Counties Call for Property Tax Relief

Testimony
submitted by
the

New York State Association of Counties

to the

New York State Division of the Budget

on

Monday, December 7, 2007

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At the 2007 NYSAC Legislative Conference, Governor Spitzer gave counties a clear message; that the days of balancing the State's budget on the backs of local governments were over. His first budget resisted the temptation to lower State costs by shifting burdens from the State to the counties.

We applaud state leaders for their apparent focus on property taxes. But we want to make one thing clear; the road to any substantial property tax relief runs through our county governments. Counties are the administrative arm of state government. That is the where the majority of state programs and services are delivered locally.

It is our hope that the Governor's second executive budget proposal will adhere to this same commitment. If your goal is to reduce the burden of real property taxes on the residents of the state, don't balance your budget on the backs of local government.

Counties are not stakeholders in government programs; we are the administrative arm of state government, we are your natural partners.

Critics of local government spending often don't realize that at the county level, most of what we do—as high as 80% of our spending—is mandated by the State. While State policy makers try to address the problem by providing property tax relief through rebates and various exemptions to homeowners, counties have spent years working to lower their property tax levies.

When we can control the cost of a service or a program then we have been very successful. All of that effort, no matter how cutting edge or effective, means little because we have very no control of our largest cost drivers. It is the Governor and State Legislature who have direct control over the growth of county real property taxes through the plethora of state mandated programs and services.

In the Governor's first budget he advanced several initiatives designed to address the real property tax burden across the state – Middle Class STAR Rebate checks and Wicks Reform.

Middle Class STAR may help the 90% of New York homeowners who receive a rebate, bit it does not address the core growth of real property taxes. Even with the modest checks sent to the State's residents their ongoing school liability continues to grow.
If the Governor seeks to continue the Middle Class STAR Rebate approach, NYSAC would suggest that we ensure that rebate checks only go to those that have paid their property taxes. Counties can very easily share tax delinquency data with the State Department of Tax and Finance which could then intercept monies intended for homeowners that are delinquent on their real property taxes and redirect the funds to their county of residence and apply them to the overdue taxes.

Building on this concept, we could follow the lead of other States, who have developed cutting edge partnerships with the local governments to match computer records of taxes and fees owed at the local level and then intercept income tax and other refunds on behalf of the locality. The concept would provide the State Tax Department with offsetting revenue for their services and put the onus of resolving disputes at the local level. Last year, North Carolina's version of this program returned over $10 million dollars to localities to help offset unpaid local taxes and fees. When we focus on ways to relieve the burden of local property taxes and the Governor and Legislature debate increased revenue sharing and State grants to localities, we must consider this obvious fix that will increase local revenue and promote equity in the administration of real property taxes.

With regard to Wicks, at the end of the 2007 Legislative Session, Governor Spitzer announced that he had reached an agreement with construction trade unions to reform the Wicks Law, which would call for creating three new Wicks thresholds for different parts of the state. Under this plan, the Wicks Law would apply to projects worth $500,000, except in the metro-suburban counties of Westchester, Nassau and Suffolk where a Wicks exemption threshold of $1.5 million would apply. In New York

City, where school construction is already exempt from the Wicks Law, the threshold would be $3 million. Lastly, an outright exemption from Wicks would apply if the locality negotiates a Project Labor Agreement (PLA) with local construction unions under this plan.

Based on our most recent data, NYSAC has concluded that the average Wicks project for counties is between $2 and $5 million, far higher than the threshold changes currently under consideration and a recent survey we conducted of upstate counties failed to produce an example of a Wicks related project that would fall under a $500,000 threshold.

Short of full repeal of the Wicks mandate, any reform should recognize the size and scope of county construction projects statewide and include a more meaningful Wicks threshold so that counties will benefit from the change.

The state-county partnership that was established to cap the local share of Medicaid costs provided immediate relief to county taxpayers and helped stabilize the future growth in State expenditures. This partnership is a model that we should build on to provide New Yorkers with more efficiency and effectiveness.

Even though the phase-in of the new Medicaid funding formula is in the early stages, counties have experienced significant financial benefit that is reflected in current county property tax levies. The Medicaid Cap was also a catalyst to facilitate the enactment of Medicaid cost containment measures which are traditionally blocked by the legislative process. These reforms, including a Medicaid preferred drug list, have had such a positive benefit for the state that they have helped the Governor achieve his goal of reducing the growth in Medicaid expenditures.

Although the local Medicaid Cap does not completely shield counties from Medicaid growth—the Medicaid Local Share will continue to grow approximately $200 million annually under the Medicaid Cap formula - the positive results derived from the Medicaid Cap and the benefits obtained by the state, leads us to believe that by building on the natural state and county partnership we can positively address other fundamental inequities in state/local fiscal policy.

New York's Pre-School Special Education Program creates a significant impact on state and local taxpayers – currently over $1 billion annually, yet state policy limits a county's administrative ability and restricts their fiscal oversight. To address the local fiscal burden and foster needed reform, similar to how we achieved Medicaid reforms, county leaders are advocating for the removal of counties from the fiscal and programmatic responsibilities of this program.

In response to calls from NYSAC, last year Governor Spitzer commissioned a task force to look at all aspects of the Preschool special education program with an eye toward making it more effective and efficient. In November, following long and productive deliberations, the Governor's Task Force issued recommendations that support our position. Who is accountable to the families of the kids receiving these services? Who is accountable to the taxpayers funding this program? We believe the answers to these questions will help provide a framework for reform that will benefit everyone involved – the children, providers, and taxpayers.

Counties are not in the business of education, and county taxpayers should not be funding a program over which county governments have no oversight. This is one unfunded state mandate that we can reform this coming year that will have clear and unambiguous benefits for the local real property taxpayer.

Thank you for the opportunity to speak to you today.