

Ninety-Eight Percent of School Districts Expect to Stay Within the Tax Cap



March 5, 2019

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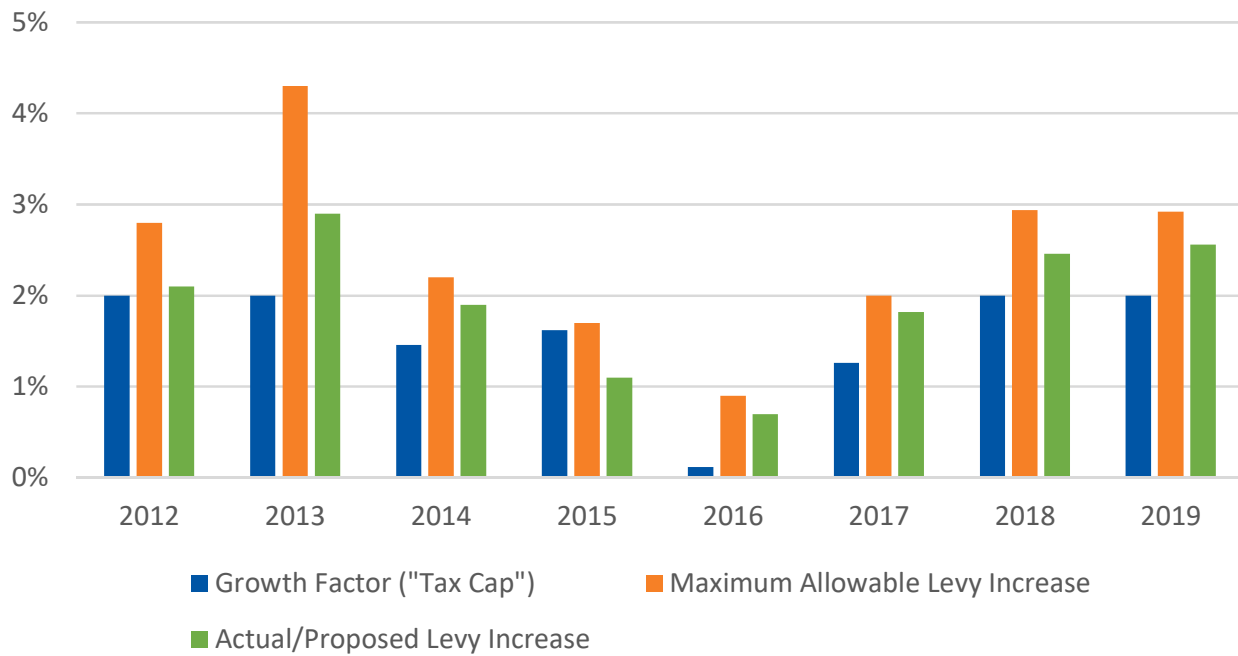
Introduction

On March 1, the law requires school districts to submit to the Office of the State Comptroller data needed to calculate their tax caps as well as their proposed taxes for school year 2019-20 budgets. Six hundred forty-two New York State school districts completed this filing, including their tax caps as well as preliminary expected levies for next year, 96 percent of school districts required to complete this reporting. This research note analyzes the overall increase in proposed taxes, how many districts intend to ask their voters to override the tax cap, and the number of districts facing a negative tax cap. This report does not include the Big 5 districts as the Tax Cap law does not apply to the New York City School District and the Big four city school districts comply as part of their city's tax cap.

Overall Findings

Although the statewide tax cap allows levy growth of two percent, there are a number of factors that affect the maximum allowable tax cap for a given school district. For example, the formula allows school districts to increase what they can tax by the amount of local school district capital expenditures approved by the voters and to reduce what they can tax if they receive revenue from payments in lieu of taxes (PILOTs). Furthermore, districts often propose levies that are below their maximum allowable tax cap. For the state as a whole, after factoring in permissible exclusions and PILOT revenues, the maximum allowable tax increase for 2019-20 is 2.9 percent and the actual proposed tax increase is 2.6 percent. The following table compares data from this year with last year.

Figure 1. The Tax Cap, What School Districts Could Tax, and What They Actually Taxed—2012 to 2018 and Estimates for 2019



	2012	2013	2014	2015	2016	2017	2018	2019
Tax Cap	2%	2%	1.5%	1.6%	0.1%	1.3%	2%	2%
Maximum Allowable Levy Increase	2.8%	4.3%	2.2%	1.7%	0.9%	2.0%	2.9%	2.9%
Actual/Proposed Levy Increase	2.1%	2.9%	1.9%	1.1%	0.7%	1.8%	2.5%	2.6%

Regional Breakdown

Figure 2. Regional Breakdown of Maximum Allowable and Proposed Levy Increases – March 5, 2019

	Levy Limit	Proposed Increase
Capital District	3.3%	2.5%
Central New York	3.0%	2.8%
Finger Lakes	3.4%	2.9%
Hudson Valley	2.8%	2.5%
Long Island	2.8%	2.5%
Mohawk Valley	3.2%	2.6%
North Country	2.5%	2.2%
Southern Tier	2.9%	2.7%
Western Region	3.2%	2.5%

Tax Cap Overrides

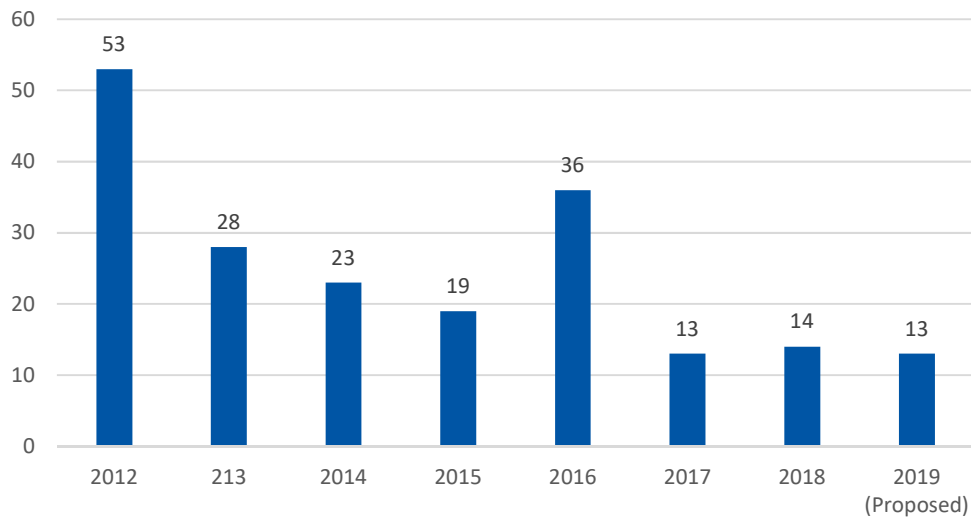
In their March 1 filings, 13 school districts indicate they plan on proposing budgets that require overriding the tax cap. This is less than two percent and the smallest number of school districts pursuing overrides since the implementation of the tax cap. In terms of geographic distribution of overrides, there are four school districts from the North Country and three from the Western Region. The other two school districts are in the Hudson and Mohawk Valleys. Figure 3 lists the school districts that have indicated they plan on proposing an override. Most of these school districts are very small; 10 out of the 13 districts enroll fewer than 700 students. The Tax Cap tends to be particularly difficult for small districts that have precarious finances.

Figure 3. Tax Cap Overrides Expected for New York State School Districts—March 5, 2019

School District	Region	Maximum Allowable Increase	Proposed Increase
Alexandria Central School District	North Country	-1.3%	4.0%
Belleville-Henderson Central School District	North Country	1.4%	1.4%
Chateaugay Central School District	North Country	-2.5%	0.0%
Clymer Central School District	Western Region	4.0%	4.0%
Copenhagen Central School District	North Country	-11.1%	-1.0%
Eastport-South Manor Central School District	Long Island	2.7%	4.0%
Glens Falls Common School District	Capital District	-1.0%	-1.0%
Indian Lake Central School District	Mohawk Valley	2.0%	2.6%
Lansingburgh Central School District	Capital District	0.5%	2.0%
Minisink Valley Central School District	Hudson Valley	-0.3%	11.8%
Northeast Central School District	Hudson Valley	2.2%	2.2%
Putnam Central School District	Capital District	2.2%	18.4%
Worcester Central School District	Southern Tier	-2.0%	2.0%

Since the creation of the tax cap, the general trend has been fewer school districts proposing budgets that would require override votes. The one exception was in 2016, when very low levels of inflation led to an allowable levy growth factor of 0.1 percent. Although, 13 districts indicated they plan on proposing budgets requiring an override of the tax cap, this number may change as school districts develop their proposed budgets with board of education and community input. The annual vote on the school district budget is scheduled for May 21, 2019 and school districts have until the end of April to finalize their budgets.

Figure 4. The number of Tax Cap Override Attempts in the First School District Vote—2012-2018 and Estimates for 2019*



*The number of actual budgets requiring overrides often differs from what is filed in March.

Negative Tax Caps

Although the statewide allowable levy growth is at two percent, some school districts face a negative tax cap. This happens when the maximum allowable tax is lower than the previous year's tax. Many factors can lead to negative tax caps, including changes in capital exclusions, local property tax base, or local payments in lieu of taxes (PILOTs). For 2019-20, 15 districts face a negative tax cap; six of these districts are tentatively proposing to override the tax cap. Figure 5 shows the number of districts with negative tax caps by year and Figure 6 has specifics on the school districts facing a negative tax cap for the 2019-20 school year.

Figure 5. Number of District with Negative Tax Caps—2012 to 2019

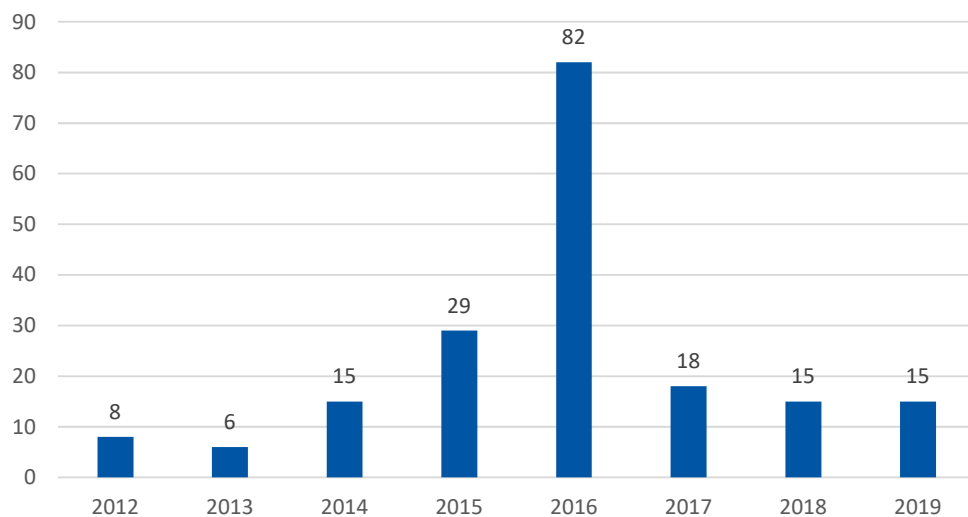


Figure 6. The Maximum Allowable Tax Increase Under the Tax Cap for School Districts with Negative Tax Caps as of March 5, 2019

School District	Region	Maximum Allowable Increase	Proposed Increase	Override
Alexandria Central School District	North Country	-1.3%	4.0%	Yes
Argyle Central School District	Capital District	-1.3%	-1.3%	No
Chateaugay Central School District	North Country	-2.5%	0.0%	Yes
Copenhagen Central School District	North Country	-11.1%	-1.0%	Yes
Glens Falls Common School District	Capital District	-1.0%	-1.0%	Yes
Indian River Central School District	North Country	-25.3%	-25.3%	No
Keene Central School District	North Country	-4.3%	-4.3%	No
Laurens Central School District	Southern Tier	-2.2%	-2.2%	No
Minisink Valley Central School District	Hudson Valley	-0.3%	11.8%	Yes
Newcomb Central School District	North Country	-4.7%	-4.7%	No
Red Creek Central School District	Finger Lakes	-1.5%	-1.5%	No
Sherburne-Earlville Central School District	Southern Tier	-7.0%	-7.0%	No
Tonawanda City School District	Western Region	-2.0%	-2.0%	No
Worcester Central School District	Southern Tier	-2.0%	2.0%	Yes
Indian River Central School District	North Country	-25.3%	-25.3%	No

Conclusion

As in past years, districts are almost all staying within the New York State Tax Cap. With an increase in inflation, the allowable levy limit is two percent thus giving districts more flexibility than in recent years when inflation was low. Although that is positive for school districts, an uncertain fiscal climate for the state as it responds to the federal tax cap on deducting state and local taxes makes the future uncertain. Lawmakers are deliberating on the state budget now, which will determine state aid to school districts. State Aid, especially for high-need school districts that are furthest from full funding, is crucial in helping school districts educate all children within the constraints of the Tax Cap. For ASBO recommendations on state aid to school districts see here. In addition, the state is deliberating on whether to make the Tax Cap permanent. Doing so without adjustment will do irreparable harm to elementary and secondary education in New York State. ASBO recommends at a minimum that the state (1) amend the tax cap law to exclude BOCES capital expenses from the Tax Cap and (2) eliminate negative tax caps by providing for a minimum of zero percent levy change.

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