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School districts struggle with tax cap vs. mandated cost increase **Homeowners benefit, but students face cuts**

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ALBANY – Under New York’s tax cap, the state’s nearly 700 school districts collectively will be able to raise their property tax levy by a total of just \$25 million this year, education officials say.

That works out to an average of roughly \$35,000 per school district.

For homeowners, that sounds like good news.

But without significantly more money, school officials warn that districts can expect layoffs, program cutbacks or deep raids on rainy day funds.

Now, more than any year since the tax cap began in 2012, the push is on to tweak the law and to turn it into what some thought was the original intent of the effort: a true 2 percent cap.

The law states that localities and school districts can raise the annual property tax levy by 2 percent or by the inflation rate, whichever is lower.

And because the inflation rate is so low, the state’s schools are looking at a tax levy growth rate in 2016 of just 0.12 percent.

“It was sold as if it was a 2 percent cap. Most people think it’s a 2 percent cap,” said Timothy Kremer, executive director of the New York State School Boards Association.

But changing the tax cap does not sit well with its chief author, Gov. Andrew M. Cuomo. He proposed no changes to the cap in his recent budget, instead offering a state aid increase of \$991 million to public schools. But that was more than \$1 billion below what the Board of Regents requested.

“We make no apologies for enacting a tax cap that broke the cycle of skyrocketing property tax increases,” Richard Azzopardi, a Cuomo spokesman, said of the savings the tax cap has provided local property taxpayers.

The Cuomo budget office disputed the \$25 million statewide levy growth estimate that the school boards group and the New York State Association of School Business Officials projected. Assembly Democrats put the number closer to \$44 million. The state comptroller’s office was not able to immediately provide its own estimate.

But the Cuomo administration dismissed the \$25 million estimate, saying it fails to take into account built-in exclusions into the cap program that removes certain costs borne by localities and schools. While the \$25 million claimed by school organizations is low, the administration did not provide its own estimate.

Morris Peters, a Cuomo budget division spokesman, added that schools are saving \$800 million in lower pension costs over a two-year period because of drops in employer contribution rates. Cuomo’s budget office pointed to a study by the Empire Center for Public Policy, a budget watchdog group, that said the pension drops in 2015 and 2016 are equivalent to nearly 5 percent of school property tax levies on a cumulative statewide basis.

Cuomo and the state Senate Republican conference have hailed the tax cap’s benefits, which has benefited property tax owners.

Neither is rushing to tweak the tax cap.

Senate Majority Leader John Flanagan declined to comment for this story.

Republican senators, though, point to more state aid as the solution for the school districts’ financial situation.

Meanwhile, Democrats who lead the Assembly are leading the charge for a change in the tax cap.

“Members have been clear we’d like it to be a true 2 percent tax cap,” Assembly Speaker Carl Heastie said this week, though he acknowledged the idea faces an uphill climb with Cuomo and Senate Republicans,

In an unusual alliance with Heastie, Assembly Minority Leader Brian Kolb, a Republican who represents communities in the Finger Lakes region, also has proposed a “true” 2 percent tax cap.

Kolb also wants to allow a majority of a school district’s voters, instead of a supermajority of 60 percent, to adopt budgets exceeding the tax cap.

The tax cap

The cap sets a limit on the growth of local property tax levies, or the total amount a school district, for instance, can collect in total property taxes from one year to the next. It does not mean a homeowner’s actual tax bill will grow in the coming year by 0.12 percent, as property tax bills throughout a community can vary among residents. Moreover, the cap allows for some exclusions to computing the levy growth, such as legal judgments arising out of tort actions.

School districts are currently in the process of calculating their individual caps, using exemptions and growth. Some will end up higher and others will be lower than 0.12 percent.

As the inflation rate has been falling, so, too, has the allowable tax levy growth. Getting an override of the tax cap when school budgets go to district voters was made intentionally difficult. Just a handful of districts last year approved exceeding the tax cap.

The tax cap was intended to rein in school spending and taxes. But local school districts argue that they face costs they cannot control, such as pension and health insurance expenses.

If the cap was actually at the 2 percent level, the state school districts would be able to raise the total property tax levy by an additional \$415 million statewide, the school groups said.

No matter the precise number, it’s a long dollar distance from what schools say they could raise if the cap was at 2 percent.

And absent from the debate is the age-old plea of cutting back on state-imposed mandates that increase

the cost of providing local services, such as educating children.

“The point is that our costs increase and they are going up beyond 0.12 percent,” Kremer said.

“A 0.12 percent tax cap is ridiculously unworkable given that our costs continue to rise beyond what is used to calculate the tax cap,” added Michael Borges, executive director of the New York State Association of School Business Officials.

Under the inflation-dependent tax cap, Salamanca would be allowed the smallest tax levy growth in the state, at \$1,383, according to the school boards association.

The district with the biggest growth would be Great Neck on Long Island, at \$239,396.

One third of all districts will be able to hike their total levy by less than \$10,000, according to Kremer of the school boards association.

If the tax cap were 2 percent, instead of 0.12 percent, Salamanca could increase its levy by \$23,000, Kremer estimated.

The school business officials’ group said the cap hits low-needs districts especially hard. Those districts are often in urban and rural schools.

District-by-district breakdowns for tax levy growth caps were not available from either of the two school groups, but local officials recently told The Buffalo News of their concerns with a 0.12 percent cap.

“Basically, we can’t raise the taxes,” Cheektowaga Central School Board President Renee M. Wilson recently said.

The tax cap levy will keep the total levy increase to \$27,000 for the district, she said.

More state aid

Assembly Democrats and Senate Republicans do agree on one thing: The governor’s proposed state aid to schools is too low. State aid will grow by the time the final budget deal comes together.

“It’s a given” the Legislature will look for more state aid to help districts cope with the 0.12 percent growth in the levy, said Sen. Catharine Young, an Olean Republican who is chairwoman of the Senate Finance Committee.

Cuomo’s aid proposal of a \$991 million increase is a floor for upcoming budget talks at the Capitol, she said.

The state spends about \$24 billion a year on school aid. Last year, state education aid rose \$1.4 billion over the prior year.

“The property tax cap was passed into law with the understanding that it would be coupled with substantial state school aid increases plus as much mandate relief as we can achieve to take pressure off school districts’ budgets,” said Young, whose Senate district includes Salamanca.

Still, Young signaled the Senate is not looking at any major changes to the tax cap.

“The property tax cap is immensely popular with the public, and it has smoothed over the rocky relationships that school districts had with the voters when they proposed large tax hikes and budgets went down in defeat,” she said Wednesday.

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