Mayor's Column

February 20, 2015

The constraints of the State's 2% tax cap are again front and center as the Trustees and I develop the Village budget for the fiscal year 2015-2016.

Since its inception, I have been a vocal critic of the tax cap, primarily because of the disincentive it created to repair aging infrastructure, and the underlying philosophy that Albany knows local needs best.

At the March Board of Trustees' meeting, I am confident that the Trustees will once again vote to override the cap on principle, even though we have come under it every year save one.

We have always believed that our duty as electeds was to advance the needs of the Village taxpayer, not those of Albany politicians.

To reiterate, the tax cap is not a way to stop municipalities from growing and adding new services equating to more than a 2% tax increase.

In this climate of significant pension obligations, escalating health care costs and increasing unfunded mandates that are completely beyond local control, no one is adding any services, rather eliminating them in order to pay the bills.

If the Village made no cuts in our last budget, our "Albany" and health care costs alone would have raised taxes by almost 5%.

The New York State Property Tax Cap and similar ones including Proposition 13 in California and Massachusetts Proposition 2 ½ were intended to relieve tax burdens for homeowners and increase local government efficiency. However, studies undertaken to review their effectiveness, including a very comprehensive one here in New York undertaken by Cornell University, have proven otherwise.

Limiting local governments' taxing power generated unintended consequences such as drastic service cuts, regional inequities and a neglect of aging infrastructure.

As illustration, using data from the NY State Comptroller's Office, the Cornell model projected that if the tax cap was adopted in its current permutation ten years ago, local government revenue would be almost 30% lower, too low to maintain even remotely the level of services citizens expect.

Villages would be most severely constrained because of the heavy reliance on property tax revenue. As a consequence today, statewide Village's showed spending cuts across most services, with the deepest in the area of public safety.

Other long term consequences identified by the researchers included development undertaken primarily to increase the tax rolls and not necessarily for the enhancement of the community, the proliferation of more government entities such as local improvement districts whose costs are exempt from the cap and an increased reliance on state aid . As a side bar, NY State aid to municipalities has remained flat over the life of the cap resulting in less aid in real dollars than was received over ten years ago. The promise of increased state aid and a decrease in unfunded mandates as a corollary to the cap legislation never materialized.

In addition, since infrastructure repair is not exempt from the tax cap for municipalities, though it is for the State and School District budgets, necessary repairs have been postponed throughout the State since the inception of the cap.

State Comptroller Thomas DiNapoli recently issued a very disconcerting report about New York's crumbling infrastructure. He estimated that communities state wide are undertaking less than 30% of the capital infrastructure projects that are needed right now.

The cap override provision also served to increase inherent inequities already existing among communities because override attempts have been much more successful in municipalities with above average income and education levels. The greater reliance on State aid has also disproportionally affected less wealthy communities when economic conditions change. Poorer communities were hit much harder when state aid dropped or remained flat.

In a nutshell, the Cornell study came to conclusions about the tax cap that I concur with heartily.

In their view, the ultimate effect has been to add to local fiscal stress, encourage municipalities to cut services while not directly addressing rising expenditures and creating new layers of government by forming "special districts" to recapture revenues.

Also development has been encouraged that has not always been beneficial to anything but the tax roll and the override option has increased inherent inequalities among communities.

The Cornell researchers conclude that in order for the tax cap to be at all positive going forward, the NYS Legislature must enact substantial mandate relief measures to lower the local tax burden and state aid must be increased. Exemptions to the cap must also be carved out for disaster relief and capital/infrastructure spending.

To me, the tax cap aptly demonstrates the old adage, if it's too good to be true, it probably is.