

## Tighter tax cap may jolt schools

With practically zero growth allowed, budgets could be stressed this year

By Bethany Bump Published 9:30 pm, Wednesday, January 20, 2016



---

[Buy Photo](#)

Exterior of Albany High School Thursday Oct. 29, 2015 in Albany,NY. (John Carl D'Annibale / Times Union)

---

School districts may have to cut costs or dip into reserves next year under the state property tax cap, which is being held near zero in the coming school year, according to new numbers from the U.S. Department of Labor.

Under the state property tax cap law, districts must keep any increase in their local tax levy at 2 percent or the rate of inflation, whichever is less. According to data released Wednesday by state and federal officials, the tax increase must be kept to just 0.12 percent in the 2016-17 school year — unless a supermajority of residents (60 percent) vote to override the cap.

"The nearly zero growth in the tax cap will limit budget options for school and municipal officials as they plan for next year," said state Comptroller **Tom DiNapoli**. "Although some local governments can rely on available reserve funds to bridge the gap, others may need to take a hard look at operations to find ways to cut costs to stay under the cap."

Enacted in 2011, the state tax cap law was designed to rein in out-of-control property taxes. Before the recession, annual school spending increased nearly 6 percent a year. In its first and second year, the cap limited tax levy growth to 2 percent. In the last two years, growth was constrained to 1.46 percent and 1.62 percent, respectively.



Now that it's fallen to near zero, and with only a modest increase proposed in state aid, school officials say the cap creates a hardship for districts trying to meet student needs.

In particular, districts with struggling schools – like Albany, Schenectady and Troy – point out it won't be so easy to boost proficiency or offer more services under such a strict cap.

"To put this into perspective, the median school tax levy in 2015-16 was slightly less than \$15 million," said **Timothy Kremer**, executive director of the **New York State School Boards Association**. "Under a 0.12 percent tax cap, the levy would generate less than \$18,000 in additional local revenue – not enough to hire a full-time teacher."

In 2016-17, DiNapoli estimates districts (excluding New York City and the Big Four districts) will have about \$308 million less in levy growth compared to what they had in 2015-16 when the allowable growth factor was 1.62 percent. The 10 cities in New York with fiscal years ending June 30 will have about \$14 million less in allowable levy growth.

The **New York State Association of School Business Officials** has called for state lawmakers to either tie the tax cap to a steady 2 percent, or provide state aid to make up for the loss in local revenues, which it estimates around \$405 million. It has also called on the **Department of Tax and Finance** to help implement changes passed by the Legislature last year that would allow additional flexibility with the tax cap, primarily by allowing districts to include payment in lieu of taxes in their tax levy calculations.

"These changes will each benefit about 75 percent of school districts throughout the state, which is particularly important in a zero percent tax cap year," the association's Executive Director **Michael J. Borges** said.

The state's leading business organization expressed support for the existing tax cap for the coming school year, calling the property tax cap law one of Gov. **Andrew Cuomo**'s greatest legislative accomplishments.

"We feel that it's had a real positive impact on business in New York state," said **Business Council** of New York State spokesman **Zack Hutchins**. "Property taxes are the biggest tax paid by businesses in New York and (schools) are only being expected to be held to the same standard as inflation, which should not be difficult."

**[bbump@timesunion.com](mailto:bbump@timesunion.com)** • 518-454-5387 • **[@bethanybump](https://twitter.com/bethanybump)**

© 2016 Hearst Communications, Inc.

**H E A R S T**