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THE LEAGUE
OF WOMEN VOTERS
of New York State

Testimony submitted to the Joint Committees on
Elementary and Secondary Education and Finance
Assembly Ways and Means Committee
Senate Finance Committee
Assembly Education Committee
Senate Education Committee

January 28, 2009

My name is Marian Bott. I am the Education Finance specialist for the League of Women Voters of New York State. The League is a nonpartisan political organization devoted to promoting active and informed involvement of individuals in government. It is a true grassroots organization that influences public policy through advocacy and education. As such, it holds positions on a wide variety of issues, including state tax policies. We have attached the wording of our formal positions on financing PreK-12 elementary and secondary education and our position on real property taxation.

In these hearings, as in past years, you will have received ample testimony from those who oppose K-12 education budget cuts of any sort. Suffice it to say that we join them to the extent that those cuts would fall on the intended recipients of remedy funds in the Campaign for Fiscal Equity case. We filed two amicus briefs and ardently supported the case. I personally walked from New York City to Albany in 2003, and was greeted at the courthouse on the day of the final testimony by my colleague, attorney Betsey Swan, who participated in our two briefs. Because of our membership's concern with both the inequity and the inadequacy of our state's K-12 public education system, Betsey and I agreed the following year to co-chair a statewide organization study, updating three previous efforts in prior decades by League colleagues. During the study, we created two training DVD's, one on the workings of the STAR program which was an extensive interview with E.J. McMahon, a tax expert with the Empire Center for New York State Policy and another, essentially a primer on best practices in state taxation generally, based on the Institute for Taxation and Education Policy, also known as ITEP, report. We remain committed to efforts to inform both our own membership and the general public about best practices and will reiterate this with a suggestion at the end of this testimony.

Because the focus of this year's budget must be fiscal restraint and efficiency, today we will focus our testimony on three things: 1) the inefficiency of STAR, 2) recommended cost savings, and 3) the proposed tax cap and why we oppose it.

STAR—TIME TO CALL IT A DAY

In the 2004-2006 time frame of our statewide study, the combined BASIC and ENHANCED programs were in the process of growing from \$2 billion to over \$3 billion; there was no Middle Class STAR. Then, after a transition to the Spitzer administration, budget officials told the legislature that the STAR program was, in effect, "progressive"; they not only expanded the existing program but added on a third component, justifying it by adding on a means test but pointedly adding a "check from the government" to the process. Last year, the Executive Budget attempted to lower the expense of the STAR rebate program, trimming it by \$354 million compared to the expense of the program under the reform package that was passed by the Legislature in April 2007.

This year, the Executive Budget eliminated the Middle Class STAR program, saving \$1.227 billion, but left the Basic program (last year's cost \$1.826 billion), the Enhanced program (\$813 billion) and the New York City Personal Income Tax credit (\$826 million) in place for a total expenditure of over \$3.5 billion. Without the current administration's curtailment of the Middle Class Star benefits, STAR costs would have undoubtedly well exceeded \$5 billion this coming year and continued to grow unchecked.

With this sizeable expenditure, one might expect positive results either for taxpayers or for schools. But, at least in the eyes of our membership, STAR in 2005 was already failing in its intended goal, if that goal was the distribution of equitable statewide property tax relief. According to academic research then and now, STAR in fact led to inflation in school district spending and higher local property taxes to finance schools. Using STAR refunds to keep wealthy districts' taxpayers from objecting to school budget increases has only exacerbated the inequities in spending between wealthy and poor districts. As those of you who represent school districts in Westchester, Nassau and Suffolk County know, STAR advocates like the program for all the wrong reasons. The sad stories that you encounter in your public hearings concerning people losing their homes and their good fortune of being saved by their STAR tax relief could have been much more effectively and economically handled by a property tax circuit breaker that more carefully links ability to pay with tax burden. The legislature should not be responsible, particularly under the current economic circumstances, for providing housing subsidies for those whose assets include highly valued properties, even if their value has declined in the current market. Many people will need economic relief and will seek it in this year's budget. However, such expenditures do not belong in the K-12 education budget. In these difficult economic times, the legislature should instead concern itself with ensuring that all school districts have the minimum funding necessary to provide their children with the sound basic education guaranteed by the state's constitution and articulated by the Campaign for Fiscal Equity lawsuit. Until this remedy is fully enacted, massive regressive subsidies like the current STAR program should cease. The continued failure to distribute tax relief to renters outside of New York City, and the continuation of distribution of BASIC STAR and NYC PIT without means testing in our view

weakens the claim of real progressivity, and it certainly adds to the cost of tax relief. Because of the extensive changes made recently to committee leadership generally and new staffing in the legislature, we are concerned about the level of awareness of new staff members about the tax incidence differential between property tax circuit breakers, which we support, and STAR as it is currently being proposed, which we do not. Those who remember that in 1997, when STAR began, STAR and LADDER were supposed to be an “even” political trade (until STAR inappropriately and massively eclipsed aid for pre-K, repairs, and class size reduction), may be long gone. In addition, the lack of availability of useful analysis of the distribution of tax relief benefits under the proposed \$3.5 billion package, even after eliminating MIDDLE CLASS STAR, is a problem. The emphasis in existing information from the Office of Real Property Services, which is impressive and ample, however, is still on explaining what the benefits to individuals within counties are, and how to apply for them. There are data available on the distribution of STAR benefits, but categorizing this by wealth has been left to the private sector. The League recommends that going forward, the benefits of property tax relief by wealth category be performed by the state agencies who administer the programs. We attach herewith as the Fiscal Policy Institute’s analysis of the most recently available data, which supports our contention that STAR continues to counteract the intended targeting of school aid to those in the greatest need. We urge you as committee members to see to it that all legislators are made aware of these distribution data. In order to best serve the public with useful analysis, what is needed on an ongoing basis is an addition of appropriate materials on the Office of Real Property Services website to reveal which taxpayers are receiving the benefits.

Based on FPI’s current analysis, other prior analytic efforts by academics as referenced below and the recent conclusions of the Suozzi Commission based on testimony that they obtained, there is no public policy justification for prolonging the STAR program in its proposed inefficient form. We request that the legislature eliminate the BASIC and ENHANCED program in the 2009-2010 budget and carefully consider legislation that has been or will soon be proposed. STAR should be replaced with a less expensive and highly targeted property tax circuit breaker in the form of a sliding percentage phase-out. The circuit breaker should be calculated to provide targeted relief considering in the numerator all property taxes, not just school taxes. The denominator (the measure of ability to pay) of such a circuit breaker will have to be designed carefully, however. Professor John Bowman, a nationally recognized expert in the design of property tax circuit breakers who has written on this topic for over thirty years, recommends that measures of ability to pay include the broadest possible definition of income (not just Adjusted Gross Income, but also Social Security payments) but also some measure of wealth, most typically property wealth.¹ Because of the recent large increase in unemployment and reduction of income in the state, there may be temporary extraordinary burdens caused by the imposition of a new program. Home values will have declined dramatically throughout the state. This means that not only will assessment practices need to be drastically improved as we have long recommended, but in addition the legislature will need to carefully consider its means test on income and assets. In order to keep the expense of the program within budget, it will not be possible to replace the \$3.5 billion program with another program that is equally expensive. Thus, a program of property liens for the amount of circuit breaker relief granted that would allow taxpayers to fulfill their obligations to their communities’ schools without selling their homes and/or leaving the state altogether should be considered. Massive exodus to avoid the

¹ Retrieved from <http://www.lincolninst.edu/pubs/PubDetail.aspx?pubid=1355>.

cash flow impact of tax increases should not be the end result of reforming property tax relief; hence the following discussion of efficiency.

EFFICIENCIES—A LONG STANDING LEAGUE RECOMMENDATION

As a reading of our Position Statement demonstrates, the League has long championed the efficiency recommendations that the Suozzi Commission has recently embraced. While it is recognized that many expenditures of school districts are out of their direct control, duplication of services due to the lack of economy of scale can be prevented. District consolidation has been studied (Duncombe) and has been shown to provide cost savings not just for districts but for state-level administration.

Inefficient systems for the assessment and collection of property taxes, however, are the biggest unnecessary and unfair burden to other taxpayers. Inappropriate exemptions from taxation, failures to revalue properties for political expediency, and lack of trained personnel to accurately value properties should be corrected. Especially at a time of declining property values, this reform should begin immediately, particularly in jurisdictions where valuations are significantly outdated. Office of Real Property Services should publish on their website a list of those communities with the most out-of-date valuations, and set firm deadlines for revaluation. The Suozzi Commission testimony could be used as evidence in this matter.

WHY WE OPPOSE TAX CAPS

We recognize that there is a visceral appeal to tax caps as a means of appeasing vociferous constituents. The idea of using the cap to slow down school spending, however, is a dangerous one, made more dangerous by the fact that enactment of a cap without full implementation of state foundation aid necessary to provide all children with a sound basic education will further widen the disparity between rich and poor districts. Especially hard hit will be those districts with limited property wealth, for which a tax cap, without foundation aid would prohibit them from providing their students with a constitutionally adequate education. Furthermore, wealthier districts can and will form foundations or provide back-door mechanisms to support their schools, exacerbating disparities while making them harder to measure on the books. This exacerbation of differences in the future is why, as we understand it, one of the Commissioners who also is a New York State Regent, refrained from endorsing the tax cap recommendation. Even the vaunted example of Massachusetts, used in the Suozzi report, should be viewed with caution. See the Center on Budget and Policy Priorities study² and Syracuse University's³ comments on the deleterious effects of Massachusetts' tax caps on educational performance for disadvantaged students. The tax caps will not accomplish anything that the property tax circuit breaker would not achieve more effectively, and have a real possibility to cause harm. We have expressed our opposition to this suggested program and circulated our memorandum of explanation to the legislature. It is also on our website, www.lwvny.org.

SUMMARY OF BUDGET RECOMMENDATIONS

In summary, The League supports:

² <http://www.cbpp.org/5-21-08sfp.htm>

³ http://www-cpr.maxwell.syr.edu/efap/MONTHLY_COLUMN/June08.pdf

1. Implementation of the next increment of foundation aid, using savings derived from replacing the STAR program with a more targeted circuit breaker and, if necessary, an income tax surcharge on the wealthiest New Yorkers.
2. Targeting of property tax relief to those in the greatest need of such relief, by means of a less expensive circuit breaker applied to all property taxes;
3. Reform of the real property taxation system, in a manner that enables it to be
 - a. Equitable in its distribution of the tax burden
 - b. Based on uniform standards
 - c. State assisted, monitored, and enforced
 - d. Easily understandable and accessible to taxpayers.

The League opposes any system of property tax relief that assigns benefits on a political or shares basis, or in a regressive fashion. Resources should be used, if at all, in a fashion consistent with an overall system of progressive taxation. STAR has been notorious in not accomplishing those goals, leading to our support of an alternative system of circuit breakers.

As mentioned above, we strongly urge that the analysis of the current STAR and any proposed circuit breaker program be provided on a regular basis to the public, outlining exactly where the proposed tax benefits are to be distributed. We believe that the exercise will assist the public in assessing the efficacy of these important programs. We encourage the legislature to carefully study the recommendations of the Lundine and Suozzi reports. Although we oppose the tax cap recommendation, we applaud the efforts to obtain the public's input and hope that such efforts continue in the pursuit of open public policymaking.

Thank you.

Attachment 1 to League of Women Voters of New York State January 28, 2009 Testimony

STAR REIMBURSEMENT RAW DATA BY COUNTY EXCLUDING PERSONAL INCOME TAX
REBATE AMOUNTS IN NEW YORK CITY

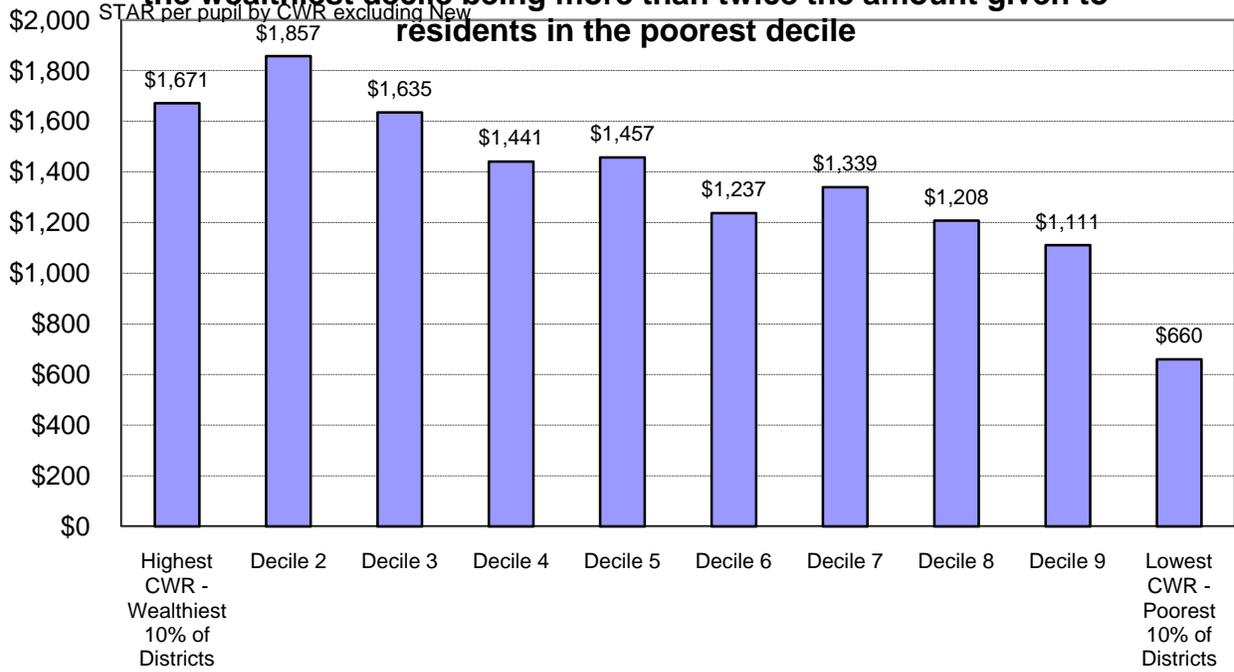
County Name	Basic Reimbursement 2008-2009	Total Reimbursement 2008-2009
Albany	29,990,435	43,398,962
Allegany	5,312,445	8,476,689
Broome	27,416,592	44,396,984
Cattaraugus	9,027,638	13,954,508
Cayuga	7,928,631	12,508,382
Chautauqua	14,880,861	23,868,572
Chemung	8,934,993	14,493,697
Chenango	6,067,699	9,649,308
Clinton	9,071,715	13,375,826
Columbia	5,615,011	8,627,761
Cortland	4,909,177	7,569,725
Delaware	3,868,000	6,906,450
Dutchess	36,678,701	50,572,955
Erie	85,341,953	134,782,090
Essex	2,427,605	4,121,235
Franklin	4,414,919	6,771,144
Fulton	6,014,359	9,546,732
Genesee	8,366,496	12,881,586
Greene	4,817,367	7,772,912
Hamilton	232,755	452,485
Herkimer	6,977,891	11,679,794
Jefferson	6,862,489	10,275,024
Lewis	2,317,206	3,552,748
Livingston	7,187,164	10,622,174
Madison	8,869,992	13,228,230
Monroe	97,392,697	138,903,016
Montgomery	5,884,279	9,915,745
Nassau	243,372,927	333,679,144
Niagara	26,854,963	41,882,892
Oneida	27,683,096	44,039,919
Onondaga	58,932,316	86,296,454
Ontario	13,513,905	19,621,757
Orange	50,074,022	66,163,869
Orleans	5,716,009	8,911,019
Oswego	17,050,061	24,609,114

Otsego	6,054,504	9,895,436
Putnam	23,317,729	29,207,738
Rensselaer	18,448,337	26,439,152
Rockland	58,980,537	78,323,818
St. Lawrence	12,487,447	18,873,857
Saratoga	27,827,011	38,867,500
Schenectady	15,814,951	24,133,171
Schoharie	4,153,232	6,588,885
Schuyler	1,595,571	2,545,180
Seneca	4,347,761	7,067,922
Steuben	12,968,411	19,736,351
Suffolk	268,365,140	359,056,588
Sullivan	7,146,920	11,274,679
Tioga	5,908,629	9,255,363
Tompkins	9,186,923	12,349,962
Ulster	22,040,155	32,280,416
Warren	6,737,157	10,204,109
Washington	7,207,435	11,494,106
Wayne	13,691,276	20,197,499
Westchester	267,541,477	342,711,108
Wyoming	3,750,589	5,662,437
Yates	1,634,713	2,680,573
New York	108,685,588	143,436,798
Totals:	1,767,897,862	2,479,791,549

These data were obtained from office of Senator Liz Krueger January 23, 2009.

Fiscal Policy Institute confirmed January 27, 2009 that their data base matches the amounts shown on the chart on the following page.

Basic and Enhanced STAR Exemptions programs are weighted towards wealthier areas of New York with per pupil STAR aid in the wealthiest decile being more than twice the amount given to residents in the poorest decile



Combined Wealth Ratio Deciles

Data provided by Fiscal Policy Institute based on 2008-2009 STAR distributions

**Attachment 2
Testimony January 28, 2009 Joint Committees on K-12 Education and
Finance**

**FINANCING EDUCATION K-12
League of Women Voters of New York State
Statement of Position
As announced by the State Board, June, 1997
And amended in July, 2006**

The State's Obligation

New York State bears a constitutional responsibility for the education of its children. This duty has been defined by litigation of more than a decade's duration, during which the Court of Appeals has held the State must provide all children with a sound basic education, defined as the opportunity for a meaningful high school education, consisting of the basic literacy, calculating, and verbal skills necessary to enable them to eventually function productively as civic participants capable of voting and serving on a jury. Included in the goods and services that constitute a sound basic education are minimally adequate physical facilities and classrooms which provide enough light, space, heat, and air to permit children to learn, minimally adequate instrumentalities of learning such as desks, chairs, pencils, and reasonably current textbooks, and minimally adequate teaching of reasonably up-to-date basic curricula such as reading, writing, mathematics, science, and social studies, by sufficient personnel adequately trained to teach those subject areas.

This duty extends to all the State's children, and to the extent that children with special needs (students with disabilities, with limited English proficiency, and in poverty) require a greater input of funds to obtain their constitutional due, the State must support that input.

While ultimate responsibility for adequate funding of education rests with the State, it may fulfill its obligation by requiring a local contribution to education that is reasonably correlated to a district's ability to pay.

Means of Raising Money

The State's system of financing education should be progressive, with a higher portion of the cost paid by those having greater ability to pay. The means of raising money should incorporate the principles of simplicity and transparency, stability, insofar as progressivity is not sacrificed, and exportability, either in terms of payment by out-of-state residents or by partially offsetting any increase in State taxes with a decrease in federal taxes. In general, the means of raising money should incorporate principles of horizontal equity, with similar groups of taxpayers being treated equally and similar goods and services being taxed equally, provided that such treatment neither violates other League positions nor renders a tax more regressive.

Additional funds necessary to provide the State's children with a sound basic education should be raised through increases in the State personal income tax, implemented in a progressive fashion. Stability of income tax should be increased by creating a substantial reserve dedicated to education, sufficient to maintain uniform stream of State revenues for funding of education in times of economic downturn.

Distribution and Use of Monies for K-12 Education

The goal for distribution of additional state aid should be to narrow the expenditures gap between wealthy and poor districts.

Although additional aid does not preclude a decrease in local real estate tax, the school district is expected to maintain its local tax effort to sustain or improve its performance in meeting educational standards.

Additional state aid should be used not only for basic operating expenses, but also for funding the construction and rehabilitation of school buildings, the acquisition of technology and the fulfillment of state mandates.

Aid for operating costs should enable school districts to provide all their children with a sound basic education and to fulfill educational standards established by the State Education Department. Aid should incorporate a district's ability to pay, regional cost differences, population sparsity, and transitional adjustments to bridge large reductions in aid caused by sudden changes. Extra costs incurred for students with special [learning] needs (i.e., learning disabilities, limited English proficiency and poverty) should be factored into basic operating costs as well, in order to keep categorical grants to a minimum.

The League supports implementation of educational efficiencies in the provision of a sound basic education, provided that the proposed efficiencies do not affect adequacy of education. State aid policies should promote cost-effective measures such as consolidation of services, shared services, shared resources and other management efficiencies.

Property Tax Relief and its Impact on K-12 Education

Local financial support for the schools will continue to depend, in part, upon real estate taxation but several measures are essential to eliminate the inequities that unfairly burden taxpayers.

The League supports reform of the real property assessment system on which school district taxes are based, alleviation of the tax burden for low-income individuals through such measures as an increase in the circuit breaker tax relief benefit, along with automatic annual cost of living adjustments to the maximum income provision and the maximum property value provision of the circuit breaker tax relief benefit. The League supports an

equitable redistribution of non-residential real estate taxes to the schools within a region or county.

Major efficiencies should be recognized by replacement of programs that provide residential real property tax relief irrespective of ability to pay with programs that target local residential real property tax relief to those most in need, with lower income individuals receiving the greatest relief.

Reform of the present system and administration real property assessment requires that it be:

1. Equitable in its distribution of the tax burden,
2. Based on uniform standards,
3. State assisted, monitored and enforced,
4. Easily understandable and accessible to taxpayers; and
5. Kept current by periodic reassessments.

Use of Public Funds for Non-Public Schools

The League is opposed in principle to the use of public funds to support non-public schools. The League would not deny public funding for existing services to students who attend private schools. However, we believe public funds should be used to support public schools.

Schools as Community Centers

The League supports efforts to utilize schools as community centers to integrate the delivery of social services so long as these services are funded separately from the education budget.

Dependent (Big Five) School Districts

The League believes that the integrity of state education funding applies as well to the Big Five school districts where education and municipal funds are co-mingled in a single budget. State aid should not be used to divert local education dollars to cover other municipal expenses.

**REAL PROPERTY TAXATION
LEAGUE OF WOMEN VOTERS OF NEW YORK STATE
STATEMENT OF POSITION
AS ANNOUNCED BY THE STATE BOARD, JANUARY 1980
REVISED TO REFLECT STATE CONVENTION ACTION, 1983
AND FURTHER REVISED TO REFLECT LWVNYS FINANCING EDUCATION
STUDY 2005-2006**

The League of Women Voters of New York State believes that the assessment of

- A. Real property must be:
- B. Equitable in its distribution of the tax burden;
- C. Based on uniform standards;
- D. State assisted, monitored, and enforced;
- E. Easily understandable and accessible to taxpayers.

The League has determined that the assessment system that best meets these criteria is one that is based upon an initial determination of full value and then applies to those full value assessments differential assessment ratios or tax rates according to class of property. The state legislature should define a limited number of such classes of property and establish a permissible range of assessment ratios for each class. Within that range local legislative bodies would then be able to adopt local assessment ratios, which best meet their land use, economic development and social policies.

Property tax bills should contain all relevant information including: the classification, the assessment ratio, the tax rate, the full value assessment and the classified assessment, as well as the procedure for appealing. Taxpayers should have access to all existing appeals procedures as well as an intermediate non-judicial appeal body in order to protest both their assessments and their classification at low cost.

Administration of the property tax should be improved. The state should provide financial and technical assistance to localities, establish qualifications for assessors, provide training and otherwise monitor and enforce local implementation of more uniform assessment practices. Adequate state funding should be provided to carry out these services.

Tax exemptions extended to charitable, religious and educational institutions should be re-examined to insure continuing eligibility. Annually, each taxing jurisdiction should make public a list of all exempt properties, their true value, and the amount of tax revenue lost to the locality because of each exemption. Owners of tax-exempt properties should pay appropriate fees for services rendered to the exempt property by local government.

Statutes governing exemptions should be reviewed with the intention of severely limiting new classes of exemption and preventing abuse of existing exemptions.

Provisions of law must be clarified and made more stringent so that properties held by nongovernmental tax exempt bodies which are used for profit or for any purpose not directly related to the tax exempt purpose of the organization do not escape taxation.

The State should replace local residential property tax relief programs that grant taxpayers relief regardless of ability to pay with programs in which tax relief is limited to those individuals with a limited ability to pay and made available on a sliding scale according to need. The “circuit breaker” type of relief, in which state funded reimbursement is given to homeowners and renters whose property taxes exceed a certain percentage of income, should be expanded and should be automatically adjusted on an annual basis to reflect cost of living adjustments to the maximum income limit and maximum property value for eligibility. The option of tax deferral should be made available to senior citizens with the taxes owed constituting a lien against the sale of the property or the liquidation of the owner’s estate.

The League of Women Voters would like to see voluntary adoption of tax base sharing by counties or regions of the state.



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**THE LEAGUE
OF WOMEN VOTERS**
of New York State

MEMORANDUM IN OPPOSITION TO:
GOVERNOR'S PROGRAM BILL 62; S8736; A11838

TO: Members, New York State Senate and Assembly
DATE: August 19, 2008
CONTACT: Barbara Bartoletti, Legislative Director, 518-469-8905
Marian Bott, Education Specialist, 914-588-4212
Betsey Swan, Legislative Analyst, 518-426-3711

Subject: An act to amend the real property tax law and the education law, in relation to establishing limitations upon school district tax levies.

An act to amend the tax law, in relation to a tax credit (Part A); and to amend the tax law, in relation to the imposition of tax on individuals (Part B).

The League of Women Voters of New York State strongly opposes the above-referenced bills.

The League lauds the work of the Suozzi Commission and concurs in its analysis of the problem of high property taxes. However, the staged relief (recommended by the Commission and reflected with differing emphasis in these proposals) is an approach that has the advantage of political expediency, while offering grave pitfalls from the standpoint of public policy. The Governor's bill, introduced in the Senate, by failing to take an omnibus approach to education finance reform, risks widening the programmatic gap between property-wealthy and property-poor school districts, without providing meaningful relief to those New Yorkers least able to pay. The Assembly bill, by proposing a real property circuit breaker based on need without folding the STAR program into it, creates one more expensive program at the state level, without implementing the cost savings that were an equal mandate of the Suozzi Commission.

Implementation of the Suozzi Commission recommendations must await issuance of its final report and must be part of an omnibus education finance reform package, including:

1. Folding the entire STAR program into a real property tax circuit breaker based on need and use savings, if any, for foundation aid;ⁱ
2. Full implementation of foundation aid, adjusted as is necessary to reflect cost of living increases;ⁱⁱ
3. Funding of foundation aid by means of state income tax, implemented in a progressive manner;
4. Stabilization of state income tax as a means of financing education by creation of an education reserve;
5. Enactment of a uniform and equitable real property assessment system.ⁱⁱⁱ

ⁱ Although the Suozzi Commission recommended that a portion of the STAR program be converted to a circuit breaker tax relief program, the League believes that, if the intent is to correlate tax relief to need and to reduce spending, the entire STAR program should be replaced. The Suozzi Commission found STAR to be ineffective programs that actually may lead to increases in local taxes. In keeping with the Commission's mission of looking for savings, the state's citizens would be better served by conversion of all portions of the STAR program, freeing almost \$5 billion annually to distribute, either in tax relief or foundation aid, according to need.

ⁱⁱ The Suozzi Commission's mandate was to explore property tax caps that would enable the state to lower property taxes while maintaining quality of education. It identified the Massachusetts model (a tax cap, adoption of a foundation approach, and state funding of the foundation amount not provided by property taxes) as having successfully reduced increases in education costs while maintaining quality. It rejected the California model of tax caps alone as being detrimental to quality of education. The Governor's bill, introduced as S8736, neglects half of the MA formula – state provision of foundation aid to fill the shortfall of individual districts existing after the tax cap is reached. Without the second part of this formula, New York risks an outcome that more clearly resembles CA than MA. Because S8736 caps increases at a higher rate than CA did, we would not expect the across-the-board deterioration of all schools within the state. However, we would expect to see a widening gulf between property-wealthy and property-poor districts, potentially undoing the positive benefits of foundation aid for education throughout the state.

The tax cap is conceptually flawed because it addresses the concerns of downstate without addressing the concerns of upstate. Downstate has the highest actual school taxes in the nation and the highest percentage of income paid. Of the top 10 highest paying districts nationally, the Suozzi Commission found Nassau 2nd, Westchester 3rd, and Rockland 7th. Of the top 10 districts nationally paying the highest percentage of incomes as taxes, the Suozzi Commission found Nassau 3rd, Rockland 7th, Suffolk 8th, and Westchester 10th. Upstate has the highest rate of taxation. Of the top 10 districts nationally paying the highest percentage of home value as taxes, the Suozzi Commission found 9 to be in upstate New York. The assumption underlying the tax cap is that all districts see a more or less 1:1 correlation between increases in local property taxes and increases in programmatic costs. While this may be true as a matter of averages, it is far from true overall. Downstate many districts are property wealthy, with high overall taxes but relatively low rates of taxation. Upstate, although the taxes overall are not as high, the rate of taxation per thousand dollars of assessed valuation is often much higher. Thus, a cap may enable downstate districts to maintain program without reaching the maximum tax increase, where upstate increases at the 4% maximum might require drastic programmatic cuts. This problem cannot be addressed adequately without full and dependable implementation of the foundation aid formula.

Similarly, although the Assembly bill moves in the direction supported by the League, it does nothing about the underlying STAR program; it merely adds another program to the panoply, without advancing the cost-saving mandate of the Suozzi Commission.

Furthermore, this problem has developed over the past 30 years to its current crisis as the shift away from approximately equal state and local financing of education to the state's current low of approximately 43%, with the remainder coming from the more regressive local property tax. Any meaningful system of reform must shift the funding paradigm from local responsibility to supplement state shortfall to state responsibility to supplement local shortfall.

ⁱⁱⁱ The Suozzi Commission's preliminary report indicates a need to address this issue.