

Enough is Enough

It's Time to Cap New York's School Taxes

New Yorkers pay some of the highest real property taxes in the country. And the burden just keeps growing. Since the state School Tax Relief (STAR) program became fully effective in 2001-02, school property tax levies outside New York City have increased by an average of 6 per cent a year.

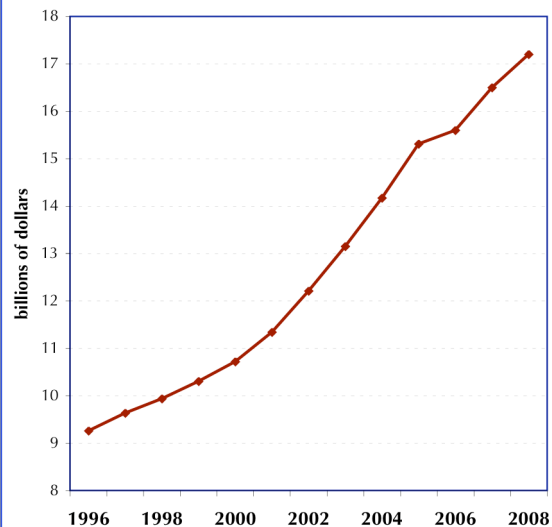
Enough is enough. It's time to clamp a lid on property taxes in New York — once and for all.

The place to start is with school tax levies, which make up the bulk of the property tax bill in most communities outside New York City.

Root Causes

New York's high school taxes reflect high levels of school spending. But from the standpoint of many taxpayers, attempts to control spending through annual school budget votes increasingly seem futile.

Over the past 12 years, school property tax levies in New York have nearly doubled.



While local school boards can be held directly accountable for school finances, even the most fiscally responsible board members find that their ability to save money is often limited by costly state mandates.

For example, the notorious Wicks Law needlessly drives up school construction costs. The "Triborough" provision requires *automatic* pay hikes for teachers and other unionized school employees — even when a contract has expired. Yet another state statute effectively blocks any attempt by school boards to save money on health insurance for early retirees.

The mandate problem is no secret in Albany. But unions and other powerful special interest groups fight needed reforms — passing the costs along to local taxpayers.

Why STAR Missed the Mark

The STAR program, which took effect in 1998, is the nation's largest state-funded local tax relief program. More than 10 percent of New York State's personal income tax dollars are now set aside every year to pay for STAR property tax breaks for homeowners.

But after a decade of STAR, New Yorkers are as unhappy as ever with their sky-high property tax bills. The reason is simple. Before enacting STAR, lawmakers in Albany erased a provision that would have tied the new exemption to an annual limit on increases in school property tax levies. So during the years when STAR "savings" were being phased in on tax bills, school districts were able to raise their spending — and taxes — even faster.

Since 2006, the Legislature has expanded the original STAR program to include additional rebate checks for homeowners, with the largest amounts for taxpayers labeled "middle class." But the rebates, too, fail to offer lasting relief. Not even a series of record increases in state aid to school districts has been enough to keep school property taxes from rising faster than inflation.

The Solution

A **broad** and **uniform** statewide cap on school tax levies will promote fiscal discipline while ensuring that higher state aid leads to local tax relief for all property owners. A cap would also put intense added pressure on the Governor and Legislature to deal with state mandates that drive up costs.

The best model for a New York cap would be the Proposition 2 ½ limitation enacted by the voters of Massachusetts in 1980.

Under this approach, the annual growth in the total property tax levy would be limited to the rate of inflation, or a maximum of 4 percent. An exception would be made for assessed value added to the tax base by new construction and property improvements. A 60 percent super-majority of voters could overturn the limit for specifically stated purposes. Voters could also choose to make their district's growth cap lower.

The tax cap should go hand-in-hand with mandate relief for school districts — starting with reform of the Taylor Law — and by reform of New York's chaotic and inequitable system of local property tax assessment. *But the enactment of a school tax cap needs to be the state's first and highest priority.*

For more information about how and why a property tax cap would work for New York, go to www.empirecenter.org/PropTaxCap — or call the Empire Center for New York State Policy, at 518-434-3100.