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

TESTIMONY OF THE LEAGUE OF WOMEN VOTERS OF NEW YORK STATE  
AT A PUBLIC FORUM CALLED BY THE SENATE DEMOCRATS TO ADDRESS BUDGET  
ISSUES IN HEALTH, EDUCATION, HIGHER EDUCATION AND SOCIAL SERVICES  
OSWEGO, NEW YORK  
DECEMBER 19, 2008

Good day. My name is Betsey Swan. I am the Legislative Analyst for the League of Women Voters of New York State (the League). I would like to thank the Senate Democrats for hosting these public forums and especially Senators Darrell Aubertine and David Valesky for serving as co-hosts today.

We prepared these comments prior to Governor Paterson's release of his proposed budget and, thus, do not address specific budgetary items. Rather, our comments are guided by the following League positions:

- Support for an adequate fiscal basis for governmental operations, with consolidation of services when possible without decrease in efficacy;
- Support for equity in educational finance both for students and taxpayers, with the goal of increased state aid to narrow the expenditure gap between wealthy and poor school districts; Support for granting real property tax relief to individuals on a sliding scale based on need;
- Support for funding of education in a progressive fashion, with a higher portion of the cost being paid by those having greater ability to pay. To the extent further State funds are required; they should be raised through the personal income tax, implemented in a progressive fashion. Stability of funds should be guaranteed by creation of a dedicated education reserve, to be drawn down in times of economic downturn;
- Support for funding of education, in part, by local districts, raised primarily by means of real property taxes. The local contribution to education finance, should be reasonably related to a district's ability to pay;
- Support for implementation of efficiencies in the funding of education by replacement of STAR programs, in which property tax relief is provided regardless of need, with a need- based property tax relief program, adjusted annually by means of a COLA.<sup>1</sup> Tax relief might be implemented as a tax deferral program for senior citizens, with unpaid taxes constituting a lien against the property, payable at the time of sale;<sup>2</sup>

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<sup>1</sup> John Yinger and colleagues at Syracuse University's Maxwell School concluded that implementation of the STAR program resulted in average inflation of school district budgets by eight percent, which in turn was funded by average increases in school taxes of 21%. In other words, Yinger *et al.* attribute almost half of recent school tax increases to the STAR program. See Tae Hoe Eom, William Duncombe, and John Yinger, Center for Policy Research Working Paper Number 17, *Unintended Consequences of Property Tax Relief: New York's STAR Program* (2005) at [www-cpr.syr.edu/cprwps/pdf/wp71.pdf](http://www-cpr.syr.edu/cprwps/pdf/wp71.pdf).

<sup>2</sup> The Medicaid program currently employs a similar device, taking a lien against a recipient's property for the value of services.

The terrible financial situation in which New York finds itself presents both a challenge and an opportunity, as has been the case with past cyclical downturns. The projected permanent downsizing of the state's financial sector necessitates not only that we balance the budget, but also that we meet the greater challenge of permanently downsizing government in a rational and sustainable way that will benefit all New York's citizens. In light of the foregoing principles, we suggest the following.

## I. BUDGET FOR THE NEXT INCREMENT OF FOUNDATION AID

We laud you for implementation of the first two installments of foundation aid and recommend that the third installment should be budgeted, with cuts coming from other sources in the education budget and with necessary additional funds raised by means of an increase of personal income tax on wealthy New Yorkers. The foundation aid formula was arrived at by education professionals and represents the amount necessary to provide a New York state student with a basic education. We do not absolve children of the duty to meet educational standards in times of economic downturn; and, thus, neither must we deprive school districts of the funds to provide necessary environments and services for learning. Therefore, cuts to education should not be made from funds necessary to provide the basics.

The Suozzi Commission rightfully noted that New York has the highest *per capita* education costs in the country. However, it also has the greatest national disparity of spending between wealthy and poor districts in the nation. See Attachment A, which indicates districts in the poorest six deciles spend approximately the same *per capita* amount to educate their students, while districts in the wealthiest four deciles spend considerably more. In fact, districts in the poorer deciles tend to have more students with special needs who are thus more expensive to educate. We all know that it now costs 2.5 times as much to educate a disabled student as it does to educate a student without special needs. Therefore, if education funding is rationally related to the cost of educating children, one would expect the poorest districts to have the highest *per capita* costs to educate their students.

To the extent that savings must be found in education, they should come from the wealthiest districts, rather than from the poorest, by a temporary rollback of the basic level of foundation aid for those districts with the property base to raise necessary funds without state aid. To the extent such a rollback, when combined with other cuts, is insufficient to balance the budget, any shortfall should be met by increase of the personal income tax on the wealthiest New Yorkers.

There is one further reason to implement foundation aid. The final report of the State Commission on Property Tax Relief (Suozzi Commission) recommended immediate passage of tax cap legislation. In doing so the Commission compared California's tax cap, which resulted in massive degradation of the state's schools, with that of Massachusetts, which has enabled Massachusetts to run one of the most effective education systems in the nation. The major difference between the two systems is that Massachusetts employs a foundation approach to education, so that all districts are adequately funded. The Suozzi Commission, in arguing for the Massachusetts approach, assumed that the New York foundation approach to education would be fully funded in a timely manner. If it is not and a tax cap is implemented, those districts that are not property wealthy will likely fall further behind in their quest to fund a sound basic education for their children, thereby creating a risk that New York's implementation of a tax cap program will look much like that of California than of Massachusetts.

## II. IMPLEMENT COST SAVINGS BY REPLACEMENT OF THE CONSTELLATION OF STAR PROGRAMS<sup>3</sup> WITH A STAR CIRCUIT BREAKER

The STAR program currently costs New York \$4.7 billion, yet it has neither staunched the increase in local taxes nor provided meaningful property tax relief to those most in need. Although it is one of the most politically popular programs in the state, it has been criticized by commentators on the right and left sides of the political spectrum and targeted for reduction by the Suozzi Commission. The current program is both too broadly targeted and insufficient in terms of relief provided to obtain their stated objectives. It is as if the state were to alleviate HIV/AIDS by putting all its citizens on reduced doses of anti-retroviral medications. As the Suozzi Commission noted, the upstate/downstate divide results in property taxes affecting those areas in wildly disparate ways. Westchester, Nassau, and Rockland counties are among the top ten counties nationally in terms of absolute amounts of property taxes paid. Nassau, Westchester, Rockland, and Putnam counties are among the top ten counties nationally in terms of percentage of household income paid for property taxes. Niagara, Monroe, Chautauqua, Wayne, Oswego, Onondaga, Erie, and Steuben counties are among the top ten counties nationally in terms of taxes paid as a percentage of home value. The high rate of taxation in these upstate communities exacerbates the problems they face in attracting business.

By folding the STAR programs into a STAR circuit breaker, of the type proposed by Senator Little and Assemblywoman Galef, relief would be provided when real property taxes comprised a certain percentage of income. Money saved by targeting relief to those in need could be used to fund foundation aid. The program could be made revenue neutral by taking a lien for the relief provided, as is the case in Medicaid, and as was suggested in the preliminary Suozzi Commission report.

## III. PLAN TO INCREASE STABILITY OF STATE EDUCATION FUNDING BY CREATION OF AN EDUCATION RAINY DAY RESERVE THAT WILL FUND EDUCATION IN TIMES OF ECONOMIC DOWNTURN AND BY ADOPTING AN ANNUAL FOUNDATION AID COLA

As one of the most costly items in the state budget, education suffers when the state's economy suffers. While business has the luxury of laying-off workers in lean times, schools do not have the luxury of sending students home. The League believes that this state's children represent its future and the future of its businesses. In reaching an agreement to implement foundation aid, we recognized that, as a matter of public policy, it was unacceptable that many of our children neither graduate from high school in four years nor are prepared to function as employees and citizens. These difficult economic times provide an excellent opportunity to undertake an initiative for stabilization of education funding.

The League believes two measures would provide necessary stabilization. First we recommend amendment of the state constitution to create an education stabilization reserve to fund foundation aid in lean times. Second, we suggest that, once foundation aid is fully implemented, it should be stabilized with an annual cost of living increase or decrease.

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<sup>3</sup> For purposes of this discussion the multiple STAR programs will be referred to as "the STAR program."

#### IV. IMPLEMENT COST-SAVING MEASURES AND STRUCTURAL REFORMS RECOMMENDED BY THE SUOZZI AND THE LUNDINE<sup>4</sup> COMMISSIONS

Both the Suozzi and Lundine Commissions have suggested a number of measures that would enable the state to save money while maintaining services. While we will not reiterate the proposals, in general, they are well thought-out and in keeping with League positions.

We urge you and your colleagues to take a cooperative and interdisciplinary approach to implementation of these proposals. We call on you to implement those recommendations that can be implemented immediately and to develop streamlined approaches to those that are longer-term reforms.

The state, in its drive to implement some of the recommendations, such as consolidation of school districts, traditionally has taken the carrot approach. Perhaps it is time to add the stick of discontinuance of certain types of state funding if steps toward service consolidation are not taken.

In closing, the League again thanks you the opportunity to present its thoughts. We urge you in these perilous economic times to put aside partisan self-interest and work to formulate education and economic policy that will provide services to all New Yorkers without the duplication and waste that has been a luxury of more prosperous times.

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<sup>4</sup> Twenty-First Century Local Government – Report of the New York State Commission on Local Government Efficiency & Competitiveness, April, 2008.