

# BEFORE YOU VOTE



## What you need to know about the tax cap



### How does the tax cap impact school budgets?

The law aims to limit the annual growth of property taxes to 2 percent or the rate of inflation – whichever is less. But make no mistake: This is **not** a **2 percent** cap. What the Legislature passed is a **zero percent** cap. Under the new law, a school district may not increase the tax levy above the previous year's without voter approval.

### So, a district can't propose a budget that raises the tax by more than 2 percent?

No. While a simple majority is needed to increase the tax levy by 2 percent or less, a school district may still put up for vote a budget that would raise the levy by greater than that amount. However, a proposed tax levy greater than 2 percent needs a super majority (60 percent) vote in order to pass – a provision that undermines the democratic principle of one person, one vote.

### But aren't there exemptions?

The law allows a full exemption for costs associated with capital projects and limited exemptions for court judgments and extraordinary increases in pension costs.

However, the cap poses a serious threat to poor districts and those school systems that must contend with growing enrollments. For example, it will increase inequity between wealthy and poor school districts. Last year, more than 68 percent of districts that failed to get a 60 percent budget approval rate were in communities where wealth is below average. Wealthier districts, meanwhile, are more likely to have the means to support increases above 2 percent, and parents in wealthier districts can better afford to offset funding gaps through other financial means, as well.

The tax cap does not reflect how New York state finances our school districts. Under the law, districts can't increase the levy to maintain spending levels when student population grows. So, districts needing to add teachers, bus routes, etc., will be at a significant disadvantage.

There is also no exemption for weather-related damages. That's especially troubling when you consider the devastation during last year's flooding. A Federal Emergency Management Agency report, for example, determined the cost to re-open the flood-damaged MacArthur Elementary School in Binghamton would be more than \$9 million.

### So, should I vote 'no' on my school budget?

You must decide what is best for your district, but it is important to remember that under the new law, any budget that does not win voter approval translates into a zero percent cap. Given that, any budget increasing resources for education, especially under difficult economic conditions, is better than one that does not. A school board may choose to go directly to contingency after one budget defeat, and the new contingency budget statute prohibits the tax levy from exceeding the prior year's levy. So, for example, a district making new debt service payments would have to cut the tax levy that supports its operating budget in order to keep the overall levy flat.

It is important to educate yourself on your district's budget and to know what's at stake. Make sure the members of your school board know what's at stake, too, and that the tax cap law does not prohibit them from putting up for vote a budget that increases the levy by higher than 2 percent.

### How can we help our schools and students?

Get involved. Make sure your Board of Education understands that the law does not prohibit it from putting up to vote a proposed budget higher than 2 percent.

Teachers and other school employees are taxpayers too, and are sensitive to the economic conditions communities are facing. But given the deep cuts in programs and thousands of education positions lost over the last few years, our students cannot afford further reductions. Spending needs to keep pace with the needs of students so they can meet the demands of today's increasing educational standards and high-tech economy.

Despite what critics may say, New York school districts have a track record of responsible budgeting. In the Property Tax Report Card data for the 2011-12 proposed budgets, schools on average kept spending increases to less than 1 percent, with tax levies increasing by 3.3 percent. Voters responded by approving 94 percent of these proposed budgets.

### Is it too late to fix the tax cap?

Teachers, students and parents will soon see the destructive impact the tax cap will have in the classroom. Lawmakers must be made aware of any detrimental effects the cap will have on the education of students, so changes – such as throwing out the 60 percent vote rule, or including other exemptions – can be made to the law. It is never too late to make your voice heard.