



July 11, 2011

411 State Street  
Albany, NY 12203

Honorable Andrew Cuomo  
Governor  
Executive Chamber  
State Capitol  
Albany, NY 12224

Dear Governor Cuomo:

I urge you to veto A6309/S4067, the bill that would allow school districts to borrow, in 2012 and 2013, an amount equal to 125 percent of their required 2011 pension contributions and to repay them over 15 years. If enacted, it would:

**1) Undermine the discipline imposed by the property tax cap.**

The legislation contradicts the purpose of the property tax cap, which already took rapidly rising pension costs into account by partially exempting growth in pension contributions. By allowing the borrowings, the bill would undermine the discipline imposed by this carefully crafted provision.

**2) Diminish the likelihood of a new tier by hiding the true cost of public employee pensions from taxpayers.**

Employer contributions to the New York State Teachers' Retirement System rose from \$211 million in 2000 to over \$925 million in 2010, a challengingly high average annual growth rate of 16 percent, and they are expected to continue to escalate exponentially in the coming years. If the tradeoffs between taxes and services required by these costs are not eminently clear to taxpayers, the calls for the long lasting reform embodied in your tier six proposal will be significantly muted.

**3) Push costs onto future taxpayers and students.**

For each district that opts to borrow, the interest and underwriting fees associated with the bond issuance will drive up future pension costs. These added expenses will be borne by future residents and, if they force even more difficult service reductions in the classroom, by students. It is inherently unfair to preserve services today at the expense of future New Yorkers.

**4) Start New York down the slippery slope of raiding its pension funds.**

The funding of New York's pension plans constitutes a bright spot on the list of indicators of fiscal health. Although local governments were permitted to amortize part of their pension payments beginning this year, few of them did because they were allowed to do so only through the Office of the State Comptroller at an interest rate higher than what they thought they would receive from the private market. Letting school districts borrow in the private market is likely to encourage local governments to press for the same option and increase the number of borrowings. Simply put, pension raiding should not be allowed to proliferate in any form.

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We recognize that many school districts face difficult choices in part due to rising pension costs, and that these costs are not fully under their control. However, the solution is not to kick the can down the road but to implement real and lasting changes to pension benefits that will make them sustainable over the long run. Please veto A6309/S4067 to make sure the tax cap works properly, to prevent costs from being shifted to the students of tomorrow, and to guarantee that a new tier becomes a high priority for every taxpayer and school district official in New York State.

Sincerely,



Carol Kellermann  
President

