Don’t let LIPA break its promise

Its vow not to challenge values of four power plants has solid legal precedent

BY JOHN H. GROSS

Since 2010, the Long Island Power Authority has attempted to reject its commitments to affected school districts and municipalities regarding Long Island’s four legacy energy plants. In 1997, Gov George E. Pataki and LIPA promised not to lower the assessed valuations of the plants unless they were abusively increased. And since then, municipalities have not increased assessed valuations on the plants, living up to their end of the bargain.

The promise made cannot be written off as if it has no legal underpinning. It is a serious commitment grounded in the method used by the state — and validated by the Internal Revenue Service — to settle the financial mess created by the closure of the Shoreham nuclear plant years before. Here’s how:

Government authorities and officials decided to close the Shoreham plant before it produced one megawatt of power for use by Long Islanders, and during the Long Island Lighting Co. takeover negotiations, LIPA was committed to ensuring that private LILCO shareholders would recoup their investments through the sale of billions in bonds. This liability would go on LIPA’s books. Who paid the billions to accomplish this enormous sleight of hand for the nuclear power plant that never was placed in full operation? Yes, Long Island’s ratepayers, who are still paying for this boondoggle.

To finalize the deal, LIPA had to sell the scheme, and it needed the support of the affected municipalities, towns and school districts. LIPA also had to obtain a ruling from the IRS allowing it to issue more salable tax-free bonds to ensure the payoff to LILCO stockholders.

LIPA wanted no opposition, so it swore to the IRS and other government authorities that the tax payments from LIPA would never be decreased as a result of the buyout of LILCO. Not only were the past Shoreham tax challenges settled and Suffolk municipalities shielded from tax refund liability of more than $1 billion, but future tax challenges also were resolved by the promise never to lower the taxes on the power plants. It was an integral part of the deal that would not have happened without the protections included for the school districts and the affected municipalities.

For 13 years, LIPA and the owners of the four power plants at issue today lived up to this promise — the assessments on the plants were not challenged. The promise was made an express part of LIPA’s power-supply agreement with the plant owners. Then, LIPA, without any justification, broke the promise and filed tax challenges on the plants.

LIPA’s latest settlement proposals, including the announced tentative agreement with the Town of Brookhaven, can’t be viewed as being in the best interest of everyone. This shallow conclusion understates the financial harm that school districts, towns, villages, fire districts, other affected municipalities, and thousands of students and taxpayers will suffer. Under LIPA’s latest proposals, taxpayers would be burdened with substantial tax increases. School taxes would increase by millions and millions of dollars, to be made up by school district taxpayers. The school districts would be forced to cut programs and staffing significantly and that would damage educational opportunities for students.

Based on the numbers reported in a March 18 editorial in Newsday, LIPA’s settlement offer, if accepted, may ultimately result in minimal savings to LIPA ratepayers, if any. Meanwhile, the editorial also excuses the fact that host communities have lived with soot, smoke and negative environmental impacts from the plants for more than 50 years.

A price tag cannot be placed on this impact.

Northport’s power station, right, is one of four plants subject to LIPA’s challenges. The others are in Port Jefferson, Island Park and Glenwood Landing.

NEWSDAY / THOMAS A. FERRARA

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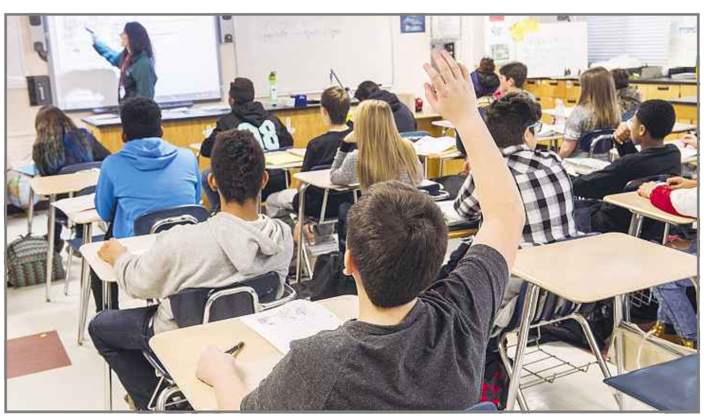

GORDON M. GRANT

Behind the rising cost of LI’s public schools

Newsday’s editorial asked, why don’t taxes drop as state aid rises and enrollments fall? [“The vexing riddle of school funding,” April 3.]

The answer to that very good question is simple: Taxes don’t fall because compensation costs keep rising.

The editorial notes that enrollment in the Smithtown district has dropped 17 percent since 2010-11. Meanwhile, according to the latest available State Education Department data, the number of full-time Smithtown teachers dropped just 9 percent from 2010-11 to 2016-17. In the same period, state education data indicate, the median teacher’s salary rose from $89,000 to $109,546, or 23 percent.

For individuals, the Smithtown teacher contract’s 18-step, eight-lane schedule of annual pay increments has produced even larger increases. For example, a teacher with a master’s degree and seven of years’ experience in 2010-11 was paid $74,750. Seven annual steps, plus base hikes later, that teacher makes $101,778 — an increase of 36 percent in a period when inflation was less than 13 percent. Needless to say, the cost of health insurance for active and retired teachers also has escalated.

Teacher salaries and staffing levels are the ultimate drivers of school costs, and those costs will never be effectively tamed until Gov. Andrew M. Cuomo and the State Legislature tackle fundamental collective bargaining reforms. This should start with the repeal of the Triborough Amendment’s guarantee of perpetual annual step increases.

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Editor’s note: The writer is research director of the Empire Center for Public Policy, a fiscally conservative think tank.

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Newsday’s editorial “The vexing riddle of school funding” hits the mark on several fronts. First, the startling revelation of ever-increasing school costs, even in the face of greatly expanded school aid from the state in the past decade, reveals a truth that many Long Islanders intuitively know: Costs are rarely cut, efficiencies are rarely sought, and school taxes spiral out of control.

Second, a fact that was only alluded to in the piece is that disadvantaged districts, many with growing enrollments, are shortchanged by state funding formulas that put them even further behind their affluent peers.

Districts like Westbury, for example, have challenges that most districts do not have to face, including the influx of federally placed unaccompanied minors. This severely taxes our resources. Yet, many of these districts do not receive the percentage of state aid that other districts do, causing them to fall further behind.

School taxes are the most serious problem Long Island has in terms of its future vitality and success. Yet, school districts must be made to exercise fiscal and spending discipline, while the state aid that is available must be more equitably distributed.

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Editor’s note: The writer is the mayor of the Village of Westbury.

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