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To: NYS State Senators and Assemblypersons from Nassau County, County Executive Thomas R. Suozzi, Nassau County Legislators

From: Howard S. Weitzman, Nassau County Comptroller

Subject: SCHOOL TAXES AND STATE AID IN NASSAU

I am writing to you today regarding an urgent matter facing the citizens of Nassau County and New York State – the school funding issue. Everyone shares the desire that children throughout New York State receive a quality education. At the same time, the costs of paying for our schools should be distributed fairly. I want to brief you on the results of a new analysis by my office that, I believe, offers new insight on the issue and especially on the plight of Nassau's highly taxed residents.

Nassau County is well known for having some of the best schools in the nation. Unfortunately, it is just as famous for the extraordinarily high property taxes its residents pay – the highest in the New York metro area (see Table 1), and among the highest tax burdens in the entire nation. School taxes on average make up two-thirds of this tax burden.

	Taxes Per Household
Nassau	\$6,056
Westchester*	\$4,182
Suffolk	\$3,818
NYC <sup>†</sup>	\$2,984

\*includes City of Yonkers income tax

<sup>†</sup>includes City of New York income tax

Sources: Nassau County Budget Office, NYC, NYS, Claritas REZIDE database

It is often assumed that this is the price Nassau residents pay for having excellent schools. A new analysis by my office, however, shows that, even though our education spending

<sup>1</sup> Does not include NYS income/sales taxes or local sales tax

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per pupil is similar to that of other NY Metro-area suburbs, we receive far less state aid than comparable counties.

Table 2 illustrates that our spending on education is in line with that of Suffolk and Westchester. Yet, our average taxes per household (as shown in Table 1) are about 50 percent higher than Westchester's, nearly 60 percent higher than Suffolk's, and 100 percent higher than New York City's. Not coincidentally, our level of school aid is the lowest in the NY Metro area (see Table 3).

Nassau	\$16,838
Westchester	\$18,033
Suffolk	\$15,997
NYC	\$12,169
NYS Avg.	\$13,822

NYS Comptroller Special Report on Local Government Finance for New York State (2002)

	Local Taxes	State Aid
Nassau	78.1%	16.6%
Westchester	64.3%	19.3%
Suffolk	59.4%	29.8%
NYC	47.1%	43.3%
NY State	45.6%	37.4%

NYS Comptroller Special Report on Local Government Finance for New York State (2002); NYS Office of Real Property Services

Statewide, the average aid to education is about 37.4 percent of school budgets, but in Nassau County we receive only about 16.6 percent. Differences in school spending alone do not explain this disparity.

The question remains, why is our state aid so low? State aid is based on complicated formulas that not only consider the percentage of low-income students, but also property wealth. *To the extent that property wealth is used to compute state aid, the formulas tend to exaggerate the "affluence" of counties like Nassau where home values have risen precipitously in the last 20 years. Unless they sell their homes, Nassau homeowners cannot realize this "property wealth."*

Economists tell us that more than 50 percent of Nassau residents, including many older residents, could not afford to buy their own houses based on their incomes. Meanwhile, they are being squeezed on local taxes – primarily school taxes – based on the premise that they are affluent because of their property values. This is particularly a problem for the elderly, who cannot afford to pay their enormous tax bills, along with soaring health care costs, on their retirement incomes; and for the young, most of whom can only dream of buying their first house in Nassau County because enormous property taxes make even a modest home unaffordable.

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A more accurate picture of ability to pay taxes is household income. When one compares average local taxes per household and average household incomes of Nassau residents with those of other downstate counties (see Table 4), it becomes apparent that Nassau residents are paying a much greater share of their incomes to local taxes, which are mostly school taxes.

	Taxes per Household	Average Household Income	Taxes as a % of Average Household Income
Nassau	\$6,056	\$ 110,429	5.48%
Westchester	\$4,182	\$ 122,833	3.40%
Suffolk	\$3,818	\$ 90,727	4.21%
NYC	\$2,984	\$ 72,829	4.10%

Sources: Nassau County, NYC Dept. of Finance, NYC Comptroller's Office, NYS Comptroller Special Report on Local Government Finance for New York State (2002), NYS Office of Real Property Services Claritas REZIDE database

What conclusions can we draw from these figures? All New Yorkers are committed to improving education, but the extent of their *financial* commitment, and the extent to which they receive state aid, varies greatly. These figures demonstrate that Nassau residents contribute a larger share of their incomes for education than residents of other counties in the NY Metro area, not because we spend an above-average amount on education, but because we receive less state aid than other NY suburban counties.

As the statewide discussion proceeds over school funding formulas in the coming weeks, our extraordinarily high tax burden in Nassau, and the comparatively low levels of state aid to our schools, should be considered in any discussion of changing state aid formulas. Specifically, any future changes to the formulas should not be weighted heavily on property values, which are not related to income levels and are often a poor indicator of ability to pay.

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