

New York State Educational Conference Board



ASSOCIATION
OF SCHOOL
BUSINESS OFFICIALS



S.8803 (Mayer)/A.9988 (McDonald) Revise Small City School District Debt Limit

All the member organizations comprising the New York State Educational Conference Board ***strongly support*** this proposed amendment to the State Constitution to align debt limitations for small city school districts with those of other fiscally independent school districts—districts subject to annual voter approval of their local tax levy amounts.

Now, under the State Constitution, small city school districts cannot incur debt in excess of 5% of their average full value of taxable real estate, except with approval by 60% of voters, the State Comptroller, and the Board of Regents.

In contrast, other fiscally independent districts have no constitutionally prescribed debt limits. They do have a statutory 10% limit prescribed by section 104.00(d) of the Local Finance Law. Also, pursuant to section 121.20 of the Local Finance Law, other fiscally independent school districts are permitted to deduct costs reimbursed through state Building Aid from debt subject to the 10% limit. Small city districts are *not* permitted to apply a Building Aid offset against their already tighter debt limit, further widening the gap in actual debt limits.

The tighter restrictions on indebtedness by small city school districts are a relic of a time when there were many more disparities in state-prescribed financial practices across types of school districts. For example, prior to 1997, small city school districts were not required to seek voter approval for annual operating budget. Small city school districts now operate with the same tax levy limitations required by the property tax cap as districts serving suburban and rural communities.

Differences in debt limits and Building Aid offsets place small city school districts at a severe disadvantage in maintaining and improving school facilities and in addressing health and safety needs. The impact falls heavily upon students from economically disadvantaged backgrounds. For example, as calculated for Foundation Aid purposes, 60.7% of small city students in kindergarten through grade 6 are from families with incomes low enough to qualify for free or reduced-price lunches, compared to 36.0% of their peers in other fiscally independent districts.

To accompany adoption of this constitutional amendment, the ECB groups expect and will support enactment of implementing legislation which would align small city school district debt restrictions with those of other districts subject to annual budget votes, including the 10% debt limit and the requirement to obtain approval by a simple majority of voters.

For all the foregoing reasons, the members of the Educational Conference Board strongly support first passage by the Legislature of this proposed amendment to the State Constitution.

To be enacted, the proposed amendment will need to be passed this year, and again by members of the Senate and Assembly who are to be elected in November 2022, and then approved through a referendum of state voters in either the November 2023 or 2024 general election.

**New York State Educational Conference Board ♦ John Yagielski, Chair
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