THE COUNCIL of SCHOOL SUPERINTENDENTS
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SUPPORT

Tax Cap Flexibility

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

Now that the tax cap has been permanently enshrined in state statute, the Legislature should recognize that there are common sense reforms to the law that can be enacted without distorting its original purpose. With substantial state aid increases last year, this year, and forecast for next year, school districts have had to rely less on taxpayers. But for many school districts that are disproportionately funded by the local tax levy, the tax cap is particularly burdensome. These initiatives would help make the current law more sustainable for all school districts.

Eliminate negative tax levy limits: Due to quirks in the tax cap statute, after accounting for certain exclusions, several school districts annually end up with negative levy limits. This means that to approve a tax levy with *no* increase in the levy, the budget would need a supermajority of 60% of the voters. If the budget fails, the levy will be the same as the prior year, but the district would be forced to comply with contingency budget restrictions which are onerous. The Legislature should eliminate this possibility. These school districts would still need a supermajority to increase the levy at all from the prior year.

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 Support these proposed Tax Cap adjustments

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