Understanding the NYS Tax Cap

When is a cap not a cap?

The widely publicized 2% property tax cap is neither a cap nor is it limited to 2%.

The law allows districts to determine a total tax levy amount for the entire school district that will allow it to pass the budget with a 50% plus one vote. If there are 100 voters, a proposed budget with a proposed tax levy that comes under the "cap" only needs 51 votes to pass. If the school board decides to put up a budget where the proposed tax levy exceeds the "cap", the vote would have to be 60 for the budget with the same 100 voters. Since it can be breached, it is not a true cap.

The calculation of the tax levy amount has many parts. You start with the 2011-12 total levy amount. You multiply this by a tax base growth percentage, determined by the state. For DeRuyter, the multiplier is 1.0061. Then, you add PILOTs (Payments in lieu of taxes). These "substitute" taxes are usually for large businesses. There are no PILOTs for DeRuyter CSD currently. You subtract "exemptions" from the prior year. Since it was not in place for 2011-12, this is also zero. That calculation gets you to an amount that they refer to as the "Adjusted Prior Year Tax Levy".

This adjusted prior year tax levy is then increased by the famous 2%. Then, you subtract the PILOTs that will exist in the upcoming year (again, zero for DCSD) and add "exemptions". These exemptions are for the increase in the RATE of the Employees' Retirement System (ERS) or Teachers' Retirement System (TRS) above 2% and for the local share of capital project expense. The effect on the budget of a 2% rate increase in both ERS and TRS is almost $100,000 for DeRuyter CSD. This, alone, is over a 3% increase to the tax levy without considering the contractual increases in salary and health insurance and none of it will be exempted from the cap.

The end result of all of the needless complication is that the tax levy increase that will trigger the 60% requirement is anywhere from 2% to 10% (or more). Our current estimate based on the data available is that our trigger will be about 2.77%. This is completely used up by the state mandated (and not exempted) increases in TRS and ERS leaving any cuts in state aid, contractual increases in salary, increases in health insurance costs, and increases in fuel costs to be cut from the current programs of the district if we are to stay below the "cap".

To put it simply, imagine you have 2 incomes in your household. Person 1 makes 60% of the money and Person 2 makes 40% of the money. You know that your costs are going to go up by 5% this year. That means that either both people have to get a 5% raise (unlikely), 1 of the 2 has to get an even more significant raise (very unlikely), you have to use up what little savings there are (ok until the savings run out), or you will have to cut back even more in your spending (impossible when you are approaching the minimum). Person 1 is our state aid and, over the past 4 years, their share has been cut from 60% to 51%, Person 2 is local taxes which have been between 34 and 38% of the budget in the past 4 years. Now the state is saying, "We're cutting you more AND we're not going to allow local taxes to grow." This leaves us facing a long future of budgets that use up all of our reserves even as we cut more and more programs to get to exactly the state minimum mandates. This cannot continue without collapse at some point.