

A Cap on Property Taxes Imperils New York State's Educational Reforms

April 23rd, 2008

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I am Bruce Ventimiglia, the Co-Chairman of **BALCONY**, the Business and Labor Coalition of New York. I also run a small business, an investment firm called Saratoga Capital Management based in Garden City, New York. **BALCONY** represents over a thousand small businesses throughout New York State, along with numerous labor organizations and advocacy groups. Finding common ground among these diverse constituents is **BALCONY**'s main goal. Today, I will focus on the consideration of a statewide cap on property taxes, and demonstrate why such a seemingly appealing idea contains within it the seeds of destruction for the New York State public education system.

Homeowners are voters, and many respond positively to proposals to reduce their property taxes, especially in times of economic uncertainty. Politicians frequently offer plans that appeal to this stable, reliable constituency.

Here in New York, homeowners pay the highest property taxes in the nation so pledges to reduce their burdens are especially attractive.

However, the majority of property owners are also parents, grandparents, or parents-to-be. Very few of them want to endanger their children's future by compromising the public educational institutions whose duty is to prepare students for the ever-changing economy. Property taxes fund public education in New York State. Proceeds from these taxes represent 91% of the \$24.3 billion spent by our state's counties and cities each year for education.

Though the cap proposal applies only to school property taxes for now, there is reason for the business community to be concerned about other far-reaching, negative impacts. In fact, during a recent hearing in Albany on the proposed cap, Assembly Ways and Means chairman Herman "Denny" Farrell (D.-Manhattan) highlighted that potential ripple effect when he said, "Give us a cap that preserves the services that people need."

Farrell knows there is only so much money to go around - especially now, when the economy is on a downward trend that many experts predict will be made worse by the ongoing mortgage and banking crises. Once schools start feeling the pinch, the Legislature will be in the position of having to rob Peter to pay Paul. One of the first places lawmakers will look to take from is municipal aid.

Like schools, municipalities are being squeezed by rising energy, pension and health care costs. If forced to make do with less, local governments will have to seek other funding sources to maintain services people need and expect. Two of the most popular stopgap measures are raising sales taxes and user fees.

Residents in New York have already shown their willingness to travel to bordering states to do their shopping for back-to-school clothes and other items to escape high sales taxes here. New York businesses would only suffer more if local governments were forced to increase sales taxes to make up for lost revenues.

Meanwhile, the cost of doing business in New York is high enough. Businesses - especially small ones - do not need to be paying even more for operational expenses such as trash collection or permit costs.

When revenues are scarce, local governments are often forced to cut road-improvement and other infrastructure projects. Such steps, however, often affect the flow of commerce, ultimately resulting in an adverse impact on business.

I emphasize the crucial nature of education, and the need for it to be vigorously supported today, as we live in exceptional times.

The U.S. Department of Labor predicts that current graduates will have 10-14 jobs by the age of 38. The amount of technical education doubles every two years. We are training students right now for jobs and technologies that don't even exist yet to solve problems that have yet to be identified.

Half of what today's college freshmen learn in their first year will be outdated by the time they graduate. The U.S. Secretary of Education has proclaimed that what will be the top ten jobs in terms of demand in 2010 did not even exist in 2004.

The annual research and development for Nintendo is twice what the federal government spends on research and innovation in education.

The English vocabulary today consists of approximately 540,000 words, five times what it was in the Shakespearean Era. In a few years, there will be more English speaking people in India and China than in the United States. As a businessman who is used to planning ahead, I can foresee many valuable high tech jobs continuing to migrate overseas if our educational system is not up to the demand for computer programmers and IT engineers.

Is there any question about how important widespread public education has become? Learning to think and analyze, as opposed to learning by rote and regurgitation, is now a necessity for cultural and social survival. Without these skills, America will fail to produce a competitive workforce at a critical juncture when the entire world has morphed into one globalized economy.

At a time when significant progress has been made in New York State public schools, that progress will be thrown into jeopardy if a property tax cap is enacted. Only a few short weeks ago, *Education Week's* annual *Quality Counts* report showed that New York's schools received the highest overall marks nationwide. Our ratings show we are

taking the right steps to reform education, improve achievement overall and close the achievement gap.

At the very moment that New York State appears to be closing the achievement gap, a property tax cap would constrain New York school districts from making the innovative changes that are required.

The growing sub-prime mortgage crisis has a significant proportion of homeowners nervous and on edge. It is easier for scared voters to make ill-considered decisions, and a cap on property taxes is like the proverbial Trojan horse, appealing from afar but suffused with hidden dangers within.

Voters in other states have fallen for this “quick fix.” The infamous Proposition 13 in California was hailed as a major reform when passed in 1978, but led to school district cutbacks and a decline in test scores throughout the Golden State. Similar results occurred more recently in Massachusetts.

The vital principle of local control for school districts could become a nightmare instead of the binding glue for a district or a region. This can occur because most property tax cap proposals allow individual districts to override the cap temporarily if educational quality declines. This provision is used far more frequently in wealthier districts than in impoverished ones, and the inevitable result is a two-tiered system of public instruction, a result that no thoughtful person desires.

At the very moment when American society is making an unprecedented transition from a manufacturing economy to a knowledge-based one, a property tax cap would deprive school districts of the necessary wherewithal to support this sea change. Today’s student is tomorrow’s information specialist. Without the right training and technical access to the expensive new machinery of the Information Society this transition will be incomplete, and our entire society will suffer.

We cannot place a cap on our children’s future. While property tax reform is indeed important, it makes no sense to cap the one tax that is almost universally supported by New York State citizens.

It would be better to devise tax relief that targets low and moderate-income homeowners, linking any cap to a percentage of their annual income. The Galef-Little “circuit breaker” bill currently being considered by the New York State Legislature attempts this, and should be carefully scrutinized as a realistic alternative.

Universal education was rhetorical idealism in the 19th Century, a well-meaning notion that did not reflect the realities of pioneer settlement and agricultural production. In the 21st Century it has become a societal necessity.

The Property Tax Relief Commission considering the property tax cap is charged with reporting back in late May. We can only hope that all possible consequences are being weighed and all possible alternatives considered.

If not, the cure could be worse than the disease.