



NEW YORK STATE SENATOR

Jack M. Martins

## Senator Martins and Senator Flanagan Co-Chair Hearing on Tax Cap and Mandate Relief

JACK M. MARTINS February 22, 2011

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To gather expert testimony on the most effective way for New York State to proceed in its efforts to provide tax relief to its residents while protecting valuable services, Senator Jack M. Martins, Chairman of the Senate Standing Committee on Local Government, and Senator John Flanagan, Chairman of the Senate Standing Committee on Education, hosted a joint hearing entitled “The True Path to Reducing New York’s Real Property Tax Burden: Mandate

Relief and Tax Caps”.

The hearing, which was held at the Old Nassau County Courthouse in Garden City, focused on how the implementation of a local property tax cap can provide tax relief without disrupting services such as education, police, fire, trash services and more. By soliciting testimony from financial experts as well as those who administer these valuable and much-needed programs, Senator Martins, Senator Flanagan and the assembled members of both the majority and minority conferences in the Senate were provided with an overview of the how these two important tax relief efforts will jointly affect New York State residents.

Those testifying at the hearing included New York State United Teachers (NYSUT) Executive Vice President Andrew Palotta, Deputy Nassau County Executive Robert Walker, New York City Office of the Mayor’s Director of State Legislative Affairs Micah C. Lasher from the New York City Office of the Mayor and E.J. McMahon of the Manhattan Institute.

Additional testimony was provided by representatives from the New York Conference of Mayors, the Association of Towns, the Nassau County Village Officials Association and the Nassau-Suffolk School Boards Association.

The impetus for the hearing was the recent Senate approval of Governor Andrew Cuomo’s tax cap that calls for capping the yearly growth of school and local taxes at two percent or the Consumer Price Index (CPI), whichever is less.

In the testimony submitted at the hearing, E.J. McMahon outlined his reasons for supporting a tax cap: “The need to limit property taxes in New York couldn’t be more obvious. Our property tax bills have been among the highest in the country for decades. And they just keep rising. Between 1999 and 2009, total property tax levies in jurisdictions outside New York City increased by 5.4 percent a year, more than double the average inflation rate of 2.6

percent. School taxes rose the fastest – an average of 6.3 percent a year. Property taxes in New York continued going up even as property values, personal incomes and consumer prices were going down during the severe recession of 2007-2009.”

The tax cap legislation, 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 either two percent or the annual increase in the consumer price index ("CPI") whichever is lower;
- > 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 mistaken excess levy must be placed in reserve to offset the levy for the next school year.

That legislation was approved by the New York State Senate in January and is currently awaiting action in the New York State Assembly.

In his testimony, Mr. Pallotta of NYSUT pressed legislators to be extremely careful in their efforts to provide tax relief to homeowners: “We urge you to find ways to address the issues of real property tax relief and mandate relief in ways that will not harm New York’s public education system. Disinvesting in our student’s education and walking away from our commitment to our most needy and vulnerable populations will only deepen the economic and social pain for families across the state.”

While the hearing focused on how the tax cap will provide tax savings to New York State residents, it also examined how relieving school districts and localities from state mandates could lessen any potential impact the cap may have on essential services. These mandates have long been cited by school districts and local governments as a source of increasing costs and the hearing examined the connection between these state requirements and property taxes.

“To their credit, New York local government and school groups are not simply saying ‘no’ to a cap. They are instead, offering an ambitious, far-reaching mandate relief agenda – one that is deserving of your support. For school districts and municipalities, in particular, the budgetary cost center is employee compensation. Therefore, you need to give schools and local governments more tools to control personnel costs,” added E.J. McMahon in his testimony.

“Any effort to provide property tax relief through the use of a tax cap must be coupled with mandate relief to make sure that residents continue to get the services they need. While everyone knows rising taxes are driving our residents out of our state, a significant loss of services would have the same effect and we must proceed cautiously,” stated Senator Flanagan. “This hearing was very helpful in providing us with a clear view of the impact both of these actions will have on our residents and will be critical in our discussions on both of these matters as we move forward.”

"I felt it was important to have a discussion on mandate relief. State mandated programs place local taxpayers and local officials in the position of having to pay for services they do not control. The state has increasingly forced municipal taxing decisions by mandating services, programs and standards. Many local governments and school districts are in difficult fiscal situations. It is incumbent upon us to look into providing relief from some of the mandates that are forcing local governments and school districts to pass certain costs

onto the taxpayers," said Senator Martins. "Like the tax cap, this is another necessary instrument to provide tax relief. I want to thank each of the speakers who testified as well as Senator Flanagan for co-sponsoring the hearing with me."