



## **Protect the Schools...Lower Property Taxes...Close the Deficit The Challenge of the NY State Legislature**

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### **What is the Governor proposing?**

The current estimates predict that NY is facing a \$630 million deficit in the 2008-2009 budget (that the Governor is addressing administratively) and *could* face a \$6.5 billion deficit in 2009-2010 if Wall Street's losses continue. As a result, Governor Paterson is calling on the Legislature to come up with an additional \$600m in savings. He is also proposing a "property tax cap" similar to the ones passed in California and Massachusetts.

### **Why do many experts think a property tax cap is bad for education?**

It is reckless to hastily pass a property tax cap without first considering the possible consequences:

- Adopting a cap without any plan to pay for replacement state school aid will hurt students. In California, the Prop 13 Cap led to a serious decline in the school system and in Massachusetts a similar decline prevented only by a large increase in state aid (8.6% per year for *fifteen* years).<sup>1</sup> A California-style cap without Massachusetts-style increases in school aid will hurt students. Given New York's current fiscal situation, that seems precisely where we are headed.
- After 15 years we finally won the Campaign for Fiscal Equity. If we're not careful, we could undermine this achievement in just 15 short days.
- A cap takes control over school budgets out of the hands of voters.

### **Will a property tax cap lower anyone's tax bill?**

No, a property tax cap will not lower anyone's property taxes. It only puts a 4% "cap" on the amount local governments can increase property taxes to pay for schools outside of the "Big 5" cities. It only deals with limiting future growth, not delivering property tax relief today.

### **Are there alternatives that will provide real property tax relief?**

Yes. A property tax circuit breaker lowers current and future property tax payments by setting a ceiling on how much of one's income can go to property taxes. This will provide immediate relief to homeowners and renters who need it most. And it serves as a terrific economic stimulus package by putting money back into the hands of people that will spend it.

### **Back to the deficit – why are we in this mess?**

The economic downturn is part of the reason. The other part is that NY has given away the store and now we're paying for it: we've cut income tax rates on the extremely wealthy by over 50% in the last 30 years, contributing to a loss of \$16 billion a year in state revenue (which would roughly cover projected deficits through 2011). The top tax rate in New York kicks in at \$42,000 – meaning the middle class pays the same rate as someone earning

\$1,000,000. That is close to absurd. NY's top rates are lower than California, New Jersey and 10 other states.

### **What's driving all of the "irresponsible" government spending?**

It depends on your definition of "irresponsible." Some of the biggest investments of public funds have been smart: nearly \$5 billion for **health** services for poor children; \$5.5 billion of increased **school aid** and \$450 million to expand Universal Pre-K; and nearly \$5 billion to expand the flawed STAR property tax relief program. One person's irresponsible spending is another's investment in the future.

### **How can we deal with this year's and future deficits and deliver on real property tax relief?**

By repealing some of the tax cuts for the very wealthiest New Yorkers. If we ask the top 1% (anyone earning more than \$10,000 PER WEEK) to pay a bit more, we can generate \$6-7 billion in new tax revenue a year. This will pay for middle-class and working-class tax relief, and keep our transit, school and health systems in decent repair.

### **So it's a combination of spending cuts and tax increases?**

Yes – the sacrifice of meeting tough economic times should not be the burden of working families to carry alone. Cuts will be necessary, as will income tax increases on those with the greatest ability to pay. If NY government must do more with less, elected officials must decide which cuts will do the least harm. Here are some suggestions:

- **Bulk purchasing of prescription drugs** to help reduce the \$1.9 billion NY spends through Medicaid & EPIC (estimated savings of hundreds of millions)<sup>2</sup>
- **Reform Rockefeller drug laws** to give judges more leeway in sentencing low level, non-violent offenders to treatment rather than incarceration.<sup>3</sup>
- **Hiring state workers instead of expensive private contractors** to reduce the \$3 billion NY spends on private consultants (estimated savings of \$250 million to \$400 million by 2010-2011)<sup>4</sup>
- **Empire Zone reforms** (estimated savings of \$50 million)<sup>5</sup> and
- **Closing remaining corporate loopholes** (estimated savings of \$28 million)<sup>6,7</sup>

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<sup>1</sup> Lav, Iris J. "Suoizzi's Statement Ignores Truth About Massachusetts' Property Tax Cap". Center on Budget and Policy Priorities. Retrieved at: <http://www.cbpp.org/5-28-08sfp.htm>

<sup>2</sup> "2008-2009 Executive Budget". Division of the Budget. Retrieved at: <http://publications.budget.state.ny.us/eBudget0809/ExecutiveBudget.html>

<sup>3</sup> "Real Reform of the Rockefeller Drug Laws: What's Happened, and What Should Happen Now?" Drug Policy Alliance. July, 2008.

<sup>4</sup> "The High Cost of Consulting Employees". New York State Public Employees Federation. Retrieved at: <http://www.pef.org/>

<sup>5</sup> "Assembly Passes Comprehensive Empire Zone Reform Legislation". US State News. June, 2008.

<sup>6</sup> "Summary of Corporate Tax Loophole Closures in 2008-2009 Executive Budget." New Yorkers for Fiscal Fairness. Retrieved at: <http://www.abetterchoiceforny.org/08loopholes.pdf>

<sup>7</sup> "Summary of Tax Provisions 2008-2009". Department of Taxation and Finance. Retrieved at: [http://www.tax.state.ny.us/pdf/stats/sumprovisions/summary\\_of\\_2008\\_09\\_tax\\_provisions.pdf](http://www.tax.state.ny.us/pdf/stats/sumprovisions/summary_of_2008_09_tax_provisions.pdf)