

HEDGE PAPERS No.15

**Cuomo's Cronies:
How Private School
Billionaires are Banking on
Tax Credits from the Govenor**

ANDREW CUOMO'S LATEST BILLIONAIRE SUBSIDY

\$70 Million in subsidies to wealthy parents of children at New York's most elite private schools

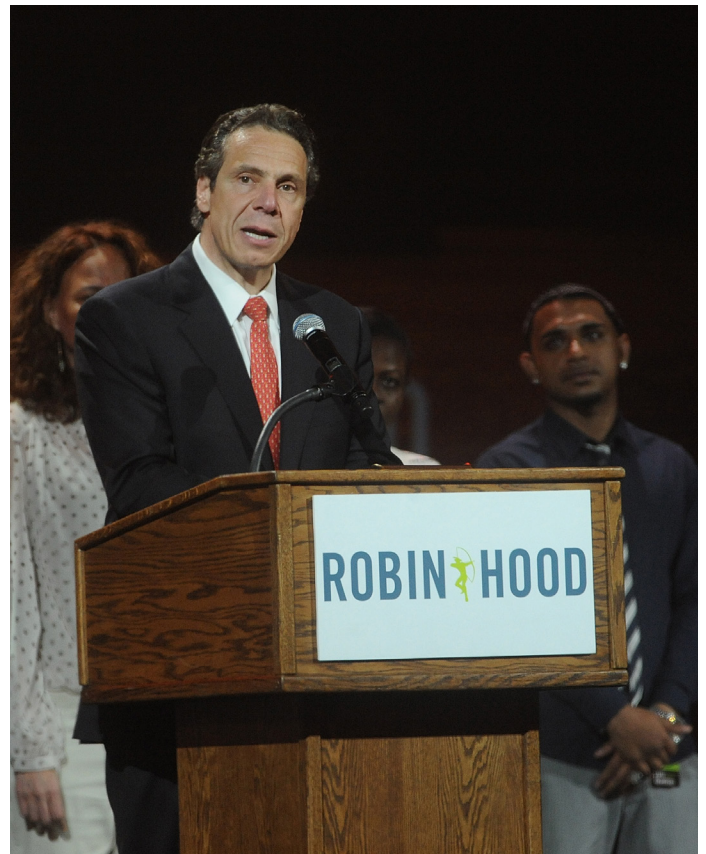
Cuomo's Latest Scheme: Tax Refunds for Billionaires Who Donate to Elite Private Schools and Privatized Charter Schools

Andrew Cuomo is probably the first Democratic governor in history to back tuition tax credits and taxpayer-funded subsidies to wealthy families who send their children to elite private schools.

Image via CBS New York

Cuomo's "Parental Choice in Education Act" includes at least \$70 million that will be taken from the paychecks of ordinary New Yorkers and redistributed to Cuomo's billionaire buddies.

Cuomo's plan is essentially a \$150 million handout to private school parents, with \$70 million available for the wealthiest families in New York state.^[1]



The tax credit bill is being pushed at the end of a legislative session that has been an absolute boon for New York's billionaire class, who Cuomo and his cronies have already showered with a private jet tax break, a tax break on new yacht purchases, and an insane property tax break on some of the priciest condos in the world. ^[2]^[3]^[4]

The latest Cuomo tax credit scheme will allow New York billionaires to receive a tax credit—essentially a check from the State—equal to 75% of their donations to qualifying donations, up to \$1 million per individual.

At a time when public schools—particularly in low-income, rural and smaller urban areas—are already underfunded and neglected by state government, this large-scale reverse-Robin Hood giveaway to the wealthy and powerful is obscene.

Elizabeth Lynam, a budget expert for New York's Citizens Budget Commission, called the bill “an extremely lucrative benefit likely to serve the state's wealthiest taxpayers.” ... only someone with a fancy accountant could easily take advantage of this tax bonus. ^[5]

The New York Times

Lead Editorial: May 22, 2015

And at a time when the interweaving of campaign cash contributions and governmental policymaking has led to scandal after scandal in Albany, it's also obscene that Cuomo and some legislative allies are apparently planning to provide unnecessary and expensive benefits to their political supporters.

CUOMO'S TAXPAYER SUBSIDIES FOR PRIVATE- SCHOOL BILLIONAIRES

Many of Governor Cuomo's top campaign contributors are already major donors to New York's private schools. The new tax credit scheme could give them big benefits.

Under Cuomo's latest billionaire subsidy project, these eight hedge fund managers—six of whom are billionaires—will be eligible for a tax credit of up to \$1 million under the proposed language.

Two of these billionaires, Roger Hertog and Bruce Kovner, were the driving forces behind the Foundation for Opportunity in Education, which has been the major lobbying organization backing the tax credit bill.

Now they stand to gain hundreds of thousands of dollars, simply by continuing the same pattern of philanthropy they already in engage in. And also alarming: Albany's pattern of campaign cash contributions linked to favorable tax and policy treatment appears to be at play on the tax credit scheme.

These eight hedge fund mangers have given a total of \$6,418,351.87 to New York candidates over the past decade, with \$3,046,100 of that total going to Dean Skelos and the State Senate GOP; \$968,137.82 going to Andrew Cuomo's campaigns; and \$190,450 to Sheldon Silver and the Assembly Democrats.

PRIVATE-SCHOOL BILLIONAIRE CAMPAIGN CASH



SILVER



\$190,450



SKELOS



\$3,046,100



CUOMO



\$968,137



DANIEL "DAN" LOEB



Photocredit: UK Telegraph^[6]

FAVORED ELITE PRIVATE SCHOOL: Fieldston

TUITION: \$43,265 per year

DONATIONS TO ELIGIBLE ORGANIZATIONS:

\$5,900,000 in 2013

CASH TO CUOMO: \$62,000

The Margaret and Daniel Loeb -Third Point Foundation gave \$2.3 million to the Ethical Culture Fieldston School in New York City, in 2013. This is where Loeb's children attend school.

Tuition for elementary school this year is \$43,265, or roughly the price of two new Honda Civics. The foundation also gave \$3.59 million to Success Academy Charter Schools the same year. ^[7]

WILLIAM "BILL" ACKMAN



Photocredit: Forbes^[8]

FAVORED ELITE PRIVATE SCHOOL: Dalton

TUITION: \$42, 960 per year

DONATIONS TO POTENTIALLY ELIGIBLE

ORGANIZATIONS: \$500,000 in 2012

CASH TO CUOMO: \$96,000

Ackman's Pershing Square Foundation gave at least \$450,000 to Dalton in 2012, a private school in New York City where the 2015-16 tuition is \$42,960.^[9]

JAMES "JIM" CHANOS



Photocredit: Bloomberg^[10]

FAVORED ELITE PRIVATE SCHOOL: The Browning School

TUITION: \$38,600 per year

DONATIONS TO POTENTIALLY ELIGIBLE

ORGANIZATIONS: \$310,000 in 2002-3^[11]

CASH TO CUOMO: \$110,000

The Chanos Family Charitable Foundation – Contributions to The Hewitt School of \$5,000 in 1999, a private girls' school, 2014-15 tuition \$42,500. Contribution of \$250,000 to The Browning Schools, a private boys' school, in 2002, and another \$60,000 the following year.^[12]

ROGER HERTOG

FAVORED ELITE PRIVATE SCHOOL:

Solomon Schechter School of Westchester

TUITION: \$21,500 per year

DONATIONS TO POTENTIALLY ELIGIBLE

ORGANIZATIONS: \$155,000 in 2014

CASH TO CUOMO: \$35,000

Hertog Foundation gave \$25,000 in 2014 to the Solomon Schechter School of Westchester, where tuition for the 2015-16 ranges from \$21,500 a year for kindergarten to \$37,200 in high school. The foundation also gave \$500,000 to pro-charter Families for Excellent Schools; \$100,000 to Success Academy Charter Schools; \$30,000 to Student Sponsors Partners.^[14] Hertog has also donated \$145,000 to the Education(al) Fund in Ballston Spa, NY, between Jan. 1, 2012 and May 10, 2015. The organization been lobbying for at least the last three years for an education tax credit. He also sits on board of Foundation for Opportunity in Education, a pro tax credit/charter foundation that has been the driving force behind Cuomo's tax-credit bill.



Photocredit:
Zimbio.com ^[13]



FAVORED ELITE PRIVATE SCHOOL: Horace Mann

Photocredit: Forbes^[15]

TUITION: \$41,150 per year

DONATIONS TO POTENTIALLY ELIGIBLE

ORGANIZATIONS: \$212,000 from 2007-2013^[16]

CASH TO CUOMO: \$115,000

The Dinan Family Foundation recently gave \$26,500 to Student Sponsorship Partners, \$25,500 to Horace Mann \$25,000 to Sinai Schools, \$5,000 to Harlem Village Academies, \$150,000 to Prep for Prep – at least \$212,000 to entities potentially eligible to receive deductible donations under the Governor’s proposed voucher bill.

The Foundation has also contributed to the Robin Hood Foundation over the years. Also a contributor to Sinai Schools, a collection of private Jewish Schools focusing on kids with special needs.^[17]

GREGG HYMOWITZ

FAVORED ELITE PRIVATE SCHOOL:

Riverdale Country School

TUITION: \$38,600 per year

DONATIONS TO POTENTIALLY ELIGIBLE

ORGANIZATIONS: \$130,159 in 2013

CASH TO CUOMO: \$116,000

Hymowitz Family Foundation Trust – Riverdale Country School in Riverdale, NY, \$130,159 “unrestricted grant to further the organizations (sic) exempt purpose” . Riverdale Country School is a private school, tuition for prek-12 this year is \$38,600. The school has been funded through this foundation in years prior.^[19]

Photocredit: New York
Social Diary^[18]



MICHAEL LEFFELL

FAVORED ELITE PRIVATE SCHOOL:

Solomon Schechter School of Westchester

TUITION: \$25,000 per year

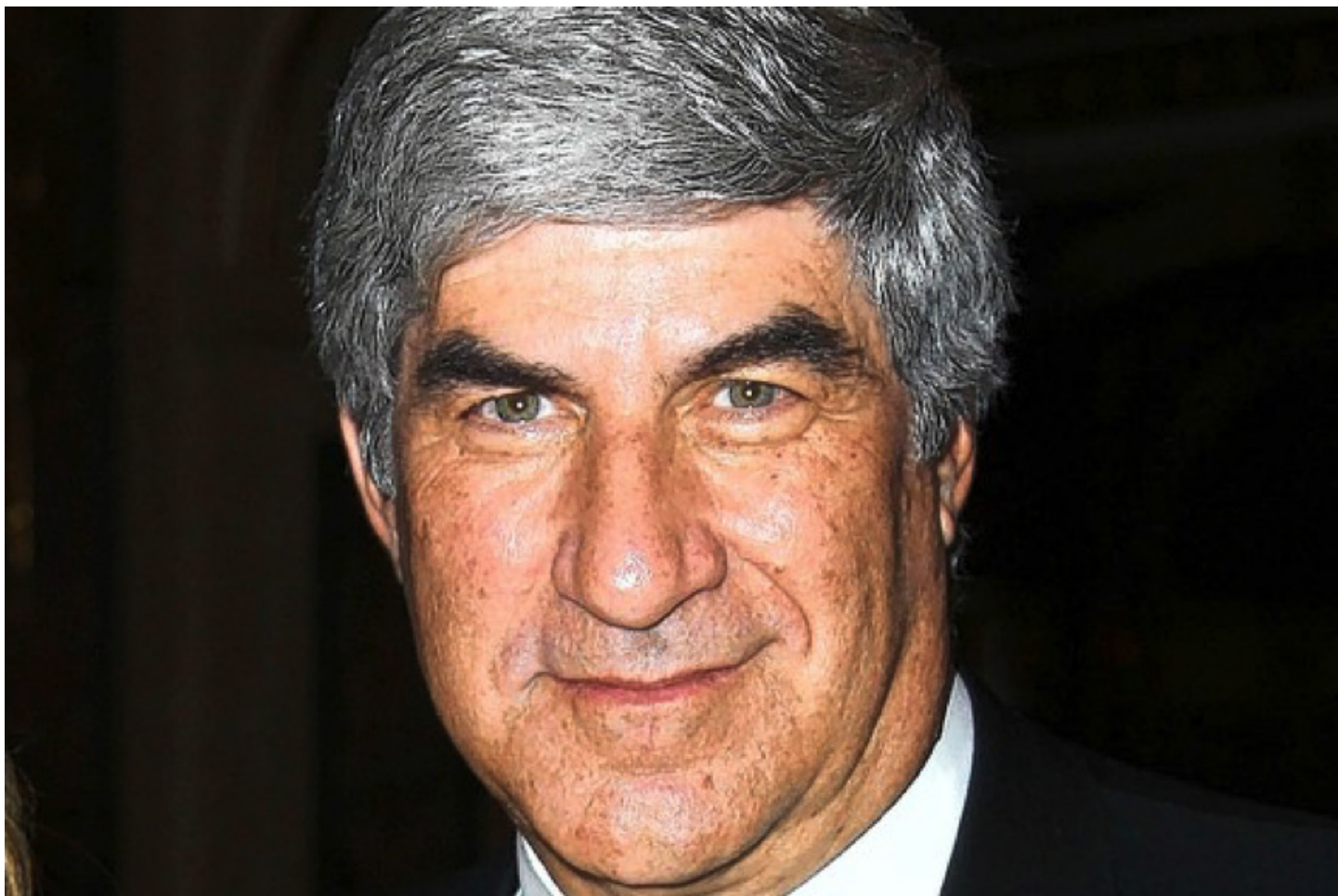
DONATIONS TO POTENTIALLY ELIGIBLE

ORGANIZATIONS: \$10,800 in 2011

CASH TO SENATORS: \$68,500

Leffell has donated \$33,400 to the Education(al) Fund in Ballston Spa, NY, between Jan 1, 2012 and May 10, 2015. He is also on board of Foundation for Opportunity in Education, a pro tax credit/charter foundation.





Photocredit: ForexTradingPractico.com^[20]

FAVORED PRIVATIZED SCHOOLS: Success Academies,
Uncommon Schools

CASH TO CUOMO: \$44,000

**DONATIONS TO POTENTIALLY ELIGIBLE
ORGANIZATIONS:** \$1,700,000

The Kovner Foundation donated \$500,000 to Success Academy per its 2013 990s; \$1 million to Uncommon Schools; \$200,000 Student Sponsor Partners (privately paid scholarships to predominately Catholic schools). ^[21]

CUOMO'S TAX SCHEME FAVORED BY HARD-CORE CONSERVATIVES, ALLOWS TAXPAYER FUNDING OF BIGOTED, ANTI-GAY, AND ANTI-SCIENCE SCHOOLS

Cuomo legislation created by the legendary right-wing ALEC project

Andrew Cuomo is probably the first Democratic governor in history to back tuition tax credits and taxpayer-funded subsidies to wealthy families who send their children to elite private schools.

Such programs have already been passed in Republican-controlled legislatures and municipalities, including in Pennsylvania, during the reign of Governor Tom Corbett—the least popular governor in the last twenty years.^[22]



Image via Politico

It's clear why Republican governors have been so quick to support private school tax credit bills—the legislation was created by the American Legislative Exchange Council, the legendary conservative group that helps corporations buy influence in state legislatures.

What is not clear is why Andrew Cuomo would support school-privatization policies previously associated with the most conservative legislators in the country.

Perhaps it's because the “Parental Choice in Education Act” is a lucrative handout to New York's wealthiest 1%—including some of Cuomo's biggest campaign supporter and political allies—with a few crumbs sprinkled in for parochial schools to provide for better optics and fawning, press-ready photo opportunities.

Cuomo's billionaire education tax-credit subsidy fails to protect New Yorkers from religious extremism.

If New York passes Cuomo's latest billionaire subsidy bill, New Yorkers may find themselves in the same predicament as many of the states that have already passed similar measures: their tax dollars will end up funding regressive, anti-gay schools, or schools that teach shockingly un-educational curriculum based on religious extremism.

Alarming, both portions of Cuomo's tax credit bill—comprising \$140 million of Cuomo's \$150 million proposal—could potentially be directed to schools that undermine science education and LGBT rights.

In North Carolina, the Myrtle Grove Christian School, which banned LGBT students and students from LGBT families from enrolling, would have been eligible for tax credit financing in 2014, until public pressure caused the school to renounce the funding.^{[23][24]}

According to an investigation by Rolling Stone, at least 115 religious schools in Georgia received taxpayer funded tax-credit subsidies while simultaneously maintaining anti-gay policies.^[25]

In Louisiana, 1/6th of the eligible private schools in 2012 taught curriculums that rejected evolutionary science in favor of creationism.^[26] Curriculum materials used in Louisiana private schools eligible for tax-credits similar to those proposed by Cuomo taught that humans and dinosaurs walked the earth at the same time, that slave-owners were mostly decent people, and that “God used the Trail of Tears to bring many Indians to Christ.”^[27]

Multiple schools in Wisconsin, which has a voucher program similar to the tax-credit scheme proposed by Cuomo, teach a curriculum written by a company called A Beka Book.^[28] A Beka Book materials teach that homosexuality is the result of the belittlement of “fathers and husbands” at the hands of the media.^[29] Other books teach that sexually transmitted diseases are caused by being disobedient to God.^[30]

Nothing in the latest legislation appears to restrict the payment of tax credits to donors who back schools that teach intolerance, bigotry, or junk science.

Cuomo’s latest tax-credit scheme is bad tax policy, bad education policy and bad news for taxpayers. But it’s great for billionaires and hard-right conservative activists. Lawmakers have a clear choice in front of them as this legislative session draws to a close.

FOOTNOTES:

- [1] <http://www.buffalonews.com/city-region/albany-politics/cuomo-backs-150-million-tax-credit-for-private-education-20150518>
- [2] <http://www.capitalnewyork.com/article/albany/2015/03/8565138/yacht-tax-break-many-fathers>
- [3] <http://www.nydailynews.com/news/politics/n-y-state-budget-tax-breaks-yachts-private-planes-article-1.2167197>
- [4] <http://citizenactionny.org/2015/02/cuomo-gives-billionaires-95-property-tax-breaks-new-york-state-homeowners-respond/17254>
- [5] http://www.nytimes.com/2015/05/23/opinion/a-costly-tax-break-for-nonpublic-schools.html?ref=opinion&_r=1
- [6] http://i.telegraph.co.uk/multimedia/archive/02562/cut_DanielLoeb_reu_2562117b.jpg
- [7] <http://www.guidestar.org/FinDocuments/2013/522/251/2013-522251371-0ad92b03-F.pdf>
- [8] http://blogs-images.forbes.com/nathanvardi/files/2014/11/1002_william-ackman2_650x455111.jpg
- [9] <http://www.guidestar.org/FinDocuments/2013/208/068/2013-208068401-0a024ccf-F.pdf>
- [10] <http://www.bloomberg.com/image/i2v17pC9vbeQ.jpg>
- [11] <http://www.browning.edu/news/2015/5/21/spring-benefit-2015>
- [12] <http://www.guidestar.org/FinDocuments/2002/134/037/2002-134037093-1-F.pdf>
- [13] <http://www1.pictures.zimbio.com/gi/Roger+Hertog+Susan+Hertog+2012+American+History+llrgC1E4HDal.jpg>
- [14] <http://www.guidestar.org/FinDocuments/2014/262/002/2014-262002295-0a7b7e14-F.pdf>
- [15] <http://specials-images.forbesimg.com/imageserve/02mB6QKe5C5I7/0x600.jpg?fit=scale&background=000000>
- [16] Source: Dinan Family Foundation 990s, spanning 2007 tax year through 2013.
- [17] <http://www.guidestar.org/FinDocuments/2013/133/976/2013-133976827-0a519a9f-F.pdf>
- [18] http://www.newyorksocialdiary.com/legacy/partypictures/2004/09_21_04/images/troy/DSC_4562.jpg
- [19] <http://www.guidestar.org/FinDocuments/2013/134/089/2013-134089721-0a47c1b1-F.pdf>
- [20] http://www.forextradingpratico.com/wp-content/uploads/2014/04/MI-BK788A_winne_G_20110810195546.jpg
- [21] http://990s.foundationcenter.org/990pf_pdf_archive/223/223468030/223468030_201312_990PF.pdf?_ga=1.53884586.321887513.1431827535
- [22] <http://www.phillymag.com/news/2013/02/07/tom-corbett-popular-governor-polls-history/>
- [23] http://www.salon.com/2013/11/22/north_carolina_private_school_institutes_policy_to_ban_lgbt_children_and_families/
- [24] <http://www.starnewsonline.com/article/20131206/ARTICLES/131209808?tc=ar>
- [25] <http://www.rollingstone.com/culture/news/the-hidden-war-against-gay-teens-20131010?page=2>

- [26] <http://www.motherjones.com/blue-marble/2012/07/photos-evangelical-curricula-louisiana-tax-dollars>
- [27] <http://www.motherjones.com/blue-marble/2012/07/photos-evangelical-curricula-louisiana-tax-dollars>
- [28] <https://creationistvouchers.wordpress.com/2012/12/01/creationist-vouchers-in-wisconsin/>
- [29] http://www.salon.com/2014/03/04/7_absurd_things_americas_kids_are_learning_thanks_to_conservatives_partner/
- [30] http://www.salon.com/2014/03/04/7_absurd_things_americas_kids_are_learning_thanks_to_conservatives_partner/

WHO ARE THE HEDGE CLIPPERS?

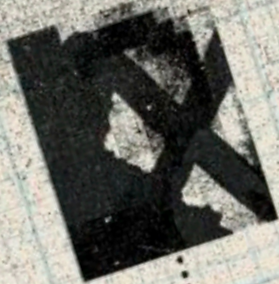
The Hedge Clippers are working to expose the mechanisms hedge funds and billionaires use to influence government and politics in order to expand their wealth, influence and power. We're exposing the collateral damage billionaire-driven politics inflicts on our communities, our climate, our economy and our democracy. We're calling out the politicians that do the dirty work billionaires demand, and we're calling on all Americans to stand up for a government and an economy that works for all of us, not just the wealthy and well-connected.

The project is supported by the Strong Economy for All Coalition, a coalition of labor unions and community groups working to fight income inequality and build shared prosperity and economic & social justice in New York and around the country.



CAPITAL ADVISORS, L.P.
CAPITAL INVESTORS, L.P.
CAPITAL MANAGEMENT, L.P.
The Fundamentals

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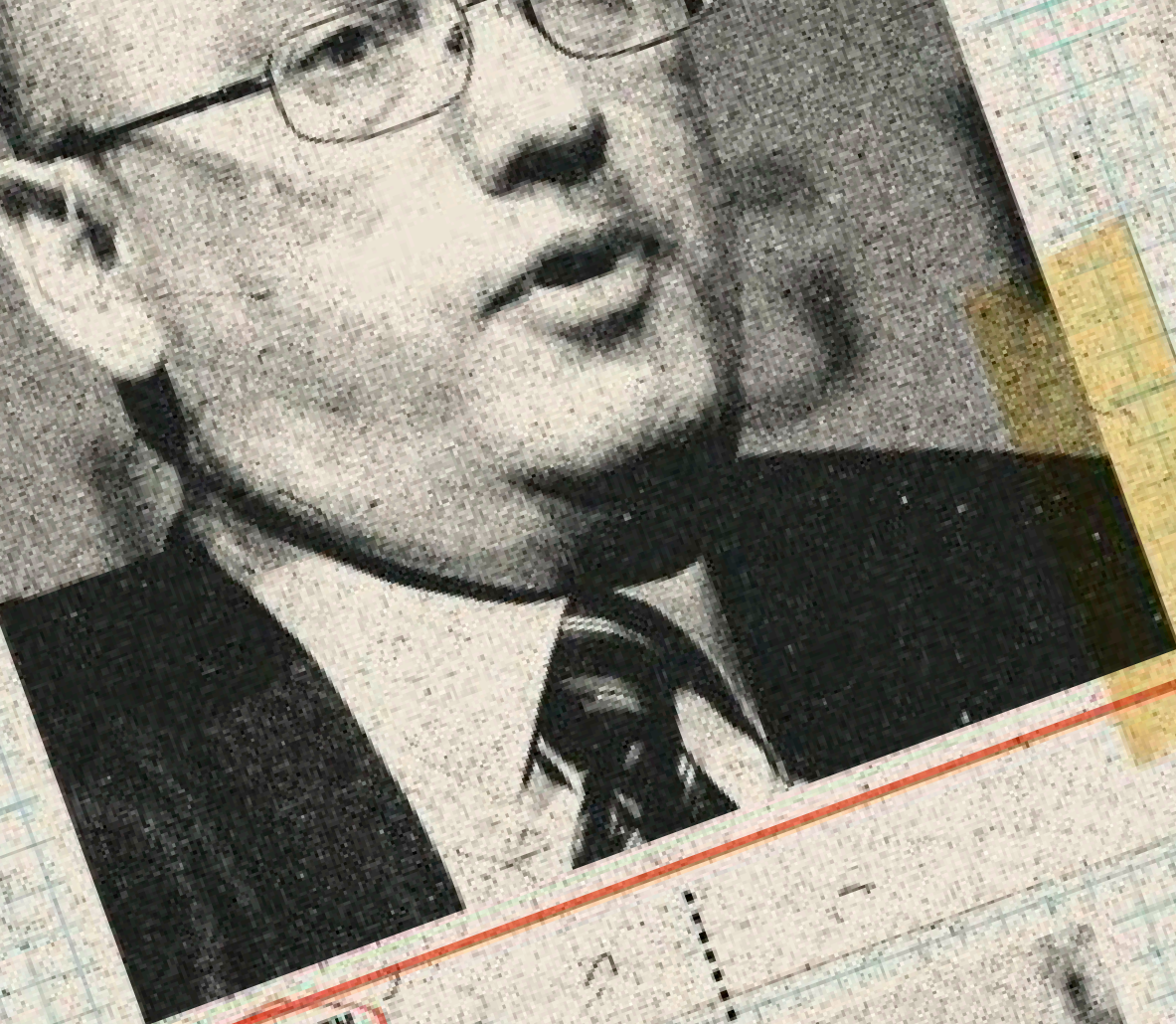


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Portfolio manager

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STEVE COHEN
Founder of SAC Capital Advisors



S. A. Capital

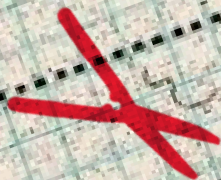
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