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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  
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*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;<sup>i</sup>
2. Full implementation of foundation aid, adjusted as is necessary to reflect cost of living increases;<sup>ii</sup>
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.<sup>iii</sup>

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<sup>i</sup> 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.

<sup>ii</sup> 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 2<sup>nd</sup>, Westchester 3<sup>rd</sup>, and Rockland 7<sup>th</sup>. Of the top 10 districts nationally paying the highest percentage of incomes as taxes, the Suozzi Commission found Nassau 3<sup>rd</sup>, Rockland 7<sup>th</sup>, Suffolk 8<sup>th</sup>, and Westchester 10<sup>th</sup>. 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.

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