

Property Tax Cap Adjustments

The Council of School Superintendents supports adjustments to the property tax cap law that would appropriately balance the concerns of property owners over tax burdens and the capacity of school districts 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.

- **Eliminate negative tax levy limits:** Due to quirks in the tax cap statute, after accounting for certain exclusions, several school districts each year end up with negative levy limits. This means that to approve a budget with *no* increase in the tax levy, a supermajority of 60% of the voters would be required. If the budget fails, the district board of education could then adopt a levy with no increase, but would be forced to comply with contingency budget restrictions on specific spending which can be damaging.

The Legislature should eliminate this possibility by making the minimum levy limit that of the prior year. Affected school districts would then still need a supermajority to approve any increase in the levy above the prior year.

- **Pension Exclusion Flexibility:** Currently, schools can exclude from the tax cap a portion of pension obligations when the increase in the employer contribution rate exceeds two percentage points. This calculation drastically reduces the likelihood of the pension exclusion being utilized (for example, a rate increase from 8% to 10% of payroll is a 25% increase in the rate).

The law should be amended to exclude from the cap increases in pension costs greater than 5% over the preceding year.

- **PILOT Adjustments:** Properties generating payments in lieu of taxes (PILOTs) should be included in the tax base growth factor, either by regulation or statute—just as properties generating taxes are. New brick and mortar construction that is added to the traditional tax roll are included, recognizing that these additions may result in increased demands for public services. But excluding tax base additions that pay PILOTs lacks a rational policy basis and can discourage use of this economic development tool.

Governor Kathy Hochul has partly recognized this by proposing appropriate treatment of PILOTs generated by housing developments, but the treatment should be applied to all PILOT projects.

The Council urges adoption of these proposed Tax Cap adjustments