

Issue: New York's School Property Taxes

Property taxes. No one likes to pay them, but they represent a particular problem in New York State. Property taxes in New York State are approximately 70% above the national average. State and local taxes combined are 50% higher in New York than the national average.

Nassau, Suffolk, Rockland and Westchester counties are among the top ten highest taxed counties in the United States. More shockingly, when tax burdens are compared to median home values, nine of the top ten taxed counties in the US are located in upstate New York! Low home values and steeply rising school taxes, combined with an anemic private sector economy are literally driving people and businesses out of upstate New York.

While taxpayers often complain about the multiplicity of taxing jurisdictions in the Empire State, the school property tax represents approximately 65% of the total annual property tax paid by homeowners. When most taxpayers lament their property taxes they are really focused upon school property taxes.

New York now spends approximately \$19,000 per child on K-12 education, the highest in the nation. (The state has ranked either first or second in per capita spending in recent years with the neighboring state of New Jersey). State aid represents approximately 45% of the total cost, with local spending making up the bulk of the remainder. (Federal aid represents only 5% of total elementary and secondary education spending in the state).

Since 1999, state aid to local school districts has increased by 76%. Moreover, state aid has increased by 29% in the last three years alone. Despite these record increases in state aid over the past 10 years, local school property taxes have accelerated by an average of 6% each year, putting to lie the notion that higher state aid acts to restrain property tax increases. Indeed, higher state aid seems to make it easier to increase local spending.

Some argue, notably state teacher unions, that taxpayers already have an effective check on local spending thru the mechanism of annual budget votes. However, as taxpayers have discovered, state laws which dictate how salaries and retirement benefits are negotiated as well as other statutory mandates, effectively limit the ability of voters and school boards to control local spending.

State efforts to control school property taxes, notably the STAR program, have been ineffective and have only offered temporary tax relief. Indeed, the STAR program which now costs the state approximately \$3 billion, has simply shifted a major part of education funding to the state level and has not acted to slow local spending growth.

THE SOLUTION: A SCHOOL PROPERTY TAX CAP

In response to the growing outcry from property taxpayers, Governor Paterson has proposed a school property tax cap, which limits the annual tax levy increase which may be imposed by the local school district. This plan, which is modeled after the successful Prop 2 1/2

law in Massachusetts, would limit annual tax levy increases to 4% or the inflation rate, whichever is less. Voters would be empowered to override the tax cap if they so chose. Exempt from the cap would be increases in taxable property value solely due to new construction in the district.

The advantage of the cap is that it addresses the core issue: spending which drives up local taxes. And, the cap would force the Governor and state Legislature to address the state laws, which arbitrarily force spending increases without enhancing the quality of education received by students. Among these are laws governing how contracts are negotiated (the Triborough law) and how buildings are built (the Wicks law). Also, the cap will finally force the legislature to deal with issues like pensions and retiree health care which will increasingly consume a larger annual share of school budgets.

The cap stands in stark contrast to the “circuit-breaker” proposal which has been supported by teacher unions and their allies in the state Legislature. The circuit-breaker would limit the school property tax to a percentage of a taxpayer’s income. Once that limit is reached, the state would then provide a refundable tax credit to the homeowner for school taxes paid over such threshold. However, the fatal weakness of the plan is that it doesn’t address the major problem: local spending and the mandates which drive such spending.

Indeed, the most prominent “circuit-breaker” plan advanced in the legislature (A.11838 of 2008) would cost approximately \$1.7 billion. Given the \$15 billion state budget deficit, it is highly unlikely to be affordable in the current fiscal environment. Like the STAR program, the circuit-breaker does nothing to address escalating costs at the local level. While the circuit-breaker does address the issue of high taxes borne by those with less income, it should be considered only *after* the legislature enacts a tax cap.

Ironically, the advocates of the circuit-breaker have rather disingenuously described their plan as a “cap” on the amount of property taxes homeowners will pay. This verbal sleight of hand has only served to confuse the issue in the minds of many. The real agenda of advocates of the circuit-breaker is to reject any limit on education spending. In their view, taxpayers simply have to pay more. After all, it’s all “for the children”. Simply put, the teacher unions and their allies are content with the high tax status quo and will fight ferociously to perpetuate the current system.

Enactment of a school property tax cap is the only viable solution to what ails New York’s hard-pressed homeowners. The experience in Massachusetts over the past 28 years indicates that tax caps work to force government to live within the means of taxpayers and not the other way around. Moreover, Massachusetts schoolchildren score higher on standardized tests than their counterparts in New York. The Bay State tax cap has forced government at all levels to recognize that taxpayers can’t afford to give government a blank check. A tax cap in New York would bring about the same result, while at the same time assuring that our schools receive the resources they need to succeed.

For additional information see: www.empirecenter.org/2008/04/PropTaxCap.cfm
and www.cptr.state.ny.us/

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