

New York enacts tax cap: Leaders frustrated with lack of real mandate relief

8/25/11 – Capital Region BOCES News Article

"Anyone who doesn't think the tax cap will affect us is wrong. The impact of this will be enormous." Those words, spoken by Capital Region BOCES District Superintendent Charles Dedrick at Summer Opening Day on August 24, sum up the feelings of many educators across the state.

"Zero percent cap"

Earlier this summer, the New York State Legislature approved legislation that caps annual increases in the property tax levies of local governments and school districts. The bill was signed into law by Governor Andrew Cuomo on June 30.

Under the new law, districts will be held to a zero percent tax levy increase unless voters approve something higher. Dedrick calls the new law a "game-changer."

"The bottom line is that this is a zero percent cap, and it really changes the way we do business," he said. "Voters will still be voting on a spending proposal, but now it will be a spending proposal that is driven by the tax cap."

The cap has been touted throughout the state as "the lesser of two percent or the rate of inflation." But come budget time, Dedrick is concerned that many districts will be in a difficult position because, although "the lesser of two percent or the rate of inflation" has been much publicized, it is only one factor contributing to a district's tax levy limit. There are 8 different steps to the calculation of the tax levy limit as outlined in the legislation and it is entirely possible for districts to propose tax levy increases above 2 percent (or inflation), and still be considered within their "cap."

"Right now I think the general public perception of the tax cap is that every district is looking at a maximum tax increase of two percent," said Dedrick, "but it is so much more complicated than that. There is not one statewide cap for every district; each district will actually have their own cap that is recalculated every year."

Voters will still decide on budgets in New York State. Therefore, the cap itself might be more accurately described as the figure that determines what level of voter support is needed for a budget to pass. If the proposed budget carries a tax levy increase above the figure resulting from the district's cap calculation, a supermajority (60 percent) of voters is required for budget passage. If the tax levy increase is within the calculated figure, a simple majority is needed to pass the budget. Additionally, when a district's tax levy increase is below the cap, the difference (up to 1.5 percent) can be carried over to the next year.

Similar to current law, school districts can hold up to two budget votes under the tax cap law. If both budget proposals are defeated, districts would be held to the same tax levy as the previous year, irrespective of increases in health care costs, contractual expenses or student enrollment.

Dedrick pointed out that while the law is being touted as a way to control both educational and municipal spending, the cap for local governments is far easier to meet. Municipalities will be permitted to exceed their cap without seeking voter approval. To exceed the cap, approval by 60 percent of the municipality's governing board (**not voters**) will be required. For a municipality with a five-member board, three members would need to approve the increase, as opposed to a school district needing to have the approval of 60 percent of voters.

Mandate relief

The legislation signed into law also included a number of minor measures aimed at alleviating state mandates and helping school districts bring down costs. In a press release, the New York State Senate Majority said that the package of mandate relief would save the state's school districts \$34.6 million. These savings are just a fraction of the \$1.3 billion loss of state aid New York's districts are seeing in the 2011-12 school year under the enacted state budget. The new mandate relief measures include:

- ▶ Allowing school districts to plan bus routes not by every potential bus rider, but rather by patterns of student ridership.
- ▶ Allowing districts to “piggyback” on some state purchasing contracts.
- ▶ Allowing districts to share services, materials and equipment with other districts and municipalities.
- ▶ Allowing for joint electricity purchasing among school districts.
- ▶ Allowing districts with fewer than 1,000 students to share a superintendent with up to two other districts.
- ▶ Allowing districts to conduct a pre-k census every two years, rather than every year.
- ▶ Changing claims auditing practices for districts with more than 10,000 students.
- ▶ Creating a Mandate Relief Council to hear petitions from local governments and school districts for relief from specific mandates.

"A tax cap only deals with half of the school budget equation that districts work to balance each year. What about the expense side of the ledger?" said Dedrick. "This list is a start, and we thank the Board of Regents for their help making this start, but the reality is that schools are going to need more significant mandate relief if they are going to survive."

Dedrick recommends both the Capital Region BOCES and Questar III Joint Legislative Committee's [2011 position paper](#) and the New York State School Board Association's "[Recommended Mandate Relief for School Districts](#)" document as examples of proposals of meaningful mandate relief that would provide the real help schools need.

The Massachusetts model

Supporters of the tax cap have argued that the success of a tax cap in neighboring Massachusetts proves that a similar law can be enacted here in New York without hurting the quality of education and municipal services. Early analysis shows that this is not the case. In fact, a recent study by the Fiscal Policy Institute has found that New York's property tax cap is more restrictive than the Massachusetts cap after which it was modeled.

BOCES administrators will be analyzing the differences between the two laws, as well as assessing the expected impact on districts and BOCES services over the coming weeks. Stay tuned for updates on what promises to be a challenging issue.