Examining and coping with the Tax Cap and the Property Tax Freeze - how school districts and local municipalities can reach financial sustainability while delivering needed services to their communities.

In 2011, New York State enacted a property tax cap that affects all non-New York City local governments, most school districts in New York State, and many other independent taxing entities such as library, fire, water, and special districts. Since 2011, the growth in the property tax levy – the total amount raised through property taxes – has been capped at two percent or the rate of inflation, whichever is less, with very limited exceptions. Written into the law is the ability for the entity to “pierce the cap” with a vote of over 60%.

As the tax cap’s effects take hold, local governments and school districts are being forced to cut services, reduce expenditures, and complete only minimal maintenance on physical structures and aging infrastructure. New York’s taxing entities cannot address non-capital maintenance and operational concerns, benefits and personnel costs, or, in the case of school districts, the need to change and adapt their programs to deliver the best possible education for our children.

The current political reality is that state residents want property tax relief and quality services and education provided by their local entities. The local government, labor, and education communities must work together to develop amendments to fine-tune the property tax cap and develop alternate sources of revenue, in order to fulfill the dual, but not competing goals, that the residents of the state desire.

Creative Municipal Response

For the full reports, please visit www.mildredwarner.org/restructuring/fiscal-stress and cardi.cornell.edu

New York Property Tax Cap: Implications on Local Fiscal Health

In this report, we compare New York’s tax cap to those of other states and assess the impacts on local revenues over time. Using NYS Comptroller data we assess what the impact on local government revenues would be had the tax cap been adopted ten years prior. We find local government revenues would be 30% lower in real terms. This makes maintaining the current level of services impossible. Towns and villages, due to their heavier reliance on property taxes, are the most severely affected by the tax cap.

In order for the tax cap to achieve its goal without undermining the viability of local governments, New York could learn from other states whose tax cap policies allow exemptions for infrastructure, emergencies and special districts. We compare tax cap policies of other states and recommend reforms for New York’s tax cap so that it can be more sustainable.

Social Indicators for New York Local Governments

As New York State localities face fiscal stress, they must be careful that efforts to cut budgets to ensure fiscal solvency do not cause a decline in services. Social indicators are an important tool that enables local governments to assess the economic and social impacts of budget and service decisions. This report explores how to best design social indicators to identify community needs and aid local government in effectively providing services.

Our full report provides the history of social indicators and gives examples of social indicators used by international and domestic local governments. We hope these examples will open a dialogue about the potential for collaborative indicator design among unions, municipalities, and citizens in New York State.

The Creative Responses to Fiscal Stress Project is directed by Mildred Warner of Cornell University’s Department of City and Regional Planning, in collaboration with the Community and Regional Development Institute and with partial funding support from the US Department of Agriculture Hatch and Smith Lever grant programs and NYSUT. A full copy of the reports on which this issue brief is based can be found at www.mildredwarner.org/restructuring/fiscal-stress.
New York State's Response to Local Infrastructure Needs: Chronic Underfunding

New York State has been chronically underfunding its local transportation infrastructure network. The construction and maintenance of local roads and bridges is carried out by municipal governments, but they rely heavily on aid from the state to pay for these investments. Not only is state funding insufficient, but the state's property tax cap has constrained local governments' ability to raise their own funds to address their infrastructure needs.

In our report, we analyze the need for increased investment across the state and document declining funding trends. We suggest solutions that directly address the lack of funding for local infrastructure, like rededicating the state's highway trust fund. We are more critical of fixes that result in increased local debt like the proposed state infrastructure bank, since without addressing the underlying funding constraints they are of little use to local governments. In addition, we find reasons for optimism in projects like Save the Rain in Syracuse, which uses cross-sectoral collaboration to more efficiently address infrastructure needs in times of local fiscal stress.

Local Fiscal Stress: State Austerity & Creative Local Response

State-level economic development policy in New York prioritizes "low road" strategies (tax incentives, casinos) over community-level investments. Too often, these strategies ignore the true needs of communities which, if addressed, would encourage job growth and increase the local tax base. "High road" strategies, by contrast, take a community development stance. These sustainable strategies prioritize investments in the people, places and businesses that make up the local economy.

In our report, we analyze four economic development policies that embrace the "People, Place and Business" framework: anchor institutions, neighborhood and business associations, land banks, and social entrepreneurship. Case studies from within and outside of New York State find evidence of successful implementation of each policy and its contribution to local economic sustainability. The success of these strategies relies on collaboration between municipalities and civic organizations engaged in municipal revitalization.

Local Government Innovations in Public Service Delivery

Under fiscal stress and devolution of service responsibilities, local governments are developing creative responses to ensure adequate service provision. Some of these responses include administrative support for municipal sharing, co-production with citizens, and user fees. Through a series of case studies, our issue briefs profile successful approaches that promote both administrative efficiency and citizen engagement.

• The success of inter-municipal sharing hinges on the existence of a strong administrative structure to guide service delivery across municipal borders.
• The rise of technology provides new opportunities for service-related co-production between governments and citizens.
• Lastly, user fees, if designed carefully, can align user preference with user payment to ensure equity and affordability.

By focusing on successful case studies, our research intends to shrink the learning curve in local service delivery reform.

Collaboration between Unions, Citizens, & Municipalities: Toward a Common Narrative

Local governments in New York State are facing unprecedented challenges to financing public service provision. Various state policies in recent years have led to fiscal stress at the local level, which has negative consequences for municipalities, unions and citizens. Governor Cuomo argues that high property taxes and local government inefficiencies are the problem; but it is declining state aid and increased state mandates that put local governments in a bind.

In this report, we examine how local leaders and unions can work together to reframe the narrative to highlight the impact of state austerity policy and the critical role local government services play in ensuring quality of life in our communities. We profile successful cases of collaboration between municipalities and unions, including a particularly innovative example from Canada. We end by highlighting principles that can lead to successful collaboration between municipalities, unions and citizens to reframe the narrative around local government efficiency and state austerity.