

School districts face tough choices with 0.12 percent tax cap Tax cap of 0.12 percent sharply limits options

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If only it was a 2 percent tax cap.

New York State's 2 percent tax cap hasn't been 2 percent in three years, and State Comptroller Thomas P. DiNapoli made it official last week when he announced that school districts will be limited to a growth in taxes of just 0.12 percent for the 2016-17 school year. That's because the rate is based on the rate of inflation.

So what does that mean for school districts?

"Basically, we can't raise the taxes," Cheektowaga Central School Board President Renee M. Wilson said. "Hopefully there won't be any staff reductions, but that's not anything we can promise."

If Cheektowaga's tax cap calculation stays at 0.12 percent, the district could raise just \$27,000 more than last year. That's not nearly enough to cover the increases in health care or the cost of a new teacher, let alone pay raises included in contracts.

Now apply Cheektowaga's situation to districts across the region. They are beginning the process of calculating their individual caps, using exemptions and growth. Some will end up higher and others will be lower than the rate announced Wednesday.

But coupled with the loss of state aid known as the gap elimination adjustment and the failure of the state aid to stick to its formula for general operating aid, and school districts are continuing to feel the pinch.

"We've eliminated 71 positions in this journey of the last seven years. Class sizes are in the 30s," said Frontier Central Superintendent Bret Apthorpe.

Under the 0.12 percent cap, Frontier would be able to raise about \$44,000 in additional taxes.

"When is this going to stop?" Apthorpe asked.

One piece of good news this year for districts is that payments into the retirement fund are going down. But school districts say that it's not enough to offset the low tax cap and continued loss of state aid.

"The nearly zero growth in the tax cap will limit budget options for school and municipal officials as they plan for next year," DiNapoli said.

There is no question that the tax cap is doing what it's supposed to be doing – controlling taxes. Just last week, the Tax Foundation, a conservative fiscal group, reported that New York State has the highest combined state and local tax burden in the nation.

In the first three years under the tax cap, Gov. Andrew M. Cuomo estimated property taxes grew an average of just 2.2 percent per year, and that if the trends continue, the typical taxpayer will have saved more than \$2,100 in property taxes by next year.

But it also has created a hardship for school districts trying to meet student needs, said New York State School Boards Association Executive Director Timothy G. Kremer. "That's because schools will not be able to raise any meaningful new revenue without obtaining a 60 percent supermajority in support of their budget – a very challenging task," he said.

Nearly four in 10 school board members responding to a November poll said they would consider asking voters to exceed their property tax cap in 2016 if their district's cap was essentially zero, according to the school boards association. Last year, 18 districts, or less than 3 percent, sought overrides of their tax caps.

Williamsville is not contemplating going over the cap this year, said Williamsville Superintendent Scott Martzloff. But other districts are having that conversation.

"It's a challenge," Martzloff said. "The way the tax cap law is written makes it difficult this year."

Martzloff said he would be in favor of reasonable changes in the tax cap law to help districts in years like this one.

"I understand no one wants to pay more taxes," Martzloff said. "I think people can understand a 2 percent increase in this day and age."

Under the 0.12 percent cap, Williamsville could increase taxes about \$139,000.

Many education groups, such as the state school boards association, have called for amending the tax cap to provide for a consistent cap of 2 percent that doesn't fluctuate.

Some districts have dealt with near-zero caps. Niagara Falls was the only district in Erie and Niagara counties seeking an override of the cap last year, because it had a negative tax cap. The district kept taxes stable, and 63 percent of voters approved the budget.

The low tax cap also has prompted calls for more state aid.

"The alarmingly low tax cap reinforces the need for significantly more state education aid, beyond that proposed in the executive budget," Kremer said.

The New York State Association of School Business Officials also is advocating tying the tax cap to a steady 2 percent, or having enough state aid to make up for the loss in local revenues. The association also notes the law ties growth to the prior year's consumer price index, but inflation is expected to increase this year, so districts will be limited to a "severely low" cap while inflation is rising.

With the uncertainty of state aid and tight budgets in past years that have resulted in cuts to programs and personnel, school boards are hoping the financial picture improves soon.

"Am I hoping there's a light at the end of this tunnel coming? Yeah," said Wilson.

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