In NYS, schools are funded from a combination of sources. In 2003-04:

- 49% from local revenues.
  - Property taxes comprise 90%.
  - STAR to help reduce burden
- 44% from state aid and grants.
- 7% from federal gov’t.
NYS tax burden is competitive with other states when comparing state taxes only.

- In FY 2005, NYS ranked 27th with a burden of $68 per $1,000 of personal income.

- National average was just under $67 per $1,000.

The story is completely different when looking at state and local taxes.

- In FY 2002, NYS had the highest burden in the US at $131 per $1,000.

- National average was $104 per $1,000.

- Property taxes per $1,000 of income were 28% above the national average.
School Finance in NYS

- Just under 700 school districts with annual budgets approved by voters
- Financed primarily through property tax and state aid.
- Some local sales tax, and consumer utility taxes.
- Big 5 districts have school budgets as part of city budget – no direct vote.

Education Finance Litigation

- CFE suit in 1990s
  - Level of funding for NYC schools did not provide for a sound basic education.
  - Court of Appeals found for plaintiff and set a 7/04 deadline for legislative remedy.
  - 3 referees found need for additional funding of $5.6 B over 4 years and capital spending of $9.2 B over 5 years.
  - Litigation continues and pressure builds for resolution.
High Property Taxes in NYS

- Single largest tax in NYS
  - over $38 B in 2005
  - more than $34 B from NYS & NYC PIT
- Grown by 42% since 2000
- Higher growth downstate

Local Income Taxes in NYS

- NYC
  - conforms to state base
  - own rates with top rate of 3.648%
  - No nonresident tax
- Yonkers
  - piggyback on state liability @10%
  - do tax nonresident earnings
Local Income Taxes in NYS

- Both Local PITs are for general municipal purposes
- NYC & Yonkers are Big 5 districts so these local PITs indirectly go towards their school budgets.

Interest in School District PIT

- We have seen growing interest in the past year for school district PIT to either replace or in addition to property tax.
- At least 3 bills introduced in Legislature, none went anywhere.
Issues to Consider for a Local PIT

- Tax base – broad or narrow
- Local or State administration
- Geographic imposition
- Additional tax or tax swap
  - winners & losers
- Spending limits
- Federal & State tax implications
- Regional impacts