



The League of Women Voters of New York State
62 Grand Street, Albany, New York 12207
Phone: 518-465-4162 Fax: 518-465-0812
www.lwvny.org E-Mail: lwvny@lwvny.org

THE LEAGUE
OF WOMEN VOTERS
of New York State

August 18, 2008

Hon. Governor David A. Paterson
Governor of New York State
Executive Chamber
Albany, New York 12224

Hon. Dean G. Skelos
Majority Leader
New York State Senate
503 Capitol Building
Albany, New York 12247

Hon. Sheldon Silver
Speaker
New York State Assembly
932 Legislative Office Building
Albany, NY 12248

Re: Governor's Program Bill 62
S 8736
A11838

Dear Governor Patterson, Majority Leader Skelos, and Speaker Silver:

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

We laud the work of the Suozzi Commission and concur in its analysis of the problem of high property taxes.. However, we believe that 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. By failing to take an omnibus approach to education finance reform, New York runs the risk of widening the programmatic gap between property-wealthy and property-poor school districts, without providing meaningful relief to those New Yorkers least able to pay.

After an eighteen-month study beginning in 2005, the League updated its education finance and real property taxation¹ position to incorporate the following principles:

- Provide greater equity in education financing for both pupils and taxpayers;
- Recognize savings and target relief to those in need by replacement of the STAR program with a need-based circuit breaker program with annual cost of living adjustment;
- Remove education from the political arena by adoption of a foundation approach to education finance, in which a district's local contribution to education is reasonably correlated to its ability to pay;
- Stabilize funding of education by creation of a dedicated education reserve to make up shortfalls in times of economic downturn;
- Raise funds to provide New York's children with a sound basic education through increases in the New York State personal income tax, implemented in a progressive fashion;
- Implement a uniform equitable assessment and property tax system;
- Support equitable redistribution of non-residential real estate taxes to the schools within a region or county;
- Adopt cost-saving measures such as consolidation of services, shared services, shared resources and other management efficiencies.

Thus, in light of our principles for education finance reform, any package must contain the following elements:

FOLD THE ENTIRE STAR PROGRAM INTO A REAL PROPERTY TAX CIRCUIT BREAKER AND USE ANY SAVINGS TO FUND FOUNDATION AID

Although the Suozzi Commission recommended that a portion of the STAR program be converted to a circuit breaker tax relief program, we believe that, if the intent is to correlate tax relief to need and to reduce spending, the entire program should be replaced. The Suozzi Commission found STAR to be an ineffective program that actually may lead to increases in local taxes. In keeping with the Commission's mission of looking for savings, we believe its mission 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.

LINK PROPERTY TAX RELIEF TO FULL IMPLEMENTATION OF FOUNDATION AID

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. 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 the Governor's program bill and S8736 cap 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.

¹ These positions are available in full on-line at http://lwvny.org/advocacy/impact/SF_Full.pdf under the Financing Education K-12 and Property Tax headings.

The tax cap is conceptually flawed because it addresses the concerns of downstate (the highest actual school taxes in the nation) without addressing the concerns of upstate (the highest rate of taxation). 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 rates of taxation are often much higher. Thus, a cap may enable downstate districts to maintain program without reaching the maximum tax rate, 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, doing nothing to advance the cost-saving mandate of the Suozzi Commission.

Furthermore, this problem has developed over the past 30 years with the shift away from approximately equal state and local financing of education to the state's current rate of approximately 43%. The remainder comes 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.

CREATE MECHANISMS TO INCREASE AND STABILIZE STATE AID

If New York is to fully implement the foundation approach to education, it must identify new and stable funds to increase the state's share of education funding.

- Raise Necessary Additional Revenues by Progressive Increases in the New York State Income Tax

If the state is to fund a share of education expenses and is unable to provide adequate reductions in cost through the recommended cost-saving measures, it must identify an additional source of funds. We believe that any additional funds for educational purposes should be raised as needed by means of the state income tax, implemented in a progressive fashion.

- Stabilize State Education Funding by Creation of a Reserve Fund Dedicated to Education

One of the problems with the state's dependence on income tax revenues as a way to finance education is the fluctuation in the amount of revenue generated in accordance with traditional economic cycles. The inadvisability of raising taxes in times of economic downturn, coupled with the national mania for cutting income taxes on the wealthy, has exacerbated the feast or famine nature of state funding, pushed responsibility for funding to the local level, and encouraged budgetary gamesmanship that imperils the state's long-term economic stability.

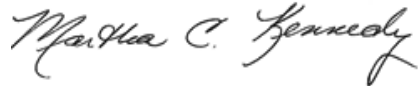
We believe there is an unexplored dynamic in which contracts are more likely to be negotiated in times of higher state spending for education, with districts left to pick up the shortfalls with declines in state funding.

We suggest that increased stability could be obtained by creation of an education reserve at a level calculated to maintain economic funding in times of economic downturn.

IMPLEMENT THE REMAINDER OF THE FINAL COMMISSION RECOMMENDATIONS AS PART
OF AN OMNIBUS EDUCATION FINANCE REFORM PACKAGE

We thank you for your consideration of this matter so crucial to the state's youngest citizens and look forward to working with you and your members to craft an omnibus bill upon issuance of the Commission's final report.

Sincerely,

A handwritten signature in cursive script that reads "Martha C. Kennedy".

Martha C. Kennedy
President

Barbara Bartoletti
Legislative Director
518-469-8905

Marian Bott
Education Specialist
914-588-4212

Betsey Swan
Legislative Analyst
518-426-3711