Tax Cap Flexibility

The Council of School Superintendents supports further adjustments to the tax cap law that would appropriately balance the concerns legislators and the Executive have with property tax burdens and school district flexibility to raise revenue to sustain and improve academic opportunities.

While we were opposed to a permanent property tax cap without substantial modification, we thank all parties for solidifying regulations authorizing the exclusion of BOCES capital costs. This provision will incentivize improvements to BOCES facilities while stabilizing component school district budgets.

“True 2%”: Make the school property tax cap a “true 2%”—make the cap 2%, plus or minus exclusions, rather than the lesser of 2% or the average monthly change in the Consumer Price Index over the preceding calendar year. This would give school districts more predictability in financial planning and the cap has always been commonly explained and understood as a “2% cap.” As explained below, this change should be accompanied with improvements in the carryover provision to give districts an incentive to hold property tax increases below the cap when they can, to give them savings to use in a more challenging year.

Carryover Flexibility: Under current law, schools can carryover up to 1.5% of their unused levy limit if they don’t utilize the full allowable levy limit. Such carryover only lasts for one year. In certain circumstances, districts have tax levy limits above 6% and even though such a tax levy increase requires a simple majority vote, it may be untenable for the board and voters to approve. However, if districts could carryover 2% of unused levy limit, allow such carryover to accumulate, this type of situation may be mitigated. The accumulation would last for three years with the earliest year falling out of the carryover calculation on a rolling basis.

Pension Exclusion Flexibility: Currently, schools can exclude from the tax cap ERS and TRS pension obligations when such increase in the employer contribution exceeds two percentage points. This calculation drastically reduces the likelihood of the pension exclusion being utilized. The law should be amended to exclude increases in pension costs greater than an actual 5% increase.

PILOT Adjustments: Property generating payments in lieu of taxes (PILOTs) should be included in the tax base growth factor via regulation or statute, just as property generating taxes are. New brick and mortar construction that is added to the traditional tax roll are included but leaving PILOTs out lacks rational policy basis and fairness and could discourage use of this economic development tool.

*The Council supports these proposed tax cap adjustments.*