Low Inflation Reduces Property-Tax Cap, Could Harm Services

By MARK TOOR | Posted: Monday, July 27, 2015 5:45 pm

DiNapoli_Thomas

THOMAS P. DiNAPOLI: ‘Even-tougher budget choices.’

A drop in the inflation rate means the 2-percent annual cap on property-tax increases will really be 0.73 percent next year, causing new problems for already strapped municipalities, State Comptroller Thomas P. DiNapoli announced last week.

“Local-government officials need to brace for the lowest growth in their property-tax revenue in the tax-cap era,” Mr. DiNapoli said in an announcement July 20. “Municipalities may have to operate differently under these new limits. Even-tougher budget choices may be required on staffing levels, delivery of services, fund-balance reductions, and deferral of capital and infrastructure projects.”

Could Get Worse

“And if inflation trends continue,” he warned, “it is possible that some local governments with fiscal years beginning later in 2016, including school districts, could be faced with zero growth in property-tax revenue.”

The tax cap for municipalities this year was 1.56 percent. For school districts, which work under a calendar that starts in July rather than January, it was 1.62 percent.

Peter A. Baynes, executive director of the New York State Conference of Mayors and Municipal Officials, said in a statement that while the announcement “may appear to be good news for taxpayers, let’s not forget that these are the same people that are dependent upon essential municipal services.

“There is a very real price to pay for three years of a sub-2-percent tax cap, combined with zero increases in municipal aid and no relief from unfunded state mandates. Forced reductions in the quality of local-government services makes New York a less appealing place to live, work and raise a family.”

Warns of Service Cuts

Stephen J. Acquario, executive director of the New York State Association of Counties, said it was “good news that property taxes will remain low, but bad news in that quality-of-life services, such as police protection and road maintenance, are likely to see cuts in the coming year."

The organization said its members have only two sources of revenue: the property tax and the sales tax. Sales-tax collections have dropped in many counties, it said.

The tax cap, which the State Legislature approved at the urging of Governor Cuomo, started in 2012. It limits annual tax increases to 2 percent or the rate of inflation, whichever is less, with a few exceptions such as capital spending. Overriding the cap requires that 60 percent of the voters approve the increase.

This year, only 18 of more than 700 school districts across the state sought to override the cap. Eleven of those attracted enough votes to do so. A two-year program just approved by the State Legislature that reimburses New Yorkers for property-tax increases does not apply in districts that override the tax cap.

Saw Districts Coping

"Initial trends of districts appropriating greater portions of their reserves to balance budgets immediately following the implementation of the tax cap have started to subside and districts are generally able to balance operations without tax-cap overrides," Moody's Investors Service reported earlier this year.

But Mr. DiNapoli's office estimated that school districts statewide would be working with a total of $182.7 million less than they had this year, providing that the tax cap stays at 0.73 percent for them. Because they have different budget deadlines than municipalities, the Comptroller's Office said, they could potentially be looking at a 0-percent increase, which could cost them $332.6 million.

The more-than-1,800 local governments will have roughly $88.3 million less in tax-levy growth compared to what they had in 2015 when the cap was 1.56 percent and $135.1 million less than they would have had when the cap was at 2 percent as in 2012 and 2013, the Comptroller's Office said.

"New Yorkers already pay some of the highest taxes in America and understand their tax bill shouldn't grow faster than inflation," Cuomo spokeswoman Dani Lever said.

'Need Targeted Relief'

The Governor's Office did not address calls from municipalities and school districts for increased state aid. The 2016 revenue-growth rate for counties will be nearly three times lower than the spending-growth rate in the state budget, the Association of Counties said.

"County governments need targeted relief," said the association's president, Anthony J. Picente Jr. "The state should begin working with us today to ease the financial burden of the Safety Net program, where counties bear the brunt of this state-required program." Safety Net Assistance is one of the state's two welfare programs.