



Association of Towns of the State of New York
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Testimony of the Association of Towns of the State of New York
Gerry Geist, Executive Director

On
The Property Tax Freeze Credit Program
and
The STAR Program
as provided for in the
2014-2015 State Budget

Before the
Assembly Committees on Local Government, Real Property Taxation and Cities

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Albany New York

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Greeting

Thank you for the opportunity to appear before you today. Local government officials rely upon the leadership and commitment of you and your committees to help them provide quality services to the communities and constituents of our great state.

I'm Gerry Geist, the Executive Director of the Association of Towns of the State of New York. While I am relatively new to this office I have been involved with town government for more than three decades. Like you, I ran for public office to help my community provide reliable roads, clean drinking water, vibrant parks and to provide programs to help our local business, kids, seniors and people in need face daily challenges and thrive. While in office, I helped our town create a recreation center and extend library hours and services. I am concerned that these types programs and initiatives are getting harder to fund as towns are forced to reduce staff, cut services, spend down reserves to lower property taxes and stay within their allowable levy limit. Not only are towns forced to make cuts to programs that help seniors get a warm meal, provide kids with a safe place to play or read a book and others to find jobs or social services, towns are also forgoing needed infrastructure improvements in order to stay within their allowable levy limit.

I would like to take this opportunity to thank you for working with your colleagues in the senate and Governor to provide additional CHIPS funding for extraordinary expenses associated with the extreme winter and increasing funding for the Environmental Protection Fund to assist local governments with their environmental stewardship.

Property Tax Freeze program

You have asked us here today to discuss the property tax freeze program and changes to the STAR program both of which were provided for in the 2014-15 State Budget. Again, I would like to thank you for working with your colleagues in the senate and the Governor to modify the Governor's initial Property Tax Freeze Rebate proposal to provide local governments with more opportunity to participate in this program. Offering local governments with the choice to either submit a single or joint efficiency plan that includes savings realized from shared services with school districts and cost reductions due to efficiencies provides more municipalities with the opportunity to participate in this program. We are especially grateful that the final program recognized that municipalities have already been sharing services and consolidating operations and functions by authorizing municipalities to include prior initiatives that continue to produce real savings for the taxpayer. Unfortunately, the Property Tax Freeze Credit Guidance (Publication No. 1030) issued by the Department of Taxation and Finance indicates that the Division of Budget, the state agency charged with approving these plans, will only consider efficiencies and consolidations that occurred after January 2012. As you can understand, town officials are concerned that the elimination of any initiatives that occurred prior to January 2012 from consideration will greatly reduce their ability to participate in year two of the property tax freeze rebate program. Local governments have been sharing services, equipment and facilities as well as consolidating operations and functions for generations.

It is particularly unfortunate that taxpayers who live in towns like the Town of Ossining in Westchester County or the Town of Geddes in Onondaga County may not receive year two rebate checks because they live in communities that have been engaged in shared services for decades. The Town and Village of Ossining have been sharing the services of a single municipal clerk for several years and the Town of Geddes has been

sharing the purchase of diesel fuel Solvay Union Free School for nearly as long. Unfortunately, due to the limitations placed in the agency guidance, these and other cost saving initiatives that predate January 2012 cannot be included in a single or joint efficiency plan, even if they continue to produce savings.

Local governments across the state have similar efficiencies and savings that will not be included in this program. Town officials believe that these initiatives should be recognized regardless of whether or not they occurred before or after January 2012. The real question should be whether or not they continue to produce savings for the taxpayers. While we cannot tell you today how many towns plan to participate in the Tax Freeze Rebate Program we can tell you that more will be able to participate if the look-back period includes shared services and efficiencies that occurred prior to January 2012.

STAR Administration Reimbursement

You have also asked us to comment on another property tax relief program. The School Tax Relief (STAR) exemption was enacted in 1997 to provide a school property tax exemption to owner-occupied properties. In 2013, changes to the law required all homeowners receiving a Basic STAR exemption to re-register with the Department of Taxation and Finance in order to continue receiving the exemption in 2014 and beyond. The 2014-2015 State Budget clarified the procedure for late applications, setting forth that the Commissioner of Taxation and Finance has the authority to accept a late Basic Star exemption registration and, if such application is accepted, the commissioner may remit the tax savings directly to the property owner. While the Association of Towns appreciates this clarification, the fact remains that our local officials are responsible for the administration of the STAR program. In fact, many town assessors devote 30

percent of their time to STAR administration; some even require additional staff to assist in administering the program.

The STAR program is a state program that is administered at the local level by our towns. When STAR was initially implemented, the state provided aid to local governments to defray the administrative costs; in 1999 the state provided \$12 million to municipalities and in 2004, this amount was reduced to \$6 million. This aid was eliminated altogether in the 2009-2010 fiscal year, despite the fact that administration of the program has become more complex and burdensome with each program enhancement.

Municipal officials are currently serving in an economic climate that presents a multitude of financial pressures including unfunded mandates and revenue limitations. It is virtually impossible for towns to continue to bear the financial burden of administering this state program while also reducing taxes. Real property taxes serve as the primary source of revenue for towns throughout the state, and such revenue is necessary to comply with these unfunded mandates. In this tax freeze/cap era, we are hopeful that the Legislature recognizes that the STAR program enhancements enacted over the years have had a direct impact on the towns responsible for its administration. We therefore request that the Legislature reinstate state funding to towns to offset the costs of administering the STAR program.

Property Tax Reform

While rebate programs provide short term property tax relief, we believe that reforming the real property tax system will provide long term property tax relief. Perhaps no one understands this better than Chair Galef. During your chairmanship of the Assembly Real Property Tax Committee you have sponsored and passed scores of bills to address

the inequities of our current property tax system. Approximately 33 percent of all real property in New York State is tax exempt, due to the scores of real property tax exemptions that are provided by law. Although, real property tax exemptions may provide targeted relief to some taxpayers they do not reduce the amount of money that a municipality must raise by taxes in order to provide services within its borders. Rather, they simply cause that amount to be raised from a smaller tax base. The shift in tax burden to those left without exemptions results in a continually diminishing tax base shouldering a continually increasing tax burden. These issues are essential to any conversation about meaningful real property tax reform. Enacting comprehensive property tax reforms to provide a more equitable system will provide sustainable tax relief to more New Yorkers.

Mandate Relief

Although it is not a new request, local governments are in desperate need of mandate relief. We believe it is important to discuss mandate relief today because we cannot achieve long term and sustainable property tax relief without addressing the cost of providing local government services. We appreciate the introduction of A.8715 by Chair Magnarelli regarding the need to identify the true costs of regulations by adding improvements to the regulatory impact statements accompanying new state regulations. Without knowing the actual cost of proposed regulations it is difficult for the public to weigh the benefits of the proposed regulations against the cost to the taxpayers or loss of jobs. A.5459 sponsored by Chair Galef is another good example of comprehensive mandate relief legislation. We appreciate that you have sponsored this important legislation for nearly two decades and would like help you get this bill passed this session.

Infrastructure Funding

Finally, we cannot lower property taxes without providing funding for local infrastructure. While we are grateful that capital aid to local governments for highway and bridge projects was preserved at 2013-14 levels, with \$438.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program or a total of \$477.8 million, we can do better. We need bold initiatives like A.9244 sponsored by Chair Ortiz that would have created the Urban Restoration Bond Act of 2014. We appreciate the time and interest that you took to travel around the state to talk with local government officials and to investigate the infrastructure needs of New York's urban centers. It shows your commitment to improving New York's infrastructure. We agree with you that New York needs to invest in our roads, bridges and mass transit systems. Unfortunately, our common goals of lowering property taxes and growing our economy cannot be realized by issuing tax freeze rebate checks today that must be used tomorrow to pay for car damage resulting from potholes or doctor bills due to poor quality drinking water. In addition to a safe and reliable transportation system we need clean drinking water and broadband internet service to grow our economy and keep New Yorkers safe and healthy. We believe the Legislature has a unique opportunity to lower property taxes and improve our quality of life by using the bank settlement funds to finance our local infrastructure needs. There are billions of dollars from the bank settlements that you can make available to fill potholes, rebuild bridges, improve mass transit, provide clean drinking water and connect people and businesses through broadband to the 21st century. Comptroller DiNapoli has reported that New York needs to address our aging infrastructure and that one of the best uses for the bank settlement funds would be to invest in our roads, bridges and other infrastructure needs. We agree with Comptroller DiNapoli and the coalition of labor, business and government leaders who are advocating that the bank settlement funds should be used to rebuild New York now.

Conclusion

Thank you for your service, your interest in local government and the time to appear before you today. We look forward to working with you and your staffs this session.