seniors from
8 my district here, and I'm discussing with
9 them afterwards, and they are all in favor
10 of replacing the real estate tax with an
11 income tax, but don't touch STAR. I said
12 if you don't have a real estate tax, you
13 don't have STAR. You can't take away STAR.
14 No, no.

15 **Having been the tax**
16 receiver in Smithtown, the STAR was real
17 money to people. I would say, if it was
18 taken away, would that same senior citizen
19 take a look at their tax bill December 1st
20 and say oh my, it's been reduced \$1,500?
21 They are a little skeptical. I think that
22 is real to them.

23 **MR. BIXHORN:** I just

24 want to be clear for the fifth time. I
25 will in no way be critical of STAR, and I

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2 recognize the importance of it, and it
3 makes a significant difference to a lot of
4 people.

5 MR. KADEN: That really
6 goes one step further this year with the
7 rebate checks. It's costing a fortune to
8 administer this program. He could have
9 given you the same reduction, but they want
10 the real feeling that you got real money
11 from State Legislator. They are forcing
12 them to issue checks at a cost of
13 \$5 million to write the checks for
14 something they could have done free.

15 PRESIDING OFFICER:

16 Thank you very much.

17 Anybody have any

18 questions for Gary?

19 MR. BYRNE: I'm just
20 curious. The formula you used to determine
21 the regional cost that is in here, is there
22 any way to get a hold of that?

23 MR. BIXHORN: I believe
24 it's appendix B. That is a formula that
25 was developed in Albany, and it's fully

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2 described in appendix B page 31, 32.

3 MR. BYRNE: Thank you.

4 PRESIDING OFFICER: I
5 intend on adjourning at 12 o'clock, but for
6 the last 10 minutes in their packet of
7 stuff you have a document that's titled the
8 Statement of the Problem: Why the system
9 isn't working. It's a draft that's been
10 drafted by Robert Lipp, which you know is

11 envisioned to be at least part of the first
12 part of our final document, and if you
13 could take that out, Robert would like to
14 go through some of it with you, and if he
15 could -- I'm not asking anybody to approve
16 it today -- but if you could take it home
17 with you and study it, and I think that
18 probably our first order of business the
19 next time we meet is to see if we could
20 nail down the first part.

21 MR. LIPP: I would give
22 you a five-minute synopsis. What we have
23 here is the direction of Legislator Lindsay
24 to do a front section of stating what the
25 problem is, and what is presented here is

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2 first starting out that this section will
3 document the problem with property tax on
4 Long Island, and the school districts

5 exacerbates this problem. That's the theme
6 here. You need to see for yourself if you
7 like the way the theme is going.

8 Tax burden has recently
9 become the single biggest issue in the
10 minds of the public. I took things out of
11 the pole, which found that the tax burden
12 was the single biggest issue and there
13 wasn't a close second. And then they even
14 address there that quality of services
15 people are willing to pay for, but only 35
16 percent of those polled rated the quality
17 of local services, in general, as good or
18 excellent in relation to what they are
19 paying in taxes. Maybe we have service,
20 but too much in terms of taxes.

21 Also, property tax on
22 Long Island are among the highest in the
23 nation.

24 Little document from the

25 Long Island index. Please turn to page two

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2 on the top, average homeowner tax bills are
3 outpacing the ability to pay. Something
4 that we already spoke about.

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The second bullet, trend
growth, would start with in Suffolk County
the average homeowner tax bill, an estimate
this year is \$7,237. Using trend growth
rates, that bill would be up over \$8,000 by
2008 and over \$9,000 by 2010, and by 2012,
on average the tax bill would be \$10,000
per homeowner.

And an interesting
addition here, that's the last bullet on
the top section, 2006 property tax bill is
equivalent to a \$94,000 mortgage, based on
a 30-year conventional fixed rate at 6

18 and-a-half percent. If interest rates
19 didn't go up, then effectively taking on a
20 mortgage of \$105,000 just to pay the nut
21 for property taxes, in excess of \$130,000
22 by 2012. Those numbers are a little less
23 if you allow for growth and interest rates,
24 but I think that speaks volumes there.

25 You are complaining

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2 about how much the price of your home is
3 and the mortgage you have to pay. I will
4 give you the house for free, you just have
5 to pay the property taxes, and you could
6 take a mortgage out for that, which you
7 can't, but that's an interesting point I
8 thought.

9

School tax, since that's
10 our focus, have contributed to most of the
11 increase in recent years. Basically, there

12 are charts on the next two pages which
13 speak to the bullets at the bottom of page
14 2. What it says is that since 2002 the
15 school district share of property taxes in
16 Suffolk County steadily increased from
17 62.4 percent in 2002 to 66.5 percent in
18 2006.

19 You could see on the
20 next page the chart what the percentage of
21 the overall tax warrant in Suffolk County
22 has been, and this is mostly in recent
23 years, you could see has been the big issue
24 with rising school taxes. Not saying why
25 or anything, just saying here is what's

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2 going on.

3

Also at the bottom of

4

page two, statewide 50.7 percent of the

5 average school district's revenue comes
6 from local sources. On Long Island, your
7 only source of local revenue, property
8 taxes, and certainly municipalities in some
9 sharing of sales tax, too, but by enlarge
10 it's property taxes on Long Island. The
11 State average is 50.7, but based upon the
12 numbers -- and by the way I footnote all
13 where I got my data -- on Long Island is
14 64.7. It's a lot more in Nassau than
15 Suffolk.

16 Turning to page five,
17 why school property taxes have been
18 increasing at a relatively high rate in
19 recent years. First of all, cost of goods
20 and services on Long Island are 24.7
21 percent greater than in the median region,
22 based upon a document that Gary and I did a
23 couple of meetings ago. Assuming that the
24 current report, the numbers haven't

25 changed, this is what will be reflected in

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2 what you said today.

3 Another important issue

4 is for a given level of expenditures, the

5 breakdown of local effort State share for

6 funding education helps explain why school

7 district property taxes on Long Island are

8 as high as they are. One thing we spoke

9 about previously, unlike the other major

10 local municipalities; town and county

11 governments; the only viable source of

12 local revenue for school districts, in

13 particular Long Island, is the property

14 tax. And to the extent that the State is

15 not responsive to the local needs, there is

16 considerable pressure placed on local

17 property taxes because of that.

18 While school districts

19 on Long Island are receiving below average
20 level of support from the State, the State
21 receives a disproportionately large share
22 of its major revenue sources from Long
23 Island. I think I got my numbers, although
24 I didn't see if they were the same as
25 yours, from the same school year.

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2 Basically, you could see at the bottom I
3 footnoted here where I got the different
4 data sources and I crunched numbers for the
5 limited amount of time I could.

6

But in any event,

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whatever distinctions here, excluding New

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York City, based on the most recent data

9

available, Long Island accounts for

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29.9 percent of State sales tax revenues,

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approximately 36.8 percent of State income

12 tax revenues, but receives only 21.9 of
13 State revenues to the school districts.
14 And I have broken down in the bullets what
15 the breakdown is, Long Island versus the
16 State, and I break it down by State aid and
17 by STAR and put the two together to get
18 totals. And you could see there is a
19 discrepancy between what we spend and
20 receive.

21 Then next on page six,
22 the argument for not supporting school
23 districts on Long Island to the same extent
24 that Long island supports the State through
25 its major revenue sources is the wealth

83

1

2 argument.

3

4 The concern being raised
5 here is -- the key here, raise your antenna
please -- on page six, that first full

6 paragraph last sentence, second to last.

7 The concern being raised by this commission
8 is that while Long Island is on average
9 wealthier than the rest of State, the level
10 of support from the State nevertheless
11 shortchanges this region by too much.

12 Why? The first bullet
13 basically says the why. So that's what we
14 need to hash out. In part, as documented
15 above, high and rising property taxes,
16 largely attributed in recent years to the
17 school portion of taxes, is becoming too
18 much of a burden to increasingly more Long
19 Islanders. With property taxes the only
20 source of local revenue for school
21 districts on Long Island, the level of
22 funding from the State has not kept pace
23 with school district needs. Considering
24 the large disparity between State support
25 and local effort, there is a need for both

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2 State and local policymakers to rethink the
3 current system of funding schools.

4

Finally, the last

5

paragraph, the State aid formula needs to

6

be reformed, but who knows if that will

7

ever happen. Since any change will result

8

in winners and losers -- reality, what a

9

concept -- that makes it difficult to gain

10

support for meaningful reform. What's the

11

point? While wealth should be a

12

consideration in any State aid formula,

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there is sufficient recognition of the tax

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burden placed on local property owners.

15

And then, of course, we

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would go into what sort of reforms we are

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requested in making. You need to ask

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yourself, is this what you think is a

19 reasonable representation? Is this what
20 the commission's prospective is? If you
21 want to overstate it more, understate it
22 more, there is -- unlike some of the stuff
23 I saw in the previous report that Gary
24 presented, I tried to get a breakdown
25 between Nassau and Suffolk, so there is a

85

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2 bigger difference in terms of wealth. At
3 the bottom of page 6 there is a definition.
4 I was confused myself about what this
5 combined wealth ratio is.

6

7 We would do an analysis
8 of school district by school district to
9 get a feel for the winners and losers and
10 how it relates to wealth and come up with
11 our own formula for changing the State aid.
12 I could do that, but I don't have the time
now.

13 PRESIDING OFFICER: Does
14 anybody have any questions for Robert
15 before we adjourn?

16 I think the numbers,
17 just at first glance, look similar to the
18 numbers that you had in your report, Gary.

19 MR. BIXHORN: Yes.

20 PRESIDING OFFICER:
21 Maybe, Robert, you could look over Gary's
22 report and adjust so we're all on the same
23 page.

24 MR. LIPP: You should
25 know that some of the stuff that was used

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2 here was from the last report from the
3 superintendent's association that Gary
4 handed out. There is some updated numbers
5 in the current report, but I took it upon

6 myself to try to update myself, and I went
7 on the State web site.

8 PRESIDING OFFICER: The
9 one question I had was the -- Robert, you
10 had on page two the State average school
11 districts including Long Island property
12 taxes, you had Suffolk at 57.6, but on the
13 chart had you 66.5.

14 MR. LIPP: The
15 difference is on page two. I'm looking at
16 this school district budget data off the
17 State Department of Education web site to
18 see what piece of school district revenues
19 for their budget are accounted for, in
20 terms of property taxes, as opposed to
21 State aid or other. Whereas the graph on
22 page 3 just looks at tax warrants. It's a
23 different picture. It's looking at all the
24 property taxes excluding villages, towns,
25 counties, special districts, sewers what

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2 piece of the action is to schools.

3

4 PRESIDING OFFICER: The
difference is STAR?

5

6 MR. LIPP: No, not at
all. The first number on page 2 looks at
7 percent of the school budget that's
8 property taxes. The second one looks at
9 the tax warrant, itself. These are how
10 much it's raised by schools and compares to
11 raised by counties, towns, special
12 districts.

13

14 PRESIDING OFFICER:
Legislator Nowick.

15

16 MS. NOWICK: Maybe Gary
17 can answer this. I am also asked this a
18 lot of times. Was State aid originally
19 supposed to be based on the value of one's
home, assessed value of one's home? Was

20 that how it was supposed to be? And then
21 that's long and away we got gypped out of
22 money.

23 MR. BIXHORN: There were
24 a lot of variables in the original. We
25 kept talking about State aid reform and we

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2 actually punched the formulas that were
3 originally put in place that might do it.
4 The combined wealth ratio, which is a
5 measure of income and wealth property,
6 wealth or assessed value, is a key
7 component of the old formula. So, it was
8 simply a factor that was built into the
9 formula, and a very important factor that
10 was built into the formula. So, the
11 original intent, the way the formulas that
12 are currently in place were originally

13 developed, there was placed an important
14 part in the distribution of aids.

15 MS. NOWICK: As those
16 home values went up over the past few
17 years, it actually hurts people, and the
18 value goes up, but it's not spendable
19 income.

20 MR. BIXHORN: You can't
21 spend that money. It actually tends to
22 hurt you. There has always been a lag.
23 When they were really using the data there
24 was always a lag when you were appearing
25 richer on paper, you were presently on a

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2 trend of become richer and vice versa.

3 PRESIDING OFFICER: But
4 if the purest in me, if we went back to the
5 original formula before the political
6 tinkering, had that analysis been done,

7 would that correct the problems?

8 MR. BIXHORN: I don't
9 know. It hasn't been done. It's been so
10 -- even when the formulas were introduced,
11 you know, shortly I think the last major
12 reform was the early 90s. Almost
13 immediately after the formulas were
14 introduced, there were caps introduced to
15 the formulas, because they found there
16 wasn't enough money to allow the formulas
17 to run. So, the formulas as we know them
18 have never really been allowed to work. So
19 it's hard to say what the impact would be
20 of letting them run today.

21 MR. KADEN: I think
22 basically when the formulas were stopped
23 being used to generate the aid, there were
24 only 49 districts State wide that were on
25 formulas. That's how many rules had to be

1
2 put in place to keep the share money the
3 way it was designed to be, by share. Long
4 Island took a tremendous disproportionate
5 hit, in that as well in the late 90s and
6 the early part of this decade there was a
7 cap, so you couldn't increase more. That
8 generated a line on the budget called
9 negative transition. What it was was money
10 that you should have got by the formula.
11 The difference between that and the cap
12 now, I think last year we looked at there
13 was a \$425 million negative adjustment
14 State wide, of which \$384 million came out
15 of Suffolk County, because we had the right
16 to generate aid. At the time it hit,
17 Brentwood was losing on the average of \$25
18 to \$30 million a year of State aid that
19 should have come to them by formulas which

20 was capped and not given to them, and the
21 property tax rights took a hit at that
22 time.

23 That was the major
24 problem with formulas. You don't know what
25 would happen if you let it run. It may

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2 have, but there was never a big enough pot
3 of money, and that was always our argument
4 with the State. You determined this is a
5 reasonable amount of funding and you are
6 telling us you don't have enough money to
7 fund it. You are going to take the hit,
8 get it out of your local people.

9 PRESIDING OFFICER:

10 Okay. Last comment.

11 MR. LIPP: One point I
12 would like to make, if you turn to page
13 five at the bottom. STAR works in Long

14 Island's favor. STAR is actually, you
15 know, less equitable if you will. That is
16 in terms of appropriation of State aid
17 comparison to State aid. However, if you
18 look at the bottom of the page, Long Island
19 receives more modest 20 percent of State
20 aid to school district and 29 percent
21 revenues. In other words, of the monies
22 that are dilled out under STAR, Long Island
23 does better than under the regular State
24 aids. So, one must be careful.

25 MR. KADEN: If you look

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2 at it as a part of the property value, I
3 think we should get more.

4 MR. LIPP: However they
5 are doling out the monies, nobody here is
6 happy with it, but we say keep State aid

7 and get rid of STAR. In other words, make
8 it all State aid, just put those money
9 dollars that, given the current State aid
10 formula, we would be worse, not better.

11 PRESIDING OFFICER:

12 Okay. We will see everybody on
13 October 4th.

14 Thank you.

15 -oOo-

16 (Time noted: 12:10 p.m.)

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C E R T I F I C A T E

I, JOANN BUNZE, a Stenotype
Reporter and Notary Public within
and for the State of New York, do
hereby certify:

That the foregoing is a true
and accurate transcript of my
stenographic notes.

In witness whereof, I have
hereunto set my hand this 4th day
of October 2006.

JOANN BUNZE

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