



Testimony of the New York State School Boards Association

Assembly Standing Committee on Real Property Taxation

Public Hearing: Real Property Tax Relief Credit Programs

Submitted January 30, 2017

Good afternoon. My name is Brian Fessler and I am the Senior Governmental Relations Representative at the New York State School Boards Association (NYSSBA). We appreciate the opportunity to offer testimony to the Assembly Committee on Real Property Taxation and Chairwoman Sandy Galef, on behalf of the more than 650 local school boards we serve. Thank you for including us Chairwoman Galef.

Local revenue makes up nearly 55% of public school district resources across New York, the vast majority of which originates from property taxes. This percentage increases to approximately 60% when STAR payments are included. School board members take the issue of property taxes very seriously. At the same time, our members are unwavering in their commitment to providing every child with an excellent education. However, as representatives of their communities, they are also committed to managing the local tax burden in a way that the community can afford.

In the five years leading up to the enactment of property tax cap, the average school district tax levy increase was just over 3% annually. That number goes down to 2.7% in the three years prior to the enactment of the tax cap. While the tax cap has placed a statutory restriction on the level of property taxes a community can generate to support their schools, school boards have worked with a real-world tax cap for decades – by way of a public vote on school budgets. School board members take pride in the fact that they are the only level of government in the state that has its citizens vote directly on their budget.

The various property tax relief programs enacted in recent years are laudable in their attempts to lessen the property tax burden. But while this goal is worthy, the methods often have not yielded the same results.

Because STAR is specifically a taxpayer relief program funded by the state, NYSSBA often does not take a direct position on STAR-related proposals. However, as STAR serves as an exemption on school property taxes, such proposals can often require additional school district attention and involvement. The latest transition of STAR from an upfront exemption to a backend tax credit is a good example of this. Reports of new STAR credits being delayed, in some cases for months, meant that school district residents were faced with school tax bills this past fall that were hundreds, if not

thousands, of dollars more than their comparative amounts in the previous year. Those taxpayers have a right to be frustrated, and often expressed those concerns to school officials, despite the fact that school districts do not administer the STAR program, nor are they involved in the processing of STAR credits. In order to prevent late payments, those taxpayers were effectively forced to front the amount of their bill while waiting on the state to provide the credit they should have received months earlier. These difficulties are not helpful for any parties involved, from school districts to taxpayers.

While NYSSBA believes that additional state support for schools would be a more effective use of the funds dedicated to the multiple property tax relief programs in recent years, many of these programs also came with the additional wrinkle of requiring school district compliance with the property tax cap in order to make taxpayers eligible to receive the property tax rebates. The intent is understood, but such requirements unfairly pit taxpayers against their own school districts. Because the tax cap does not account for the true fiscal and educational needs of a school district, dozens of districts propose a budget that “overrides” their tax cap each year, requiring a 60% supermajority for approval. Under the recent tax rebate programs, voters would not only be voting to override the state imposed tax cap, but they would also be voting against their own property tax rebate. Unfortunately, no part of this process puts the needs of students at the forefront.

This adds to the long list of difficulties school districts have when navigating the property tax cap. In 2015, the legislature approved adjustments to the tax cap in order to fix two specific parts of the cap. The first deals with the inclusion of expenses related to boards of cooperative educational services (BOCES) facilities in a district’s capital exclusion, while the second aims to address how some tax exempt properties are accounted for in the quantity change factor (and resulting tax base growth factor). The language authorized the commissioner of the state Department of Taxation and Finance to “promulgate rules and regulations” to make these adjustments. However, to date, we have not seen any proposed regulations posted and it has become clear that they do not anticipate doing so. It is discouraging for school districts to deal with the additional tax cap compliance requirements under the various property tax relief programs while not seeing any of tax cap fixes that have already been agreed to by both the legislative and Governor.

As always, NYSSBA stands ready to work with you on these, and other, important issues.