SENATE PASSES PROPERTY TAX CAP LEGISLATION; Mandate Relief Measures Also Approved

DEAN G. SKELOS   January 31, 2011

The New York State Senate today passed property tax relief legislation (S.2706) that would place a cap on the growth of school property taxes at two percent or the Consumer Price Index (CPI), whichever is less. If enacted, New York would become the 44th state to cap local property taxes. In addition, the Senate approved two measures related to providing mandate relief to school districts and local governments.

"With this bill we are keeping our commitment to provide real property tax relief to homeowners across the state who are sick and tired of paying the highest property taxes in the nation," Senate Majority Leader Dean G. Skelos said. "I applaud Governor Cuomo for making the cap a priority. The Senate is ready to put it in law, now we need the Assembly to join us in passing this measure so we can stop the dramatic growth in property taxes and provide the relief that taxpayers desperately need."

"Our number one priority right now is to restore our economy by controlling runaway spending and providing substantial property tax relief," Senator John Flanagan (R-C-I, East Northport), Chairman of the Senate Education Committee said. "The reality is that residents and businesses are leaving the state in droves because they cannot continue to pay skyrocketing property and job-killing business taxes. Today's action by the Senate is a reasonable step to help keep people in their homes and small businesses operating, while maintaining essential quality services at the local level."

"Simply stated, the passing of a tax cap was a promise made and a promise kept to the people," Senator Jack Martins (R-C-I, Mineola) said. "In order to make government work again for the people, we need fiscal discipline and commitment to initiatives like a tax cap. Families have to live within a budget and cut spending when times are tough. Government has to take a lesson from kitchen table budgeting of working families and ignore special interest budgeting."

"A tax cap would prevent the runaway increases we've seen when financial times are good and fiscal discipline is lacking," said Senator Betty Little (R-C-I, Queensbury). "By limiting future increases, families and especially those on fixed incomes would have a much better sense of what they would need to budget. State government also has at the same time the responsibility of helping make this manageable for our schools and local governments by enacting mandate relief with real savings."

"Taxpayers are tapped out. Given the state of our economy and the heavy burden carried by taxpayers, we need to take an aggressive step immediately. This bill is a preliminary step to lessen the devastating impact of property taxes on homeowners throughout New York," Senator Kemp Hannon (R-C-I, Garden City) said.

"New York State residents receive some of the highest property tax bills in the country, and our residents are demanding property tax relief now," Senator John A. DeFrancisco (R-C-I, Syracuse), Chairman of the Senate Finance Committee said. "The property tax cap is necessary as are other policies that get to the root of the problem, which is overspending by the state of New York."

The bill, which is supported by business organizations across the state, includes the following provisions:

> A school district's tax levy limit, excluding the taxes necessary to support the local share of capital expenditures, could increase by up to the lesser of two percent or the annual increase in the consumer price index ("CPI");

> A school district would be allowed to carry over unused tax levy capacity from the prior year, but could use this carryover levy capacity to increase its tax levy only an additional 1.5% in any year; and

> In the event a district's actual tax levy exceeds its authorized levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next school year.

> A school district would be required to submit a tax levy proposition for approval by voters at the district's annual meeting on the 3rd Tuesday in May. If the proposed tax levy is within the district's tax levy limit, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy limit, then the vote threshold required for approval would be 60 percent.

> If the tax levy proposition is defeated, then the district would be required to submit a second levy proposition for approval, that complies with its tax levy base, by voters at a district meeting held on the 3rd Tuesday in June. If the proposed tax levy is within the district's tax levy limit, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy limit, then the vote threshold required for approval would be 60 percent.

> If the second proposition is defeated, then the district would be required to adopt a tax levy that is no greater than the prior school year.

If enacted, the law would take effect for the 2012-13 school year.

The bill also provides for the same cap to apply to taxes levied by municipal governments. Local governments that do not levy an amount up to the cap in one year can rollover that amount up to 1.5 percent in the following year.

The property tax cap legislation has tremendous support, not only among taxpayers throughout the state, but among major business organizations.

Dean Norton, President, New York Farm Bureau said: "It is no secret the state's economic environment has been spiraling ever lower over the past decade. This lagging business environment has taken a considerable toll on economic development and job growth, especially in upstate New York. A primary reason for our bleak competitive standing is the state's extremely high property tax rates – among the highest in the nation. This legislation would limit growth of property taxes from year to year and bring financial relief to homeowners and businesses in New York State."

Brian Sampson, Executive Director of Unshackle Upstate said: "The Senate's passage of a two percent property tax cap is a huge step forward in providing New York's taxpayers and job creators with real property tax relief. Unshackle Upstate and its army of supporters thank the members of the Senate for responding to our calls for swift action on this important issue. We'll continue to push for this desperately needed measure until it's signed into law."

Mike Elmendorf, NYS Director of the National Federation of Independent Business (NFIB) said: "NFIB commends

the State Senate Majority for once again standing with small business and job creators by today swiftly passing Governor Cuomo's property tax cap. Out of control property taxes have been laying waste to our economy and driving people from their businesses and homes for far too long. Today's bipartisan vote is a critical first step toward relief for New York's overburdened job creators and taxpayers,"

Kevin S. Law, President and CEO of the Long Island Association said: "Senate Majority Leader Skelos and the Long Island Senate delegation are to be applauded for passing this property tax cap legislation. This is a critical first step in relieving the property tax burden and needs to be joined by a reduction in unfunded mandates on our local governments. Reducing the tax burden on the business community is an important facet in getting this stagnant economy moving again."

MANDATE RELIEF MEASURES

The Senate today also passed mandate relief legislation (S.2707), sponsored by Senator Steve Saland (R-I-C, Poughkeepsie), that would require any state mandated program imposed on municipalities or school districts, which created any net additional cost in excess, to be funded by the state.

"We need a responsible government, both at the federal and state levels, that considers costs before imposing mandates and strives to address the current fiscal burdens. When schools and local governments are saddled with unfunded mandates, taxpayers are saddled with higher taxes. If we expect municipalities and school districts to function within the confines of a tax cap, the State should be doing all that it can to give them the flexibility to operate efficiently, which should include the removal of various costly and onerous existing mandates," Senator Saland said.

In addition to the property tax cap legislation, the Senate approved a resolution, sponsored by Senator Jack Martins (R-C-I, Mineola), urging the Governor and his Mandate Relief and Medicaid Redesign Teams, to provide lasting and meaningful real property tax relief.

"Mandate relief and a tax cap go hand in glove. Mandate relief for our localities and schools is like an oasis in the desert of government," Senator Jack Martins (R-C-I, Mineola) said. "Today, we are taking the initiative and finally giving the people the reform they've cried out for. For me, this resolution is a real commitment to an issue that will have a profound impact on the communities I represent."

Specifically, the resolution urges the mandate relief panel to:

> Focus on New York's service delivery structure that requires school districts, local governments and other local taxing districts to administer and fund mandated programs;

> Look for ways to reduce the costs of mandated programs on schools and local governments by determining how school districts and local governments may be given greater ability to control costs;

> Examine the reason for delays in state reimbursement for mandated programs;

> Consider the practice of cost-shifting of mandated programs; and

> Identify opportunities for eliminating or reducing unfunded and underfunded mandates imposed by the New York State government on local governments and school districts.

The resolution also urges the Governor's Medicaid redesign panel to work with Medicaid stakeholders to conduct a comprehensive review of the state's Medicaid program, and make recommendations for cost saves and quality improvement measures to meet specific budget reductions for Medicaid spending.

The two bills approved today will be sent to the Assembly.