

Local Government Snapshot



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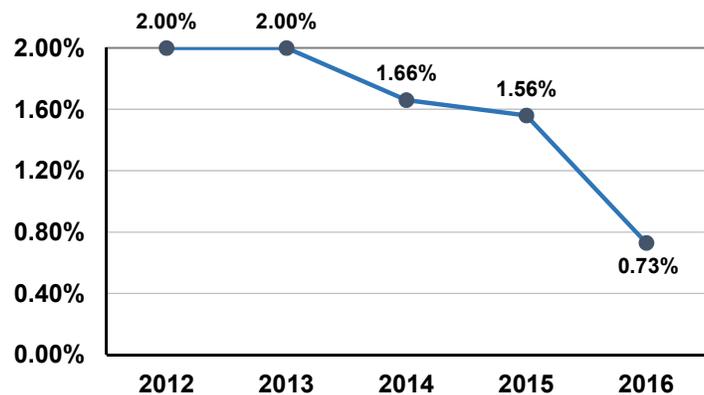
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Tax Cap Tightens As Inflation Drops: Local Governments Will Need to Prepare for Little or No Levy Growth

- Generally, the State’s property tax cap law limits local government and school district levy growth to the lesser of 2 percent or the rate of inflation.¹ Since 2014, these entities have been dealing with the stark reality of a “less than 2 percent” scenario. Now, they face a “significantly less than 2 percent” scenario.
- Based on the newly released Consumer Price Index (CPI) data, the downward trend in inflation means that local governments operating on a December 31 fiscal year end will see the inflation factor decrease to 0.73 percent, thereby causing a significant reduction over prior years in an important component of their tax cap calculation (the allowable levy growth factor).
- Although the allowable levy growth factor represents only one component of the complex, multi-step calculation of the tax cap, it’s an important one. In fact, OSC estimates that these calendar year local governments will have roughly \$88.3 million less in available tax levy growth compared to what they had in 2015 when the factor was 1.56 percent, and \$135.1 million less than they would have had when the factor was at 2 percent as it was in 2012 and 2013.

Allowable Levy Growth for Local Governments with Fiscal Years Ending 12/31



Estimated Reduction in Allowable Levy Limit (\$ Millions)

Local Governments with 12/31 Fiscal Year End

Cities (44 of 61)	\$5.9
Counties	\$44.9
Fire Districts	\$6.0
Towns	\$31.1
Villages (10 of 552)	\$0.3
Total (12/31 FYE)	\$88.3

Note: The estimate was generated by applying the 2016 inflation factor of 0.73% to the 2015 data filed by local governments that operate on a calendar year fiscal year. We re-calculated the tax levy limit using the lower 2016 allowable levy growth factor and subtracted this amount from the 2015 tax levy limit (which was based on a 1.56% growth factor). The difference represents the levy impact of the lower allowable levy growth factor.

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- If these trends continue, it is possible that some local governments with fiscal years beginning later in 2016 could even be faced with zero allowable levy growth.
- For example, in school districts (which have fiscal years beginning July 1), the impact of a more restrictive allowable levy growth factor on the tax levy could range from a loss of \$182.7 million, assuming an inflation factor of 0.73 percent similar to calendar year local governments, to a loss of \$332.6 million, assuming an inflation factor of zero. These potential losses reflect comparisons to 2015-16, when the factor was at 1.62 percent.²
- The “Big Four Cities” of Buffalo, Rochester, Syracuse and Yonkers (all having fiscal years beginning July 1) face the possibility of losing from \$7.2 million to \$13.1 million as a result of the potential lower cap in 2016, while villages (most of which have fiscal years beginning June 1) could lose from \$12.6 to \$22.3 million.
- New policy developments at the State level, such as the Tax Freeze and the newly enacted Property Tax Relief Credit provisions,³ mean that both local governments and school districts face added pressure to stay under the cap, since overriding the cap would render their taxpayers ineligible for these credits.⁴

¹ General Municipal Law Section 3-c, Education Law Section 2023-a.

² The allowable levy growth factor (ALGF) for school districts (and other localities with a June 30 fiscal year end) will be available in January 2016.

³ See L 2015, ch 20, Part C, Subpart B, Section 1.

⁴ Local governments can legally exceed the tax levy limit by passing a local law (counties, cities, towns and villages) or a resolution (fire districts and others) to override the cap. An override requires at least a 60 percent supermajority vote of the governing board in order to pass. School districts may seek an override of the tax levy limit as well, but this override requires approval from at least 60 percent of the voters.

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