



NYSASBO executive director Michael Borges. | NYSASBO via YouTube

Districts could see relief in tax cap for next school year

By **KESHIA CLUKEY** | 10/21/16 05:25 AM EDT

ALBANY — The 2017-18 school year could bring some fiscal relief for school districts, as new economic data suggests the state cap on property taxes will rise above one percent.

“So far it’s trending in the right direction,” New York State Association of School Business Officials Executive Director Michael Borges told POLITICO New York.

The cap on allowed increases of property tax levy was driven below the normal two percent figure by the minimal rate of inflation, which for the 2016-17 school year is 0.12 percent. The number is based on the Consumer Price Index data from the previous year, including changes in the prices paid by urban consumers for goods and services.

Looking ahead to the following year, prices are so far trending higher.

The national Bureau of Labor Statistics as of September is reporting a 1.08 percent rise in inflation in the first nine months of 2016, according to numbers provided by NYSASBO. The official state property tax cap will be set in January.

A rise would give “some relief to school districts facing higher labor costs, additional mandates and potentially less state aid,” Borges said.

The cap varies by district, as calculations take into consideration factors such as tax-based growth and capital costs, which increase or decrease the amount the district can raise property taxes.

This year, 86 districts’ caps fell below what was levied last year, meaning they faced a negative cap. As a result, the number of districts attempting to override the state cap, which requires a supermajority vote or 60 percent approval, rose to 36 this year compared to 19 in 2015. Most of the districts attempting an override had their budgets pass.

Heading into the 2017 legislative session, school business officials are continuing to call for tweaks in the cap calculation that would allow districts to raise slightly more local funding by counting payments in lieu of taxes (known as PILOT agreements) as part of the tax-cap formula, and excluding certain construction costs shared between districts.

The legislation that would provide that flexibility was passed in 2015, but the changes were not implemented as they were left up to the state Department of Taxation and Finance, which has not issued the regulations.

Advocates and some lawmakers called for changes in the language of the law, taking it out of the department’s hands. No such changes were made last session.

In spite of constraints placed on them, the majority of districts are weathering the cap, which is at the lowest it has been since it took effect in 2012, with little impact to credit quality, according to a Moody’s Investment Services report released Thursday.

“A vast majority of New York school districts have not experienced a rating change, even during the recession, reflecting overall stability within the sector,” according to the report. Although, the report found, “so far in 2016 downgrades have slightly outpaced upgrades.”

When the cap was first implemented, districts began appropriating greater amounts of their reserve funds to balance their budgets, a trend that is subsiding, according to the report.

Both Moody's and state Comptroller Tom DiNapoli have warned of possible future problems created by the property tax cap.