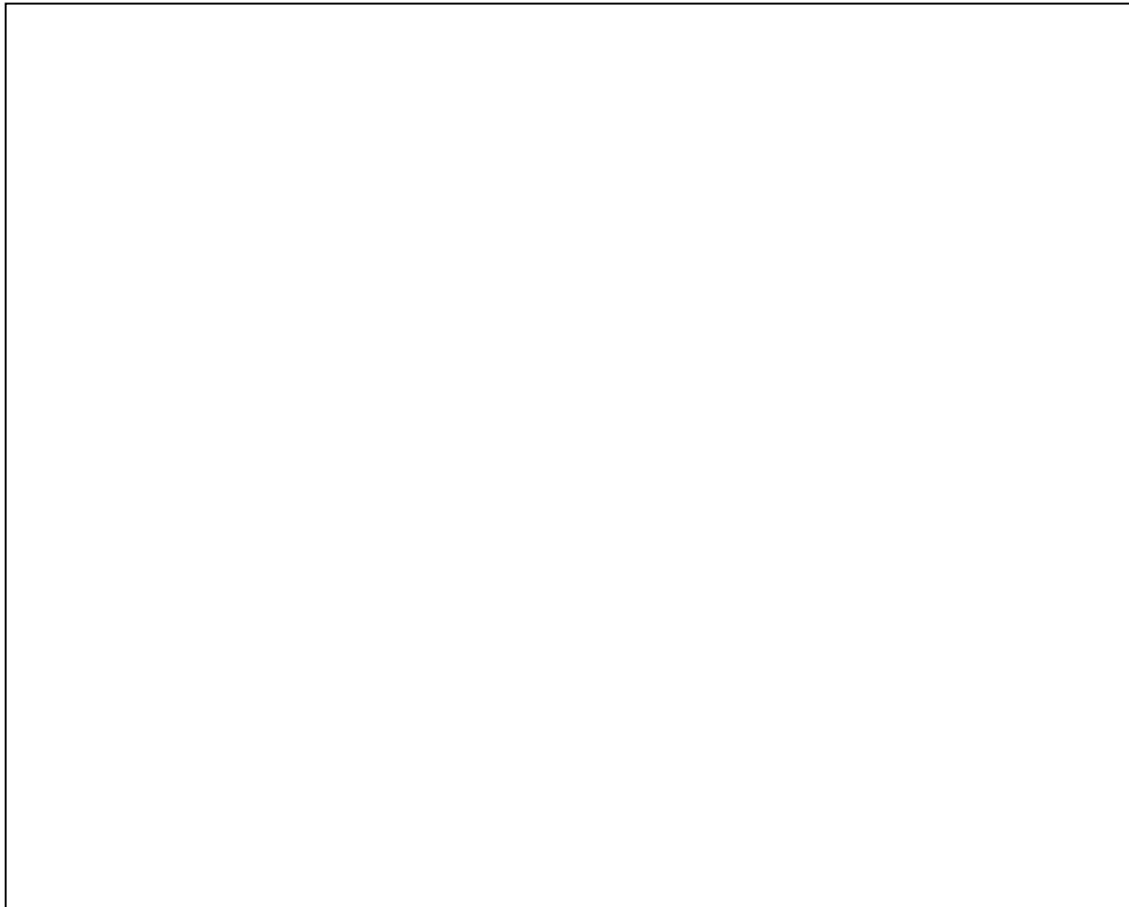




Commission on Property Tax Relief Testimony

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Situation



- Property Taxes Represent At Least 15% of Median Household Income
- Retention of Population Challenged Near-Term By Economic Quality of Life
- Barrier To Entry for New Industry Insurmountable

My name is Terry Keeley. I am the Town Supervisor of the Town of Portville, a small community within Cattaraugus County in the Southern Tier about 70 miles south of Buffalo. I want to thank the Commission for this opportunity to speak on this most important subject. Our economic situation is challenged by all of the factors that many before me have communicated to you in their testimonies. However, we also are faced with an environment where the median household income is \$37,000 to cover off property taxes which now represent 15% of their after tax income. When mixed with mortgage payments and utilities, what is left over for basic necessities such as clothing and food is minimal. As a result, our community and moreover most of Cattaraugus County and I would speculate Western New York is seeing a population exodus which will be devastating if not addressed proactively. The average age of our county is more than 4 years higher than the national average. And what do we see happening in the future? Twelve years from now, if we do not change the economic model, including the taxation model, of this State as well as proactive steps within our own county, 6% of our population will move out of State while the over 65 population will increase by 15%. And, when we examine the tax costs, both from a property tax as well as business tax perspective, the barriers to entry for new industry in New York State are sufficient to drive those businesses to much more economically friendly States. In the colloquial, this is a going out of business sale.



CAPS



- California – Proposition 13 and 1%
- CO and MA – Business Friendly
- NY (Seems Unlimited)
 - Averaging 4-5% and Rising
 - Property Values Flat or Declining
 - No Practical Limitations On Taxation

I quit a successful career in technology in California 8 years ago so I could do volunteer work to give back to the world that has been so good to me. My wife and I decided to move to New York to be closer to family and to raise our children in what is truly a beautiful part of the world. Upon hearing that we were moving to New York, one of my New York relatives said to me that “I obviously failed the intelligence test” because of how high the taxes are in New York. The differences in the taxation and process models used by New York are very clear. In California back in the late 70’s, the voters passed a law called Proposition 13 which limited property tax to 1% of the purchase price of one’s home. In other words, when you buy a house, your property tax is set at 1% of that purchase price and can only go up by 5% of that 1% per year. Only voter approved bond measures can increase one’s property tax. From that property tax comes the funds for town, city, village, school and county government. The impact this had on the economy was staggering. Shortly after it was introduced, the State began to see more housing starts, more new businesses of substantial size, and substantial growth in these real estate assets. By far, this one single action was the major stimulus for what California’s economy is today.

Other States such as Massachusetts and Colorado have put in place attractive taxation models which enable primarily businesses to flourish. Colorado clearly outpaces Massachusetts when it comes to being more friendly from a consumer or homeowner perspective. But these differences are mitigated by the fact that businesses are successful state-wide which means that median household income and individual income levels throughout these States are more than sufficient to deal with their modest tax rate hikes and structures. Thus, this is the reason many companies that are in California that were looking for cheaper real estate were willing to set up campuses and factories in those States for their expansion needs.



Circuits



- Minimal and Sufficient
- Total Property Tax (County + Town + Village + City + School) Never Greater Than 1.5% Of Purchase Price
- Government Spending Growth Limited To Cost Of Living Index
- Deltas Require Simple Majority Ballot Measures

For New York to flourish, limitations need to be set to control government spending at all levels. Essential baseline services such as police, fire, and highway are obvious as are many more. But each government needs to do a triage on itself to determine what, as my mentor used to say, is “minimally necessary and sufficient”. Minimally necessary and sufficient is where government needs to go and not go beyond. When you add it all up, total property tax should not be more than 1.5% of the purchase price of a property.

Florida recently enacted legislation to limit government spending growth to the cost of living index. Similarly, they rolled back taxes to those of three years ago. It was a great first step. The question they are faced with is “whether it was enough”. Probably not given the bleeding housing market they now possess. But they continue to tune it and I suspect will successfully persevere.

But we also must be pragmatic. There will be times when government thinks a larger initiative must occur. In those cases, it is essential that the explanation and rationale be presented to the voters for their decision. Thus, I would suggest, as has happened now in many States, that spending above the 1.5% be proposed via Bond Measures presented to the voters annually with mandatory independent analysis for voter dissemination.



Mandates - Schools



- Top Down Programs That Are Not Sufficiently Tested
 - Example: Change In Math Methodology
- Taylor Law & Triborough Amendment Needs Amendment or Repeal
 - Currently No Incentive To Negotiate Or Achieve Cost Control

Let's look at Mandates and their impact. First, an example. The school tax in our community is greater than the town, village and county taxes combined. It currently costs more than \$15,500 per student. We have a private school in another town which provides as good (some would say better) education for \$4,200 per student. If this were California, the parents would take their school voucher and remove their children from the public school and take them to the private school. Economics would take over and the cost per student would drop like a rock. Are the deliverables in today's school system minimal and sufficient to deliver a high quality education. I think not.

So why is it so high? Let's look at some of the drivers. Aside from the unfunded mandates which I will address shortly, the NYS Board of Education uses the school system as a "petri dish of choice" to experiment with teaching of core subjects. These experiments, such a radical methodology changes in teaching math or providing untested methodologies to supporting special education students, not only do a disservice to those students but also are very, very costly. Take as an example the math experiment. Regardless of the fact that those students who were taught math using non-conventional, non-scientific methods ended up with poor math skills which impeded their future career opportunities, the entire text book catalog changed and the teachers had to be retaught which results in huge avoidable costs.

The Taylor Law and Triborough Amendment have created a scenario where negotiation for cost control and reduction in Union contracts is now akin to a castle siege. The existing contract remains in force indefinitely unless the Union demand is approved.



Mandates - Schools



- 3020a Disciplinary Procedure Flawed
 - No Ability To Discipline Teachers Without Costly, Threatening Legal Battle
- Tenure
 - Current Law (30202) Removed Student Test Results From Being A Factor For Tenure Which Leads To The System Employing A Lot Of Non-Performers

The 3020a Law has made disciplining teachers very costly and threatening because it is an all or nothing proposition. This is the only means of corrective action and that action will result in termination. This is too harsh in the majority of circumstances and as a result becomes very costly to pursue. That law along with the 30202 Law governing tenure have resulted in a swelling of the teacher population beyond what is minimal and sufficient to one that accommodates the non-performer and bad-performer to the detriment of the taxpayer.



Mandates - Schools



- Special Education
 - Synchronize Funding With Demand
- Wick's Law
 - “The \$400,000 Yugo”

Special Education is a huge cost per student. Typically, you can easily plan for the cost to be 4X that of a mainstream student. No one challenges the need for the special support that is required for these students, but the fact is that the funding, which comes from the State for its mandated requirements, is not received until the following school year. Synchronization of funding with demand is required

Wick's Law is another legislative cost barrier which is totally correctable short-term. Currently, rather than getting a consolidated bid from a myriad of contractors for a specific project, each component discipline (electrical versus plumbing versus HVAC versus construction, etc) must be separately bid using wage scales outside of the project area. We all remember the US government's \$600 hammer and the \$2,000 toilet, collectively which you could buy at Home Depot for perhaps \$300. This is no different. It is like building a Yugo out of a parts catalog. The corrective action here is to amend this law to get competing bids using any wage at or above the NYS minimum wage scale and to allow those bids to be consolidated implementation bids rather than by discipline.



Mandates - County



- (New Law) Mortgage Tax
 - The State Will Provide Revenue To A County If The County Implements A 5% Mortgage Tax
 - Ugh!

Recently the State passed into law a Mortgage Tax which would enable counties to get State funding if they locally impose a mortgage tax on its property owners. Need I say more about why it needs to be repealed.

You can't boil the ocean to address every mandate that has been issued, but these I have brought up are by far the most impactful and the ones that need virtually immediate corrective action.



Consolidation



- Shared Services
 - Today State Money Is A Motivator
 - Good Business Management Should Be The Motivator
- Performance Contracts
 - Every Shared Services Agreement
 - Every Appointed Position
- Give Us Contract Templates

I suspect many of my colleagues in other Towns, Villages, and Cities will disagree with me in being so absolute. The motivation for doing shared services is that it lowers cost. You don't lower cost exclusively by getting State money for something that should happen as good business management. Whether it is sharing an assessor, or a bookkeeper, or plowing roads, or doing repairs, the core premise is to consolidate as much as possible. I would say the State should provide the right contract structures as templates to enable these shared service arrangements.

But often times, there is legitimate fear for not consolidating. Take as an example the job of assessor. The person is appointed for 6 years, reports to no one, can do a lousy job, mess up the entire tax roll, create a taxpayer nightmare, and still retain their job without consequence. In our tiny little town of Portville, New York, our assessor had to sign an employment performance contract before we would swear the person into office. Now, I grant you that selecting the right person is essential, but having the latitude and ability to manage that person and that function to a successful set of deliverables has certainly resulted in great performance and tremendous taxpayer satisfaction.

These are management issues that should be formally addressed as training opportunities as much as legislative latitudes so that performance and cost efficiencies can be realized as all levels of State and local government.



Cost Drivers



- Do Triage
- State Level Benefits Packages, Regionalize Implementations

There are many opportunities, many of which I have already covered. So the challenge is to do the triage to address the ones that will bring the biggest return first. I would say that aside from all of the subjects previously addressed, one that leaps out as a huge win would be to have a State-level benefits package that provided for regionalized implementations for counties, cities, towns, villages and schools. Larger group negotiations with carriers should result in better pricing and thus lower costs for everyone.

I would like to thank the Commission once again for the opportunity to address this most important subject.