



Governance



GOAL #11—MANAGING FOR RESULTS

LONG ISLAND'S COUNTIES, TOWNS, VILLAGES AND OTHER JURISDICTIONS MANAGE THEIR COSTS AND PROVIDE QUALITY LOCAL AND REGIONAL SERVICES.

INDICATOR:

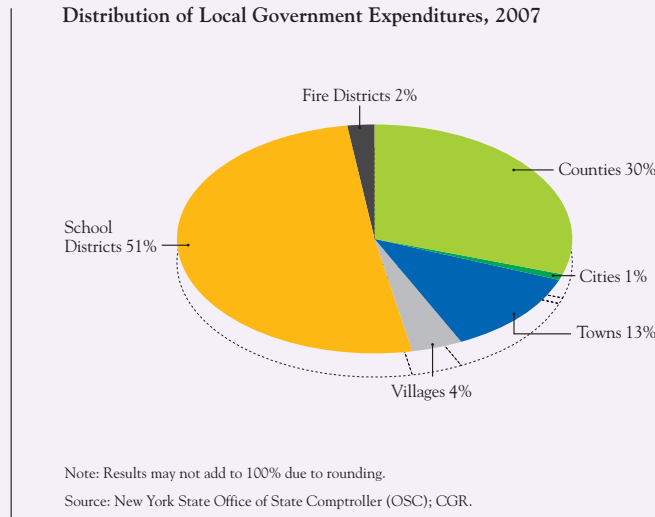
EXPENDITURES AND REVENUES

Long Island relies more heavily on property taxes as a percentage of total revenues than the rest of the state and property taxes have increased 20% in the past ten years compared to 6% statewide.

WHY IS THIS IMPORTANT?

Long Island has a large number of local government entities with associated expenditures that are large and growing. In 2007, local taxpayers contributed 79% of the total cost of local government, compared to 66% in other areas of New York State.¹ A ten-year history of local government expenditures and revenues, and comparable figures for local governments and school districts, allows Long Islanders to evaluate whether or not efforts to mitigate growth in the cost of local government have been effective.

¹All benchmark comparisons herein are for all other areas outside of Long Island *excluding* NYC.



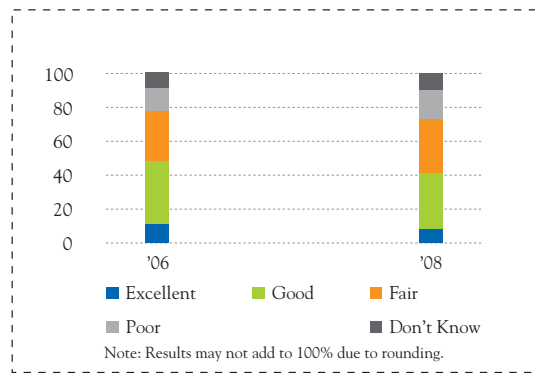
HOW ARE WE DOING?

Long Island relies more heavily on property taxes as a percentage of total revenues than the rest of the state (49% of all revenues for Long Island in 2007, compared to 33% for the rest of the state). From 1998 to 2007, property taxes increased 20% above the rate of inflation on Long Island, compared to 6% for the rest of the state.² The largest increases during this time period were attributable to cities, school districts and fire districts.

State revenues are a smaller portion of Long Island's total revenues (17%) than for other New York State local governments (27%). Also, Long Island's local governments rely more heavily on local property taxes, and depend slightly more on sales tax revenues, than do other New York State governments.

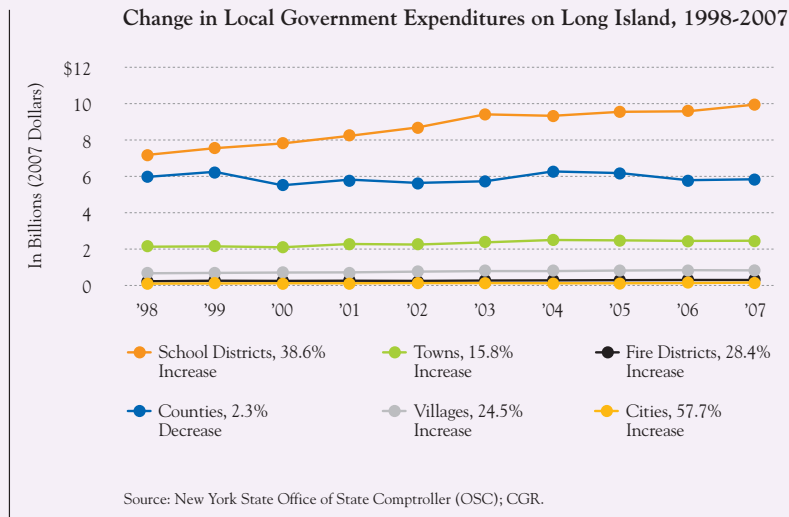
Fewer Long Islanders feel they are getting back an excellent or good value from their property taxes in terms of the quality of education in 2008 than they did two years ago, 41% today compared to 48% in 2006.

What People in the Region Are Saying
Please think about the quality of education provided by your local schools. What would you say is the value local residents get back from property taxes in terms of the quality of education?



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²There were also large differences in sales tax growth over the period. Long Island's grew by 21%, compared to 80% in the rest of the state. The primary reason for the discrepancy involves new accounting treatment rules instituted by the Governmental Accounting Standards Board in 2006. According to the new rules, counties with local sales tax sharing agreements were required to begin recording gross sales tax receipts (i.e., including all revenues, even those to be distributed with local governments). As a result, starting in 2007 many counties across the state showed sharp increases in sales tax revenues. Nassau County, by contrast, has always accounted for its shared sales tax in this way, so the new standards did not result in a similar increase. As Suffolk does not have a sharing agreement, the new standard did not affect it.



EXPENDITURES

Total expenditures by Long Island's local governments³ amounted to \$19.6 billion in 2007. School districts were the largest component of local government expenditures, with county government expenditures the second highest. The functional distribution of expenditures among Long Island's local governments is reasonably similar to other local governments in the state.

Spending by all local governments on Long Island grew 20% faster than inflation between 1998 and 2007. The growth rate reflects the fact that expenditures and revenues for Nassau County prior to 2000 included the county hospital, which was spun off from county operations to a public benefit corporation in 1999 and thus removed from the county numbers. In addition to being the largest component of local government spending (51%),

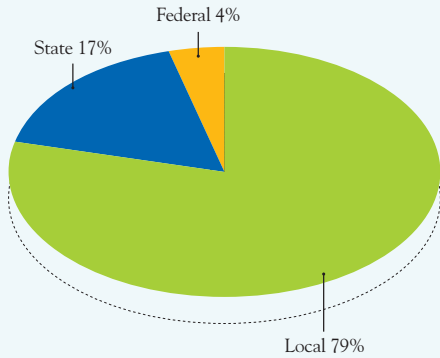
school districts had the second-greatest increase in spending, rising 39% higher than the rate of inflation over the ten-year period. City expenditures rose 58% higher than inflation, but city expenditures only represent less than 1% of total local government expenditures on Long Island.⁴ The third fastest increase in expenditures was in fire districts, up 28% higher than inflation. Fire districts represented 1.5% of total local government expenditures.

Expenditures by school districts on Long Island grew faster than those in the rest of the state due to higher increases in payroll, equipment and capital costs. At the same time, Long Island's school districts held down expenses for employee benefits, goods/services and debt better than the rest of the state.

³Local governments included in this report were all counties, cities, towns, villages, school districts and fire districts that filed annual reports with the New York State Office of the State Comptroller. Independent special districts on Long Island are not included, as the Comptroller database does not include information from all these districts. However, based on the information available on reporting districts, CGR believes the total expenditures for special districts not included in these totals is less than \$200 million, or less than 1.5% of the total counted in these tables.

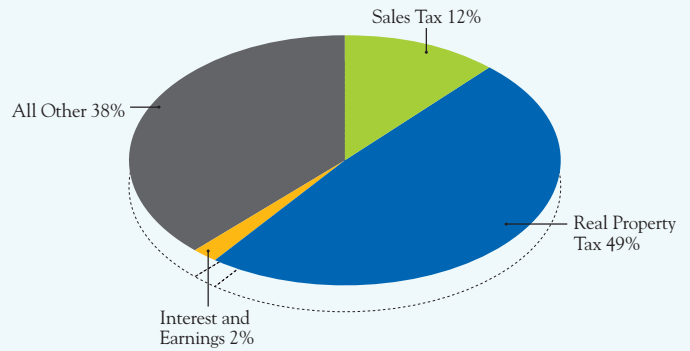
⁴There are only two cities on Long Island, both in Nassau.

All Revenue Sources—Long Island, 2007



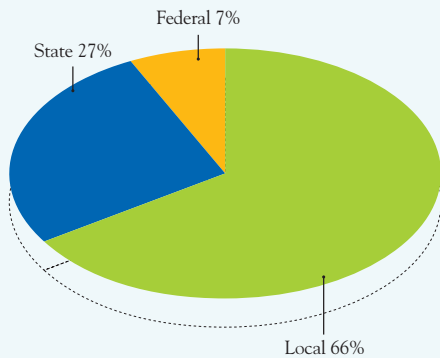
Note: Results may not add to 100% due to rounding.
 Source: New York State Office of State Comptroller (OSC); CGR.

Local Revenue Sources—Long Island, 2007



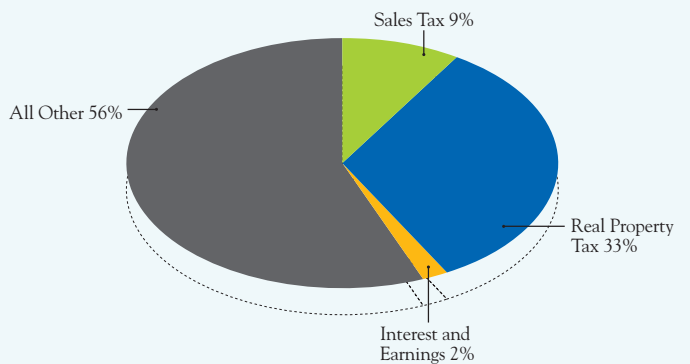
Note: Results may not add to 100% due to rounding.
 Source: New York State Office of State Comptroller (OSC); CGR.

All Revenue Sources, 2007—NYS (Minus NYC, LI)



Note: Results may not add to 100% due to rounding.
 Source: New York State Office of State Comptroller (OSC); CGR.

Local Revenue Sources—NYS (Minus NYC, LI), 2007



Source: New York State Office of State Comptroller (OSC); CGR.

REVENUES

Local governments in New York rely primarily on three sources of revenue—local revenues, state funding and federal funding.⁵ In 2007, 79% of Long Island’s total local government revenues were generated from local sources, either property tax, sales tax, interest and earnings or other fees and taxes, up slightly from 78% in 1998. 17% came from state sources and 4% from federal sources in 2007.

As noted, on Long Island local revenues were 79% of all revenues, compared to 66% for the rest of the state. The difference may help to explain in part why Long Islanders perceive such a heavy local tax burden. The data show that the relative local tax burden differential between Long Island and the rest of the state has not changed significantly over the last ten years.

⁵A fourth source of funding is debt financing; however, the debt burden is paid from local, state or federal revenue sources and is included in the figures used in this analysis.

Long Island Schools and Government Percent Change in Full Taxable Value and Real Property Tax Levy Compared to Inflation 1998-2006

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Consumer Price Index	100%	102%	105%	108%	111%	114%	118%	123%	127%
Average Change in Full Taxable Value	100%	103%	113%	126%	141%	166%	189%	211%	234%
Change in Real Property Tax Levy:									
School Districts	100%	104%	109%	116%	126%	137%	148%	161%	172%
County Governments	100%	101%	109%	116%	127%	144%	144%	146%	146%
Town Governments	100%	102%	104%	109%	111%	117%	121%	128%	133%
Village Governments	100%	101%	107%	110%	115%	123%	132%	143%	150%

Source: New York State Office of State Comptroller (OSC); CGR.

PROPERTY TAXES

High property taxes have been identified as a significant concern for Long Islanders starting with the very first *Index* report. As noted above, real property taxes account for 49% of the revenue for local governments on Long Island, which is by far the largest revenue source. Thus, there are two sides to the story about property taxes. On the one hand, they are a significant burden on local taxpayers. On the other hand, they are a critically important source of revenues, without which local governments could not provide the level of services currently offered, unless corresponding other revenue sources can be found to offset any losses in property taxes collected.

Property tax rates are calculated by dividing the real property tax levy⁶ by the taxable assessed value of the property within the jurisdiction of each government.⁷ The property tax levy can be affected most directly, on a year-by-year basis by local governments exercising control over costs that have to be paid from local taxes. Local

governments have less direct control over the value of taxable real properties, as these are subject to supply and demand forces from regional and national trends as well as local conditions.

During the period from 1998 to 2006 (the most recent data available from the Office of State Comptroller), real property tax levies for all forms of local government on Long Island grew faster than the rate of inflation, but slower than the rate of growth of real property values. For example, real property tax levies for all school districts on Long Island grew 172%, compared to inflation, which grew 127%. However, the real property full taxable value grew by an average of 234%. As another example, for all village governments on Long Island, real property tax levies grew 150% compared to the 127% inflation growth. A key indicator for the future will be, if real property values fall on Long Island, will local governments reduce costs at a corresponding rate so that local tax burdens do not increase even more.

⁶The amount needed to support total governmental appropriations minus revenues from all other sources.

⁷For this report, real property full taxable value as calculated by the state is used to adjust for different assessment rates in local governments on Long Island.