



CITIZENS BUDGET COMMISSION

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FOR IMMEDIATE RELEASE – Monday, November 10, 2003

NEW STUDY FINDS LOCAL TAXES IN NEW YORK STATE ARE HIGHEST IN NATION, DUE TO MEDICAID, EDUCATION, AND EMPLOYEE BENEFITS

THIS IS AS TRUE OUTSIDE NEW YORK CITY AS INSIDE

STATE POLICIES DRIVE LOCAL TAX BURDEN

New York, NY – The Citizens Budget Commission today released a 50-state comparative study, using the latest available data, that reveals that local taxes in New York State are the highest in the nation, exceeding the national average by 72 percent. Among the 11 large, urbanized states with which New York most directly competes, six have local tax burdens below the national average, and the second-highest is New Jersey, where taxes are 20 percent above the national average.

New York's high local tax burden is evident for every major category of local tax. The local income tax burden is nearly five times the national average, the sales tax burden is about double the national average, and the property tax burden is about one-third higher than the national average.

And the high local tax burden in New York State is not confined to New York City. The statewide difference in local taxes per \$1,000 of personal income between New York State and the national average is about \$31. Of this difference, more than half (\$17) is raised outside New York City. Local taxpayers in both New York City and the rest of the state have a sales tax burden above the national average, but most of the high burden in New York City is attributable to local incomes taxes, while most of the high burden in the rest of the state is attributable to high property taxes.

The high local taxes in New York are required primarily because the following four major State actions drive up the cost of local public services:

- **New York's Medicaid program requires the highest local funding and is the most expensive in the United States.** It alone accounts for more than one quarter of the difference between the local tax burden in New York and the national average. Both total Medicaid costs and the locally financed share are dictated by the State.

- **Limited State support for education adds to the local fiscal burden and creates serious inequities among school districts.** The cost of education accounts for about one quarter of the difference. This reflects both local discretionary decisions and State policy to fund a relatively low share of the total cost. New York school districts received 47 percent of their nonfederal funds from the State – nearly 10 percentage points below the national average and placing New York 36th among the 50 states in that regard.
- **Pensions and fringe benefits for local government employees account for nearly another one quarter of the difference and are directly tied to State policy.** The pension benefits of most teachers and other local government employees are set by the State, and premiums for health insurance are also regulated by the State.
- **The wages and relative number of local government employees in New York are each 25 percent above the national average.** While this fact is, to some extent, a function of local government discretion, it is significantly influenced by statewide decisions about which functions devolve to local governments and how the State regulates collective bargaining between local officials and their employee unions.

“Local governments across the state are struggling under the weight of these requirements,” said Diana Fortuna, CBC President. “It is time for Albany to be more concerned about the burden that it is placing on local taxpayers.”

“Excessive local government taxes are only one part of a broader and troubling pattern of State fiscal practices that includes extraordinary debt levels and looming multi-billion dollar budget gaps,” said Charles Brecher, CBC Research Director and Professor at NYU’s Wagner School. “These practices must be improved, if New York is to compete more effectively with other states.”

These facts and findings are presented in a new study by the Citizens Budget Commission, conducted in preparation for a statewide conference on “Fixing New York State’s Fiscal Practices.” The conference, taking place on November 13th and 14th in Rockland County, will bring together more than 150 government, civic, business and labor leaders from across the state.

The full report is available at www.cbcny.org. Further information on the upcoming conference can be obtained by calling Amy Greer at 212-279-2605 x16.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.