

Schools, cities get more wiggle room under tax cap

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ALBANY - Schools and the state's largest cities will have some more flexibility when they go to voters in May for budget approval.

The property-tax cap limit will be 1.26 percent for the fiscal year that starts July 1, significantly higher than it is in the current year, Comptroller Thomas DiNapoli said Wednesday. The new cap figure impacts nearly 700 school districts in New York and 10 cities, including the "Big Four" cities of Buffalo, Rochester, Syracuse and Yonkers — which also have a July 1 start date.

In the current year, schools had to grapple with a 0.12 percent cap on their tax levies — the lowest since the cap was installed in 2011.

The cap is either 2 percent or the rate of inflation, whichever is lower. So with low inflation in recent years, the cap has hovered below 2 percent.

Challenges remain

Last month, the cap for the state's nearly 500 villages was set at 1.15 percent for 2017.

The Comptroller's Office sets the cap limit for schools and local governments each year. "For the fourth consecutive year, school and municipal officials will need to plan around a tax cap below two percent," DiNapoli said in a statement.

DiNapoli said the cap will continue to prove challenging for some of the state's nearly 700 school districts. "My audits have shown some school districts will be able to rely on ample rainy day funds to offset the low growth in revenue," he said, "but others must examine their budgets to determine where they can limit spending or cut costs in order to stay under the cap."

Tax growth slows

The tax cap was put into place by Gov. Andrew Cuomo and the state Legislature to try to limit the growth in the state's property taxes, which are among the highest in the nation. The cap has worked: Property taxes have grown by 2.2 percent annually since it was installed, less than half the average growth over the prior decade, Cuomo's office said.

The cap is particularly influential on school taxes, which make up about 60 percent of a homeowner's annual tax bill. Schools can override the cap, but it requires a supermajority (60 percent of voters) to do so. That has proved challenging, with only a few districts each year doing so successfully. For local governments, the cap can be overrode with a majority of their governing board, which for towns is a simple majority of their five-member boards.

The cities that operate under a July 1 fiscal year that would also have a 1.26 percent tax cap are Amsterdam, Auburn, Buffalo, Corning, Long Beach, Rochester, Syracuse, Watertown, White Plains and Yonkers.

State aid fight starts

Schools have clamored for more state aid to offset the limits on how much revenue they can raise through property taxes.

Cuomo countered Tuesday in his budget presentation that school aid has soared \$6 billion since he took office, including 6.5 percent in the current fiscal year.

Cuomo is proposing a \$1 billion increase in school aid for the state's fiscal year, which starts April 1.

Bob Lowry, deputy director of the Council of School Superintendents, said the cap and school aid both need to be taken into consideration when districts are preparing their budgets, saying Cuomo's proposal offers a "credible starting point for negotiations."

"But combined with what schools could raise locally within the tax cap, that aid increase would leave most well short of the revenue they will need to maintain current services for students," Lowry said.

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