

Burdening Property Taxpayers: The Caruolo Act A Recipe For Disaster

By James E. Doyle

James E. Doyle is mayor of Pawtucket and president of the Rhode Island League of Cities and Towns.

IN A MARCH 30 Commentary column (“My ‘Caruolo Act’: No better balance”), former House Majority Leader George Caruolo defended the Caruolo Act, which lets school committees seek, by filing suit in Superior Court, appropriations from cities and towns above those budgeted.

When passed in 1995, the law helped cities and towns by creating a fairer method to resolve school-funding disputes. Unfortunately, under today’s conditions, the act now stands as a symbol of all that is wrong with education funding.

The reason for this is that every time a Caruolo action results in a judgment for a school district, the entire burden of paying that judgment, which can be far more than a community can afford to pay, falls squarely on the shoulders of its property taxpayers. The state contributes nothing. This perpetuates one of the most troubling problems confronting Rhode Island’s public-policy makers: our state’s over-reliance on property taxes to pay for education.

In the mid-1980s, the state set a goal of funding 60 percent of the cost of education. Since then, the state’s commitment to education funding has greatly diminished. According to a recent report by the Rhode Island Public Expenditure Council, the state’s contribution to education in Fiscal Year 2007 went down to only 36.2 percent, while city and town contributions increased to 60.6 percent, which is second highest in the country, up from 12th a decade earlier. This is a recipe for disaster.

Of the three major sources of tax revenue, the property tax is the most regressive because it is based least on one’s ability to pay. If someone gets laid off, he will pay less income tax that year. If he buys fewer goods, he pays less sales tax. However, the amount of property taxes he pays on his house, cars and business will not be reduced.

As the demand for property-tax dollars to fund education continues to grow, more people are finding it difficult to pay their property taxes, especially during these grueling economic times. Though this is a problem throughout the state, it is greatest in the poorer urban communities where people’s ability to pay is lowest, unemployment is highest, and the foreclosure crisis has taken its greatest toll.

continued next page

Caruolo Act Recipe For Disaster

Another problem is with the implementation of a new state law that requires municipalities to reduce the cap on property tax increases each year until 2013. Alas, the law fails to adequately address a giant loophole that lets school departments overspend their budgets and then seek more money to support their deficit-spending habits, often to the detriment of taxpayers.

This loophole is the Caruolo Act.

In a decision last year on a Cranston Caruolo case, Superior Court Judge Judith Savage found that a judge could scrap the cap if he or she found that a school department needed more money to provide a basic education. This leaves the door wide open to future attacks on the tax cap and on property taxpayers to fund education.

Municipal officials have said that we could live within the lowered cap if given certain tools needed to be able to control municipal spending. If the state is serious about property-tax relief, it must approve these tools, including one to eliminate the Caruolo Act, or to limit it so that school departments must live within the cap.

One funding source that might have helped reduce the need for Caruolo actions, at least for the short run, was the stimulus money coming from Washington. However, even the stimulus money is a two-edged sword. In the Fiscal Year 2009 supplemental budget just passed, instead of providing additional education funding, the legislature chose to simply replace \$38 million of state funding with the same amount of stimulus dollars. When the stimulus money is gone after 2011, school districts are going to have gaping holes in their budgets. If the state doesn't fill them, the only other source school departments will look to will be, once again, the property taxpayers.

We must act now to keep that from happening. There has been some good news on the education front lately, but if we continue to try to fund education on the backs of property taxpayers, the system is going to collapse. Property taxpayers simply cannot afford to carry any more of the burden.

To move forward, we must create an education-funding system based on a school-aid formula that will guarantee all students an equal opportunity for a good education: one that relies less on the most regressive of all taxes, the property tax; one that builds a more cooperative relationship among the municipalities, the state, the school committees and the unions; and one that moves away from the adversarial processes that have hampered our ability to succeed.

It is a huge task, but one that, if we complete it successfully, will lead to great progress. On the other hand, if we fail, so will our state.