



North Shore Schools

Discovering Your Dreams

Board of Education
www.northshoreschools.org

January 23, 2012

Statement by Carolyn Mazzu Genovesi, Esq.
President of the
North Shore School District Board of Education

Chairman Farrell, Chairman DeFrancisco, members of the Fiscal Committees, thank you for this opportunity to present to you an issue that significantly impacts the tax base of our School District, the North Shore Central School District. On behalf of the District and the citizens who reside within the District, I am pleased and grateful for the opportunity to submit this written testimony to the joint fiscal committees of the New York State Legislature.

This testimony is delivered in response to the Long Island Power Authority's (LIPA) decision to ramp down and demolish the power plant that is located within the District's boundaries on the North Hempstead and Oyster Bay border in Nassau County. The District has been a host to this Power Plant for almost 100 years.

District Background

The North Shore School District is made up of five public schools, including Glen Head Elementary School, Glenwood Landing Elementary School, Sea Cliff Elementary School, North Shore Middle School and North Shore High School. The District serves a diverse mix of students whose academic performance is consistently high which enables us to maintain a position as one of the strongest public school systems in our Nation. Notably, the North Shore High School has been recognized by the U.S. Department of Education as a High School of Excellence and by New York State as an Outstanding High School, and Learning Partnership School and the North Shore Middle School has been designated as a Model IIC Middle School by New York State, and the District has been named as a, "high achieving, gap closing district," by the New York State Department of Education.

The District's Financial Strength and the Comptroller Audits

Our District and our Board of Education are mindful of our fiscal responsibilities and duties and we take them very seriously. We are aware of the real fiscal problems that can arise and the scrutiny placed on issues surrounding school funding. I am proud to say that our Moody's Credit rating is Aa1. Out of 700 Schools that were audited by the NYS Comptroller, North Shore was noted to be "particularly well run, with well developed financial controls and well managed operations". Additionally, by being creative and constructing our own transportation facility and contracting for an Energy Management program, we have saved our taxpayers over a million dollars a year.

The District is also mindful of the difficulties being faced by the Nation, the State and the localities during this fiscally challenging time. This year, again, the District will be under increasing pressure to do more with less. Moreover, this year, our District is facing the "perfect storm" – to wit: (1) State and Federal funding remains flat; (2) the impact of the new law that takes effect for the 2012-2013 school year, which imposes a cap on the tax levy places a material impact on the District's ability to raise revenue for its programs and operations; (3) Nassau County has eliminated the County Guarantee which, if upheld, will require the School District to issue refunds for the County's errors in its tax assessments; and notably, *the reason why we are here before the Legislature today*, (4) LIPA has unilaterally decided to ramp-down (close) the Glenwood Landing Power Plant, a utility that provides significant tax revenue to the District's annual budget.

The Glenwood Landing Power Plant

LIPA and National Grid announced in June of last year that they have reached an agreement to shut down the Glenwood Landing Power Plant, effective June 2012. There are five peaking turbines that will remain on three acres of the Glenwood site, some of which are covered under existing PILOT agreements. Additionally, there are three other acres of waterfront land on Hempstead Harbor, opposite Bar Beach, which will (may) be sold by National Grid after it dismantles the plant and cleans up the property. The time that it will take to remediate the

property and the potential adverse environmental impact on the property and the adjacent waterways has yet to be determined.

The closing of the Glenwood Landing plant will cause significant pain and hardship for the North Shore School District. The District's annual budget for its operations and education of its students for the 2011-2012 school year is approximately \$88 million dollars with only 4.1% of its revenue derived from Federal and State Aid. The lion's share of the District's annual budget, over 92%, is derived from local tax revenues. The District receives over \$14 million annually in taxes from LIPA. The immediate loss of this significant tax base and revenue stream will be devastating to the District, its students, staff and the community as a whole. Although LIPA has stated that it will continue to make tax payments that it is obligated to make through May 2013, it has also indicated that the demolition of the Plant is imminent and will commence during this Legislative session. Without a solution in this year's State fiscal plan, the future of the District remains uncertain and the educational programs that it offers to its students are in jeopardy.

To illustrate the impact on the taxpayer as a result of the closure of the Plant, when the school portion of the tax payments shift from the utility to the average residential home owner - in just one year, that amount will be staggering. It is estimated that an average home that is currently paying \$9,243.00 in property taxes would see an increase of 24%, resulting in an increase of the school tax portion of their tax bill from between \$2,000-\$12,000 per year. This shift, if permitted, will dramatically change the face of the District and the landscape of the community.

The Public Authorities Control Board ("PACB")

This LIPA ramp down is not the only matter impacting the taxpayers on Long Island and New York City. LIPA has also decided to ramp down the Far Rockaway Power Plant and has instituted a number of property tax challenges, including challenges in the Towns of Huntington and Brookhaven in Suffolk County.

When LIPA commences projects that have a material impact on the tax base of a single or group of localities it serves, it is the role of the Public Authorities Control Board (PACB) to weigh the issues and stop LIPA from making adverse decisions about where local property taxes should be raised as a result of their actions. We believe that when taken in totality of LIPA's actions across downstate,

this ramp down project is the exact type of issue the Legislature considered when it created this oversight board. The law was intended to provide the PACB with the power to review, and ultimately reject, LIPA proposals that adversely affect overall real property taxes in the service area or otherwise adversely affect overall real property taxes in other areas of the State. I am providing you with a copy of the legal analysis prepared by the District's special counsel on behalf of the District that specifically addresses the PACB issue in detail.

Reserve Limitations

In our conversations with the representatives of LIPA and National Grid, we were told that the District should have been aware of the closing of the power plant, and thus should have put District reserve funds aside in anticipation of the ramp down of the Plant. However, this body, I'm sure is aware that our District is a creature of statute and is not permitted by law to put funds aside or into a reserve for a "potential" closing of a power plant. There is no such available legal mechanism under which the District could have prepared for the decision made by LIPA in June of 2011, only six months ago. This exacerbates the reason why this ramp down is such a significant impact on the property tax base, because the District has no reserve, nor could it create a reserve or put aside its precious and decreasing funds to address this change in the tax base.

Nassau County Guarantee Litigation

An emerging fiscal issue that the Fiscal Committees also should be made aware which, if implemented will materially impact the District's ability to serve its students, is the elimination of the Nassau County Guarantee. Since 1948, when a Nassau County property owner successfully challenged a property tax assessment and was awarded a tax refund because of errors made by the County, because of its unique taxing system and its assessment functions, Nassau County has always made the payment in full. This "County Guarantee" has been in place and has been the law in Nassau County since 1948. However, a decision was recently issued by the State Supreme Court that upheld County legislation eliminating the County's responsibility to reimburse school districts for tax certiorari judgments. If upheld, the District would be responsible for the District portion of the tax the refund that resulted from the County's errors - this would add an additional burden to the already over-burdened School District tax base. The elimination of the

County Guarantee will cost Nassau County school districts tens of millions of dollars (or \$80-\$100 million) each year and at least \$1,000,000 annually for the North Shore School District.

Tax Cap

Long Islanders and suburban New Yorkers are asked to carry an extraordinary local property tax burden. This while our State aid as a share of expenses continues to remain flat or decrease. The implementation of the 2% tax levy cap legislation leaves our Board of Education with the accountability for preserving the fiscal and educational integrity of our communities' schools, but strips us of the ability to fulfill that responsibility. On the issue of mandates, we, as local governments are now forced to grapple with the same fixed costs which the State government must confront. We are eager to work with you to reach our mutual goals.

Legislative Solution

There is the potential for the District to save and shelter its students and its core programs from the "perfect storm" and it rests with the State Legislature. Since LIPA remains a State agency under this State's jurisdiction, I urge the members of the Fiscal Committees to hold LIPA accountable. We believe there is a window, albeit small, for a legislative solution before the demolition and sale of this power plant land. Once the land is transferred, it would become more difficult to ease the burden that is being forced upon the North Shore Central District who has served as the host to this power plant for a century.

Senator Marcellino has proposed legislation that would provide for a "glide path" rather than a "cliff" in relation to the forecasted property tax loss. It would allow for a phase-in of tax cuts for the property over a period of ten years, while a payment in lieu of taxes (PILOT) continues to help the District better manage the cuts. This would be a win – win in that the taxpayers would not see a significant impact on the local property tax base while the ratepayers would continue to see rate reductions during this same period.

This reasonable bill should be added to into the State's fiscal plan so that our School District and any others throughout the State who face a utility's closure would not have the significant tax loss.

Thank you for your consideration. I am ready to answer any questions you may have.

ALB 1526928v2