

**Alliance for Quality Education
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NEWS RELEASE

**NEW PROPERTY TAX REPORT DOCUMENTS HOW COMMON MISCONCEPTIONS
HAVE LED TO FLAWED REFORM PROPOSALS:**

**DATA SHOWS NEED TO PRIORITIZE LOW AND MIDDLE INCOME TAXPAYERS;
MOST PROPERTY TAX RELIEF PROPOSALS FAIL TO ADDRESS HOW TO RAISE THE
NEEDED FUNDS; REPORT FOCUSES ON LONG ISLAND, BUT INCLUDES STATEWIDE
DATA AND ANALYSIS**

(Tuesday October 16, 2007, Mineola, NY)—While the issues of funding quality schools and property tax reform on Long Island and throughout New York State remain top priorities of elected leaders and taxpayers alike, common misconceptions, and flawed evaluations have led to reform proposals that fail to address the real property tax crisis on Long Island and across the state according to a new report released today by a coalition education and tax reform groups

“Property Taxes On Long Island: Zeroing In On The Problems And Solutions” exposes the common misconceptions that have driven the property tax debate in the past and explores Long Island’s property tax issues in depth. Long Island school aid and property tax issues have a major impact on statewide debates and decisions about school funding and tax relief; this report includes statewide data and analysis.

The report concludes by examining and comparing a wide range of reform ideas introduced on Long Island and within the State Legislature as well as looking at these proposals' advantages and disadvantages, who benefits, and how these reforms impact efforts to provide a quality school on Long Island and throughout the state. Most of the plans evaluated are statewide plans.

Along with an in depth examination of the impact of property taxes on Long Island, the report offers five main conclusions:

- **Flawed evaluations have led to flawed solutions:** While many of the past evaluations of the property tax situation on Long Island, and elsewhere in the state, contained valuable information, none of them zeroed in on the taxpayers who are suffering the most. Most notable was the State Comptroller’s April 2006 report that significantly overstated the growth of property taxes and emphasized statewide and countywide averages rather than the substantial variations that exist within counties.
 - According to the comptroller's report, from 1995 to 2005, local property taxes grew by 60 percent. However, the increase in property taxes paid by taxpayers statewide over this period, factoring in STAR reimbursements, was 46 percent not 60 percent. In Nassau the actual increase was 55 percent not 75 percent as reported by the Comptroller and in Suffolk it was 51 percent not 64 percent.

- The Comptroller's report said that the measure most commonly used to compare tax burden across states was "levy per \$1,000 of personal income." The Comptroller's report then calculated the property tax levy per \$1,000 of personal income for 2005, but it did not show the change in that measure over time. During the ten year period covered by the Comptroller's report, statewide property tax burden (taxes relative to income) decreased by 5.32 percent. Among the 57 counties outside New York City, Nassau County ranked 12th in growth with an increase of 1.66 percent of this measure and Suffolk ranked 40th with a decrease of 8.72 percent.
- **Taxpayers in poorer districts struggle the most:** Neither property wealth nor income are distributed in the same proportions as students across school districts. As a result of this mismatch between needs and resources, school districts with predominantly low and middle income residents often must charge higher tax rates to generate revenue for their schools than districts with more property wealth per pupil.
 - This report shows that the average full value property tax rate for High Need (poor) districts on Long Island is \$12.99 per \$1000, \$11.91 per thousand for Average Need districts, and \$9.31 per \$1000 for Low Need (wealthy) districts.
- **Voters in wealthy districts vote to pay for high quality schools more consistently than voters in high need/low wealth districts:** Residents in many Low Need (wealthy) Long Island school districts consistently vote for higher property taxes and higher quality schools while many high need districts have much higher rates of school budget rejections and high property tax rates.
 - In 2005, budgets were defeated in 80 percent (8 of the 10) of the High Need (poor) districts, 44 percent of Average Need districts, but only 27 percent of the Low Need (wealthy) districts.
 - In 2007, even with an overall approval rate of 94 percent, 40 percent of the High Need/low wealth districts were unable to pass their budgets. In contrast, only one of the 70 wealthy districts had a budget defeat.
- **Reforms cannot address the property tax crisis without factoring their impact on education:** While many of the property tax reform proposals advanced around the state would reduce property taxes, their impact on education quality is unclear. **One such reform, a cap on school budgets, would make the gap between high need and low need districts dramatically worse.**
 - Low Need districts on Long Island already spend \$4,212 more per student than High Need districts
 - Budget caps would enlarge this per pupil spending gap to \$5,995 over a nine year period.
- **Revenue alternatives to property taxes must be included in all proposals:** Major property tax reform cannot be accomplished without identifying new revenue sources. Most proposals that have been advanced fail to address the provision of a revenue source. **An income tax swap proposal supported by the Senate Majority would cost the state over \$9 billion but includes no plan for how to pay for it.**

“While property tax levels on Long Island are widely understood as a significant problem, this report demonstrates how low and middle income taxpayers are experiencing the brunt of the property tax crisis,” said Lisa Tyson, Executive Director, Long Island Progressive Coalition.

“Any major property tax reform proposal should be targeted to address the actual problem. Across the board relief would be more expensive than relief targeted to low and middle income homeowners and would provide relief where no problem may exist,” said Tyson.

The report provides an evaluation of the impacts of major revenue reform on school quality both in terms of the potential to undermine educational quality in high performing schools and in terms of the need to raise student achievement in low performing schools.

“All proposals to reform the property tax system must be evaluated in terms of how they would impact the quality of education as well as their impact on property taxes,” said Michael Davoli, Statewide Campaign Coordinator of the Alliance for Quality Education.

Additionally the report offers a solid fiscal analysis regarding the impacts of converting to a local income tax and an examination of alternative income tax based school funding proposals. And finally, the report presents an analysis of how Long Island specific school funding reform proposals compare with property tax and school funding reform plans being advanced around the state.

Many proposals have been advanced for reducing the pressure on the local property tax base by paying for a larger share of school costs with income tax revenues; and some have proposed swapping property taxes for income taxes at the school district or county level. According to Frank Mauro, Executive Director of the Fiscal Policy Institute,

"Because income per pupil varies significantly among school districts and among counties, and for a number of other reasons, it is best to raise income tax revenues at the state level. And, our analysis shows that the most effective way to provide relief to all property tax payers is by increasing the share of school budgets covered by state aid."

"Governor Spitzer's school aid and revenue sharing reform plans, which were adopted earlier this year by the State Legislature with only minor modifications, provide an excellent foundation on which to build substantial school property tax relief going forward." Mauro also indicated that for some parts of the state it will be particularly important to reform the way in which the state divides financial responsibility for Medicaid costs between itself and its local governments.

"Parents like me are the real faces of the property tax crisis," said Darrin Green, a parent from Brentwood.

"For middle class residents like me, the property tax crisis is threatening both our homes and the quality of education that our kids are receiving. It is time for New York State to support property tax reforms that actually focus on where the problem exist the most while not jeopardizing the educational future of our kids."

The report can be found on the web at www.aqeny.org or at www.fiscalpolicy.org.