



BUDGET WATCH '03

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Some key facts to consider:

- Property taxes per capita in New York were about 50 percent above the national average in 2000, down from 72 percent in 1994.
- Still, the disparity between our property tax burden and the U.S. average adds up to \$8.4 billion, by far our biggest competitive disadvantage.
- State aid to localities rose 10.3 percent, after accounting for inflation, during the 1990s.
- As private-sector employment statewide dropped by 42,400 over the year ending in November, local governments trimmed payrolls by 4,100 jobs.
- Simply holding overall state-funds spending to the rate of inflation over the last five years could have saved the state \$7.9 billion this year.

OUR LOCAL TAXES ARE FAR TOO HIGH – AND MORE STATE AID WON'T FIX THE PROBLEM

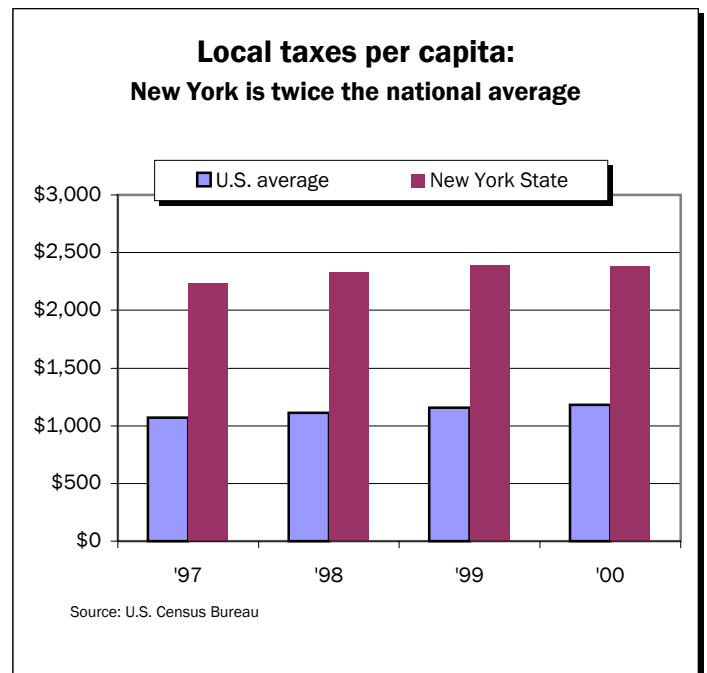
Everyone knows taxes in New York are too high. That's especially true with local taxes. On this measure, New York is far and away the national leader. Our local taxes averaged \$2,378 for every resident in 2000, more than twice the national average.

The pro-spending forces in Albany like to blame high local taxes on the tax cuts enacted by Governor Pataki and the Legislature. State-level tax reductions only shift the tax burden to our local taxes, they claim.

But the facts are quite different.

True, while state leaders were cutting taxes in recent years, school districts and municipalities did raise them. But that was hardly a new phenomenon.

Statewide, revenues from property taxes and other local taxes rose 24 percent from 1990 to 1995, when the state also increased taxes. In the second half of the decade, when the state was cutting taxes, the increase in local taxes was slightly less, at 22 percent, according to the Office



of the State Comptroller.

The truth is, many school district and municipal officials seem to start each budget process with a rough idea of what size tax increase voters will accept – perhaps 3 percent, 5 percent or even more.

If there's a big increase in state aid, that tends to fuel

more spending—rather than reduce the property-tax levy.

In local communities and in Albany alike, the solution to New York's high taxes is precisely the same: Control spending.

\$1 BILLION HERE, \$1 BILLION THERE ADDS UP TO REAL MONEY

Local government in New York State is now a \$100-billion-a-year industry.

The Office of the State Comptroller keeps track of spending and revenues for every county, city, school district and other unit of local government in the state. Its *Spe-*

cial Report on Municipal Affairs for 2000 shows that localities spent a combined \$99.2 billion that year. That was an increase of 4.5 percent, roughly twice the rate of inflation, from the previous year. Almost certainly, local governments' spending topped \$100 billion in 2001.

While state mandates account for some of that spending, they are by no means the only factor. Employee benefits, for instance, cost local taxpayers \$9 billion a year, more than twice the combined amount for sanitation and highways.