THE COUNCIL of SCHOOL SUPERINTENDENTS
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SUPPORT

Tax Cap Flexibility

The Council of School Superintendents supports adjustments to the school property tax cap law that would appropriately balance concerns over tax burdens with giving school districts greater predictability and flexibility in managing revenues to sustain and improve academic opportunities.

We recognize that this law has gained widespread political and public support. Nonetheless, modifications are necessary to enable district leaders to ensure stability of school district finances during and after this pandemic has subsided.

For 2021-22 school budgets, the allowable levy growth factor is 1.23%, the lowest since the 0.12% limit for the 2016-17 school year. The law has once again failed to live up to its advertised 2% tax cap label for the sixth time in 10 years.

True 2%: The base for the school property tax cap should be 2%, plus or minus allowable exclusions, rather than the current lesser of 2% or the change in the Consumer Price Index over the prior calendar year. This would give school districts more predictability in financial planning. The cap has always been commonly explained and understood as a "2% cap."

Carryover Flexibility: The "true 2%" allowable levy limit should be coupled with a more workable carryover provision, to give districts an incentive to hold tax increases below 2% when they can and retain the savings for use in more difficult imes. Under current law, schools can carryover up to 1.5% of any unused levy limit to another year. But the carryover only lasts for one year. If districts could carryover 2% of unused levy limit and allow the carryover to accumulate, stability and predictability in school revenues would be further strengthened. The carryover 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 cost for employee pension obligations when an employer contribution rate increases by more than 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 is included. Not according construction generating PILOTs the same consideration lacks rational policy basis and fairness and could discourage use of this economic development tool.

The Council supports these proposed tax cap adjustments.

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