

Issues Brief: Property Tax Caps

New York State PTA recognizes the need to examine property tax relief options for NY's overburdened taxpayer. However, imposing property tax caps on school districts has the potential to erode the long held belief in local control and undermine the ability to provide quality education for every child.

Following the announcement of the proposed 2008-09 Executive Budget, Governor Spitzer signed an executive order to establish the NYS Commission on Property Tax Relief. The Governor's charge to the Commission is three-fold: to examine the root causes of high property taxes; to identify ways to make the State's property tax system fairer; and to develop a fair and effective school property tax cap. The seven-member Commission will issue an interim report by May 15, 2008 and a final report by December 1, 2008. While the Commission's recommendations may directly impact educational stakeholders, including parents, and while such groups have been promised opportunity for input, they will not be represented at the table.

In states that have imposed property tax caps, such caps typically restrict the amount property tax revenue can increase from year to year to a low fixed percentage, a Consumer Price Index (CPI) based limit or a combination of the two. Research suggests that capping reduces the ability to provide services, makes the local revenue system more regressive, and can enhance the disparity between affluent and poor communities. The property tax cap program under California's Proposition #13 resulted in school program cuts, particularly in the areas of art, music, physical education, counseling and library services. In Massachusetts towns have had to freeze wages, lay off municipal and school employees, and close libraries and senior centers.

Caps do nothing to change the main drivers behind the higher property taxes. According to an analysis of NY's 2008 fiscal outlook, the Fiscal Policy Institute concluded the issue is not one of school district over-spending. School districts statewide have responded to a heightened awareness of the need to contain costs. However, expenditures for energy, pensions and health obligations, combined with mandated costs for programs such as special education continue to escalate faster than the rate of inflation. Imposing a property tax cap does not ameliorate these expenses. In fact, the experience of other states suggests that schools would be forced to cut programs, increase class size and postpone response to facilities needs in order to ensure payment of mandated expenses without exceeding the cap.

New York, with the exception of the Big Five cities, relies on the direct vote of school district residents to determine if, and how much, they should invest in educating the children of their community. To maintain balance, when voters reject a proposed school district budget twice, there is a mandated contingent budget cap placed on expenditure growth. These caps often result in residents funding programs and activities out-of-pocket, at greater cost to the tax payer.

Last year, a record 96% of communities passed school budgets on the first vote. Most likely, this reflected community trust in an energetic, newly elected Governor's stated commitment to make public education in a priority for all NY. The Governor rejected the idea of imposing property tax caps that would undermine local control and directed the infusion court ordered State dollars into the adoption of a predictable and transparent foundation formula over a span of four years. Yet, it seems the promise of last year will not be met. The proposed 2008-09 Executive Budget would reduce the foundation formula commitments of a year ago and when combined with new mandates would cast doubt on future predictability and transparency provisions that were at the heart of 2007 reforms.

The Governor states that it is his intent to provide school property tax relief while not diminishing the quality of a New York State public education. To achieve this we encourage the examination of other options, such as tax circuit breakers, that offer tax relief without threatening school quality or student achievement.