Education leaders across the state understand the need for property tax relief. However, many are concerned that if a property tax cap is enacted in New York—as the Governor and many lawmakers have proposed—it will come at the expense of our public schools.

To be effective, tax relief needs to target the very expenses that are behind the skyrocketing cost of education—things like special education, health insurance premiums, energy and pensions. Costs in these critical areas are rising well above the rate of inflation—and they also happen to be the ones over which districts have little or no control.

Without addressing these costs, capping property taxes could result in drastic cuts to music and art programs, electives, advanced courses and extra-curricular activities. Think not? History tells us otherwise. Slashed programs and services and plummeting student achievement rates have been the legacy of tax caps in states where these limits have been in place for a number of years.

Education Week, the nation’s education newspaper of record, recently gave New York the highest overall grade of any state in the nation when it comes to its education standards, policies, funding and student performance. While there is still much work ahead, the fact is New Yorkers get a big return on their education dollars. Our challenge and our responsibility is to close the achievement gap, increase graduation rates and help create a world-class workforce for New York.

New Yorkers should not have to choose between world-class schools and property tax relief. That is one thing we can’t afford. We can—and must—do both.
Searching for Property Tax Relief

WHAT IS THE COMMISSION ON PROPERTY TAX RELIEF?

Former Governor Eliot Spitzer appointed a seven-member Commission on Property Tax Relief, which is expected to make a preliminary recommendation on a school tax statute in New York this May and a final recommendation by Dec. 1. Depending on the commission’s findings, a cap on school property taxes could be enacted in New York as early as 2009, which would affect 2009-2010 school district budgets.

You can learn more at the Commission’s Web site, http://www.cptr.state.ny.us/.

WHAT IS A PROPERTY TAX CAP?

Property tax caps can come in several forms, but their universal purpose is to place restrictions on how much property taxes can increase from year to year.

Across the country, 14 states have enacted some form of a property tax cap. For example, in Massachusetts, Proposition 2½ allows for no more than a 2½ percent increase in annual tax revenue. Other states, such as Colorado, require that the property tax levy increase by no more than the inflation rate, which is typically around 3 percent but fluctuates from year to year. California has taken a different approach, capping property taxes at 1 percent of the assessed value of a person’s home.

Why are educational leaders so concerned about a tax cap?

Educational leaders are concerned that before we place a cap on tax revenue, the state and school districts should find ways to bring down costs. If this is not done and the expenses faced by school districts continue to rise at current rates—which far outpace inflation—districts may have no choice but to reduce or eliminate academic programs and services that directly benefit students.

I keep hearing this term “unfunded (or underfunded) mandates.” What does that mean?

Special education costs and expenses related to state and federal mandates—standardized testing, academic intervention services, curriculum changes—continue to grow year after year in school districts across the state, and very often our governments impose new and costly requirements without providing adequate funding. So where does the money come from to carry out these unfunded or underfunded mandates? Taxpayers.

With a tax cap in place, if these requirements continue to go unfunded or underfunded, districts would have to cut non-mandated programs—the very programs and services that local school officials, with the support of their communities, have chosen to offer to their students.

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New York ranks second in the country in the proportion of instructional salaries dedicated to special education. This cost is directly related to state mandates. If this staffing were more in line with the national average, NYSCOSS estimates that $1.3 billion a year could be freed up for other purposes—including local tax relief.

What are the most significant costs that schools must address?

According to the New York State Council of School Superintendents, the most significant expenses that schools face are health insurance, retirement, fuel, heating and electrical costs, contractual obligations such as teacher salaries and benefits, and federal and state mandates. These are very real costs that districts face, and schools are not alone—most every other public institution is struggling to pay for these very same things.

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Many educational leaders believe that if special education mandates were changed to be more in line with federal standards (in many cases New York’s standards are more extensive and more costly than the federal standards) taxpayers would see enormous relief.

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students. These programs include art and music programs, athletic programs, extra-curricular activities and advanced courses.

Isn’t state aid for schools at record levels?

Last year, the state budget included record increases in state aid for schools. However, most of this aid was directed toward New York City and high-need districts. Many local school districts may only see a 2 or 3 percent increase in state Foundation Aid—the “meat and potatoes” of state aid to school districts—in the coming year.

Meanwhile costs like energy, health insurance and special education continue to increase at rates high above inflation—certainly more than 2 or 3 percent a year. If required costs continue to increase at these levels and tax revenues are capped, districts will be forced to cut programs and apply an increasing amount of state aid to these fixed costs. This would leave less and less money available for the classroom. This impact would be compounded if, at any point, the state neglects to keep state aid at current levels.

Don’t New Yorkers need some sort of tax relief?

Yes. New Yorkers pay some of the highest property taxes in the country and most residents are in support of some sort of tax relief. In fact, according to a January 2008 Siena Research poll, 80 percent of voters outside of New York City said they supported a property tax cap.

However, there is evidence to suggest that while taxpayers are looking for relief, most don’t want to see it come at the expense of public education. Another recent Siena Research poll determined that more voters would prefer tax increases rather than cuts in education.

Tax relief is a good idea, but are there alternatives to a tax cap?

A property tax cap is only one way to address rising property taxes. With so much at stake, we would be wise to explore alternatives that wouldn’t jeopardize the high-quality education that New York taxpayers, parents and students demand and deserve.

Both the New York State School Boards Association and the New York State Council of School Superintendents say that they are committed to working with legislators to rein in costs.

WHAT CAN WE LEARN FROM HISTORY?

History tells us that if a tax cap is enacted in New York, it is likely that programs and services that directly affect students will have to be eliminated or scaled back.

Across the country, schools in states with tax caps have seen programs and services suffer. For example, according to the Center of Budget and Policy Priorities, a nonpartisan research center in Washington D.C., per-pupil spending in California dropped dramatically after a tax cap went into effect—from $600 above the national average to $600 below. The budget casualties included music, art and physical education programs, as well as librarians and school counseling positions.

The tax cap in California did result in a decrease in total tax revenues—so much so that many school districts lost half of their annual tax revenue. California’s schools are considered by many educational experts, journalists and public leaders to have gone from “first to worst” in the country.

California is not alone in the way a property tax cap has dramatically affected its educational system. In Massachusetts, officials have been forced to cut programming for students, including extra-curricular activities and advanced courses, and lay off teachers, counselors and other staff members.
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They have already identified a number of areas where cost control could begin:

- **Move to state-funded health insurance.** If the state pooled all school, municipal and county employees into a single, state-run health insurance program, it would produce substantial savings without diminishing care. State-funded health insurance would take enormous pressure off local property taxes.

- **Pay pension costs at the state level.** The state runs the retirement systems and makes the decisions on when to enhance benefits. Pension costs, which have fluctuated widely in recent years, are outside district control. This is an area where state funding makes better sense – and where real property tax relief can be achieved.

- **Require full funding for all new mandates – and relief from existing ones.** We should pay particular attention to New York’s tangle of special education requirements. New York currently ranks second in the nation in the proportion of instructional salaries dedicated to special education mandates but the disparity is not yielding better results. If New York were in line with national averages, $1.3 billion per year could be saved in this one area alone.

- **Support and expand BOCES role in facilitating greater efficiencies and regional cooperation** among schools and municipalities. BOCES should also be charged as regional brokers to expand ties between schools and agencies serving children and families.

- **Review the state’s Triborough Amendment** to the Taylor Law, which significantly compromises locally elected school boards’ leverage in union negotiations.

- **Repeal the state’s Wicks Law,** which requires school districts and municipalities to award multiple contracts for virtually every construction project – thereby inflating construction costs by as much as 30 percent.

- **Streamline the teacher discipline process.** The average district spends upwards of $100,000 and more than two years to remove a tenured teacher in New York State.

- **Last but not least, keep the state promise on school aid.** If the state follows through on Foundation Aid formulas enacted last year, this will go a long way toward relieving pressures on the local tax base – without compromising educational achievement.

Don’t New York schools already have a spending cap in place?

Many leaders are quick to point out that New York already does have a de facto school spending cap. If a school district’s budget is defeated by voters twice, the district must adopt a contingency budget that caps the spending increase at roughly 4 percent or no more than 120 percent of the Consumer Price Index.

This January, *Education Week*, the nation’s education newspaper of record, gave New York the highest overall grade of any state in the nation for its education standards, policies, funding and student achievement.
Index (or CPI, also known as a cost-of-living index).

Yet, more than 98 percent of school budgets were approved by voters last year, many with tax levy increases higher than would ostensibly be allowed under a cap. It is logical to conclude that taxpayers balance their desire for tax relief with a strong belief in investing in education in their communities.

While everyone understands the need for property tax relief, educational leaders across the state are concerned that a tax cap could have a dramatic negative impact on the quality of New York's schools.

World-class schools creating a world-class workforce

New York's schools are widely recognized as some of the best in the nation, which is a testament to the investment New Yorkers have been willing to make in the future of our children.

In fact, this January, Education Week, the nation's education newspaper of record, gave New York the highest overall grade of any state in the nation for its education standards, policies, funding and student achievement.

But it doesn't stop there. New York's students lead the nation in performance on Advanced Placement exams, and we dominate the prestigious Intel Science Talent Search.

Our schools are outpacing most states when it comes to closing the achievement gap. Test scores are up in grades 3-8, with fewer students scoring at the bottom level. Graduation rates are rising.

We're also seeing more innovation and choice within our public schools with magnet academies, the International Baccalaureate Program and regional career and technical programs that are as varied as the students we serve.

We also have Tech Valley High School, which was opened by Questar III and Capital Region BOCES—a school that can serve as a model for the entire region when it comes to innovation, creativity and collaboration with business and industry.

There is still much work to be done, but the fact is that New York's schools are making great progress—and we can't stop now.

IT'S A FACT...

- This January, Education Week, the nation’s education newspaper of record, gave New York the highest overall grade of any state in the nation for its education policy, funding and student achievement.

- According to the National Tax Journal, some studies have found strong evidence that property tax caps lead to lower student test scores, higher dropout rates and a reduction in teacher preparedness.

- In 2004-05 and 2005-06, growth in the cost of employee benefits accounted for nearly half of the increases in local tax revenues statewide. (Source: NYSCOSS)

- Health insurance premiums have continued to skyrocket, and since 2000 these costs have made up nearly one-third of all local school tax increases outside of New York City. (Source: NYSCOSS)

- As of 2005, California raised 9 percent less revenue per pupil than the national average and had the second-highest ratio of students to teachers in any state. From 1990 to 2003, California scored 48th in the nation when it came to 4th-grade and 8th-grade reading and math scores. California has had a property tax cap in place since 1978.

- In California, districts on average lost half of their annual tax revenue when a tax cap was enacted. Because of this, the state was forced to intervene and make up for most, if not all, of the lost funding. The result was that local district officials lost fiscal control of their districts to the state. Learn more at http://www.pbs.org/merrow/tv/ftw/.

- Because mandated and required costs are likely to continue rising at rates that far outpace a tax cap, the cap would disproportionately affect expenses over which the district has at least some discretion—locally chosen student programs and services.
Searching for *Property Tax Relief*

**WHAT PROBLEMS HAVE BEEN IDENTIFIED WITH PROPERTY TAX CAPS?**

Educational and policy research organizations, including the New York State Council of School Superintendents, the New York State School Boards Association and the New York State Parent Teacher Association, have identified a number of problems with property tax caps.

- **Tax caps are an artificial constraint.** They do not decrease the amount of services students NEED and public schools must provide.

- **Placing a cap on the tax levy—or the total dollar amount of taxes to be collected—doesn’t equate to an equivalent cap on the tax rate.** Tax rates are the amount per $1,000 of assessed property value that a resident pays in taxes. Tax rates are calculated by dividing the tax levy by the total assessed value of a town or city. For this reason, a 3 percent increase on the tax levy could result in a 6 or 7 percent increase in the tax rate in some communities or a 2 percent increase in the tax rate in others, for example.

- **Tax caps can lock in existing disparities and hurt poorer districts.** Percentage caps would provide much more total revenue for bigger or wealthier districts, which have larger budgets, than they would in smaller or less wealthy districts. Also, many states with tax caps—including Massachusetts—have a provision in the law that allows communities to override the tax cap. More often than not, these overrides take place in wealthier communities, which continues to widen the gap between the rich and the poor.

- **Tax caps eliminate local control.** Caps take spending power out of the hands of taxpayers and locally elected Boards of Education and put districts at the mercy of the state. If a cap is enacted and state or federal aid declines, residents can’t vote to invest more resources in their schools even if they want to, unless there is an override provision in the law as is the case in Massachusetts. In California, districts on average lost half of their annual tax revenue when a tax cap was enacted. Because of this, the state was forced to intervene and make up for most, if not all, of the lost funding. The result was that local district officials lost fiscal control of their districts to the state.

- **Tax caps DO NOT cause taxes to go down** and therefore do nothing to help taxpayers who are already paying too much.

- **Tax caps do not address cost increases that districts may face from year to year.** Inflation rates are typically based on economic indexes that measure changes in the cost of goods and services purchased by the average consumer, rather than the costs a school district faces on a large scale. These expenses include health insurance, pension costs and educational mandates from the state and federal governments—not to mention the costs associated with educating students with disabilities, students who are economically disadvantaged or students who are English language learners. Because these costs are likely to continue rising at rates that far outpace the cap itself, the cap would disproportionately affect expenses over which the district has at least some discretion—locally chosen student programs and services.
Where can I get more information on the impact of a property tax cap in New York?

- Commission on Property Tax Relief: http://www.cptr.state.ny.us/
- New York State Council of School Superintendents: http://www.nyscoss.org/
- New York School Board’s Association: http://www.nyssba.org/
- New York State Office of Real Property Services: http://www.orps.state.ny.us

As New York considers a property tax cap, many wonder what it would mean for the state’s schools.