Tax Levy “Cap” law raises the stakes for schools

WHAT IS A TAX LEVY?
The tax levy is the total amount of taxes a school district raises to help fund its budget, after accounting for all other revenue sources. The tax levy is the basis for determining the tax rates for each municipality within a school district. Tax rates are also affected by changes in town assessments and state equalization rates.

BUDGET APPROVALS, BY THE NUMBERS
Statewide since 2007, voters have approved an average of 93 percent of school budgets on the annual school budget vote day in May of each year. As illustrated in the chart below, in each of those years, the percentage of budgets approved by a supermajority of voters (60% or more) was significantly lower.

Proposal above “tax levy limit” requires supermajority approval
The state’s tax levy cap places new restrictions on how school districts may increase their tax levies. It requires each district to calculate its own “tax levy limit,” which determines the maximum allowable tax levy (including permissible exclusions) that a school district can propose and need the approval of only a simple majority of voters (more than 50 percent).

A district may, however, present voters with a budget proposal that carries a tax levy that exceeds its tax levy limit (including exclusions). In such a case, budget passage requires approval by a supermajority of voters (60 percent or more). If a district fails to obtain a supermajority for a proposal that exceeds the tax levy limit, the same rules for a budget defeat, described above, apply.

Zero percent increase in contingency is the real “cap”
While districts still have a chance at a revote if a proposed budget fails on the first try, the new “zero percent cap” on contingent budget tax levies raises the stakes for school leaders as they work to craft budget proposals that their communities will support.

And with politicians and the media often erroneously referring to the law as a “2 percent tax cap,” the reality is that any proposed school tax levy increase will likely be compared to this perceived levy limit, adding to the pressures schools face to keep tax increases in check despite escalating costs, stagnant state aid and rising expectations to build and sustain world-class schools.