User Fees and the New York State Local Government Property Tax Freeze

by

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New York State
Property Tax Cap

• Started in 2011.
• Limits property tax growth to two percent or the rate of inflation, whichever is lower.
• Balanced budget still required.
• Cap is not mandatory to any degree.
• Property tax refunds and political pressure.
• Special exclusions apply.
Special Exclusions

• Employer contributions to pension systems.
• Growth in the tax base.
• Carry forward computation.
• Court order related expenditures.
• School district capital expenditures.
Some Governments Override the Cap

• City of Troy had large 2017 tax increase to help fix a budget gap.

• Town of Colonie budget for 2019 indicates they are above the cap limit on property tax revenues. Vote to override the cap in 2018.
Research Questions?

• Did the implementation of a new property tax cap in 2011 by the State of New York have a systematic effect to encourage county governments to increase user fees and limit property tax revenues?

• Did government spending activity for counties change after the cap was implemented?
Data for the Study

• Office of the New York State Comptroller data for county governments.
• Revenue patterns in 2010 to 2017 used.
• Property tax revenue percent (2010 and 2017).
• User fee revenue percentage (2010 and 2017).
• Expenditure data (1996-2017)
Property Tax Reliance From 2010 to 2017

- Increased in 67% of counties (n=36).
- Decreased in 33% of counties (n=18).
- Missing data for 3 counties.
User Fee Reliance From 2010 to 2017

• Increased in 22% of counties (n=12).

• Decreased in 78% of counties (n=42).

• Missing data for 3 counties.
Counties Using More User Fees and Less Property Taxes

• 8 Counties (14.8 percent) of 54 counties.

• Four Large Counties: Erie, Monroe, Nassau and Suffolk. (Large Money Amounts).

• Four Smaller Counties: Clinton, Rensselaer, Schenectady, and Wayne.
Data for 10 Largest Counties

- Less reliant on property taxes: 50%.
- More reliant on user fees: 50%.
- Albany, Broome, Erie, Monroe, Nassau, Onondaga, Orange, Rockland, Suffolk, Westchester.
- A “smaller county effect” influences that data when studied for all counties.
County Expenditure Study

- 1996-2010: 4.9%.

- 2003-2010: 4.9%.

- 2011-2017: 1.0%

- Research suggests lower spending associated with period after the cap was implemented.
Questions?

• Request more information at kbronner@albany.edu.