S.6549 (Mayer) / A.7049 (McDonald)
Small City School District Debt Limit

All the member organizations of the Educational Conference Board have strongly supported actions already taken by the Senate and Assembly to amend 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. Thanks to those efforts a proposed constitutional amendment will be on the ballot for consideration by voters next November.

Our groups now strongly support the above referenced legislation which, if enacted, would go into effect should the proposed constitutional amendment gain voter approval. It would provide that small city districts would then be subject to the same debt limit provisions as the suburban and rural districts required to obtain voter approval for annual tax levies and to incur some forms of debt.

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.

This legislation would not afford small city school districts special treatment—it would ensure that small city districts would operate under the same rules as all other school districts whose annual tax levies are subject to voter approval. Enactment in advance of the November referendum could be helpful in assuring voters of this fact.

For now, 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, over 60% 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% of their peers in other fiscally independent districts.

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 budgets. 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.

For all the foregoing reasons, our organizations strongly support this legislation and urge its approval.