

State's tax cap can have unintended impact on school budgets

Flaws in formula cited; legislative fix sought

By [Zachary Matson](#) May 4, 2016



GAZETTE FILE PHOTO

John King, then the New York State education commissioner, visits a class during a tour of Gloversville High School on Sept. 26, 2014.

It seemed like a mistake at first. How could Gloversville schools have a negative 6 percent tax cap — a cap that is widely described as limiting the annual growth of school taxes to 2 percent or less?

“I went to our business official and said, ‘Are you sure that is right,’” Gloversville Superintendent Mike Vanyo said Tuesday. Yes, he was right. “We were all caught off guard.”

By paying off debt early and being caught in a year with especially low inflation — the base that all district tax caps are calculated from — Gloversville had driven the amount it is allowed to raise from taxpayers compared to last year well below zero percent.

“There are unintended consequences of the formula that you have to be careful with,” Vanyo said.

So the district’s budget for next year, which asks for a tax freeze and cuts spending 4 percent, will require the 60 percent voter approval needed to bust a tax cap. Vanyo said thanks to over a dozen retirements and a boost in state aid, the district will be able to maintain programs for students even as it cuts overall spending.

But Gloversville wasn’t the only district that had to contend with a tax cap that, if they wanted to skate by with a simple majority on their May 17 budget vote, would cut into last year’s overall tax levy — the total amount a district collects from local taxpayers.

Northville schools had a negative 0.32 percent tax cap; Amsterdam schools were working under a negative 0.82 tax cap, the amount the district’s budget proposes to lower taxes this year. Statewide over 80 districts landed in negative tax cap territory, the most of any year since the tax cap was created five years ago, according to the state Association of School Business Officials.

For Northville Superintendent Leslie Ford and the district school board, meeting its tax cap this year would mean more drastic tax hikes in future years. With rising health and retirement costs on the horizon, Ford said, the district is asking voters to support a 1.75 percent tax levy increase in an effort to control subsequent increases.

“We are trying to smooth out the effect to taxpayers over time, so that was a big consideration for the board,” Ford said. She said the budget proposal maintains services for students but doesn’t put the district in “expansion mode.”

Michael Borges, director of the business officials group, said the tax cap law has presented problems for districts since its adoption. But he said even changes that were passed by the Legislature — one to include the values of properties in PILOT agreements in a district’s assessment — haven’t been implemented by state officials.

“There seems to be an extreme reluctance on the [Cuomo] administration’s part to recognize flaws in one of their more singular initiatives,” Borges said.

The state School Board Association also said the tax cap law has created problems for districts since it passed and that in some cases it acts as a “disincentive to school districts finding efficiencies and savings within their budget,” association spokesman Al Marlin said in a written statement. Negative tax caps can confuse voters and “complicates their ability to engage in the school budget,” Marlin added.

The state groups said one of the “leading causes” of negative tax caps is paying down debt early, which is often considered prudent fiscal stewardship that saves money. But since those annual debt payments are excluded from a district’s tax cap calculation, when the debt comes off the books, the cap drops.

“They did taxpayers a favor by paying off debt early and then are now penalized,” Borges said of districts like Gloversville that finish debt payments before replacing them with new debt. “It’s counterintuitive.”

Since districts are forced into contingency budgets that effectively freeze the tax levy if a budget vote fails to pass, it is possible for a district with a negative tax cap to be in a better situation with a failed budget vote than winning a majority with a budget at the tax cap, Borges pointed out.

New PILOT agreements that affect school districts — but don’t include districts in their negotiations — can also lower tax caps to negative territory as districts are credited for new revenue but the value of that property is not included in the district’s overall assessment.

Legislation introduced in both chambers — by Sen. James Seward, R-Milford, and Assemblywoman Donna Lupardo, D-Endwell — would not allow district tax caps to drop below zero. A Seward spokesman, Jeff Bishop, said the senator was working to amend his bill to match the language in Lupardo’s bill.

Seward said in a written statement that situations where a district’s tax cap dropped below zero “have come to light” and that the legislation was meant to address those circumstances.

“[The bill] would remedy these situations while ensuring the original intent of the tax cap — stunting the growth of skyrocketing property taxes — remains intact,” Seward said in the statement.

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