

# Property Tax Levy Overrides in Other States



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# Property Tax Levy Limits

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- Most, but not all, levy limits apply only to property tax revenue
- Most states exclude some property tax revenues from their levy limits
  - Tax on net new construction
  - Tax on debt service (on voter-approved borrowing)
  - Tax for employee pension contributions
- Limits often defined as fixed % increase in levy or % change in the CPI, whichever is less
- Limits often adjusted for changes in enrollment
- Limits can be defined in terms of per pupil \$ increases



## Property Tax Levy Limit Overrides

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- School districts can attempt overrides through a referendum or, in a few cases, by appealing to a court or state board
- Successful override can require majority or supermajority vote
- Overrides can be permanent or for a fixed period of time, e. g. 1 year
- In some states, overrides are subject to an upper limit

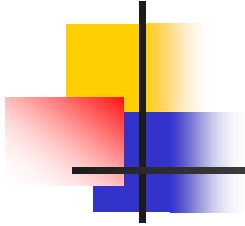


## Number of States with School Property Tax Levy Limits

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- 28 states have property tax levy limits that impact public schools
- No overrides are permitted in 6 states
- Of the 22 states allowing overrides:
  - 17 require the approval of a majority of voters
  - 3 require the approval of a super-majority of voters
  - 2 require approval by a court or a state board of education

**Source:** Based on data from Wen, C., Y. Xu, Y. Kim, and M. Warner. 2018. "Starving Counties, Squeezing Cities: Tax and Expenditure Limits in the US." *Journal of Economic Policy Reform*.



# **Massachusetts**

## **Proposition 2<sup>1</sup>/<sub>2</sub>**



## Proposition 2½

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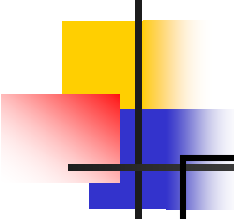
- Passed by voter initiative in November 1980, effective in 1982
- Set maximum property tax rate of 2½% of full market value
- Annual increases in property tax levy limited to 2½%
  - Exempts levy on net new construction
  - Exempts property tax for debt service on voter-approved capital investments
- Levy limit can be overrode by majority vote in an override referendum
  - Higher levy limit is permanent



## Consequences of Prop. 2½ Overrides

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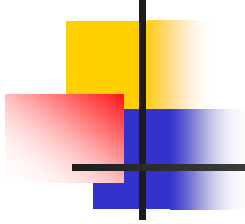
- Rapid economic growth in many of the state's 351 cities and towns has diminished necessity for overrides in recent years
- Unintended consequences of overrides
  - Study found that pattern of overrides may have increased racial segregation in MA—low-minority towns more likely to pass overrides and successful passage leads to declining non-white enrollment 4 years later (Zabel, 2014)
- Passage of overrides may lead to reduced school funding equity
  - Override referenda are more likely to be held and to be successful in fiscally strong cities and towns



## MA Proposition 2½ Override Votes, 2000-2008

	Override Votes	Success Rate
Weakest Fiscal Condition	96	28.1%
2 <sup>nd</sup> Quintile	112	27.7%
Average Fiscal Condition	160	31.9%
4 <sup>th</sup> Quintile	237	52.7%
Strongest Fiscal Condition	438	69.6%
<b>All municipalities</b>	<b>1,043</b>	<b>51.7%</b>





# **New York Property Tax Cap**



## Tax Cap

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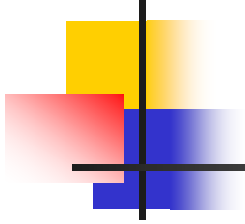
- Annual growth of school district property tax levies is limited to **two** percent or the rate of inflation, whichever is less
- Effective in 2012-13
- Each year school district budgets must be approved by majority of voters
  - Nearly all budgets approved on 1<sup>st</sup> vote
- Budgets requiring tax cap override, i. e. >2%, need **60%** super majority



# Tax Cap Results

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- Very few tax cap override referenda are held
- New York State has over 900 school districts
- In 2020-21, 13 override attempts
- 9 of the 13 overrides were successful
- 3 of the 4 defeated school districts attempted a second vote, with 2 out of the 3 passing



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# **Wisconsin School Revenue Limits**



## Wisconsin's Revenue Limit

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- Effective in 1993-94, the annual increase in the **sum** of the property tax levy and General Aid was limited by a *revenue limit adjustment, initially set at \$190 per pupil*
- In subsequent years, the Legislature determined the size of the annual adjustment
- Revenue limit override referenda could be attempted by school districts
  - Majority vote required for passage of override
  - Overrides could be permanent (recurrent) or for a fixed number of years

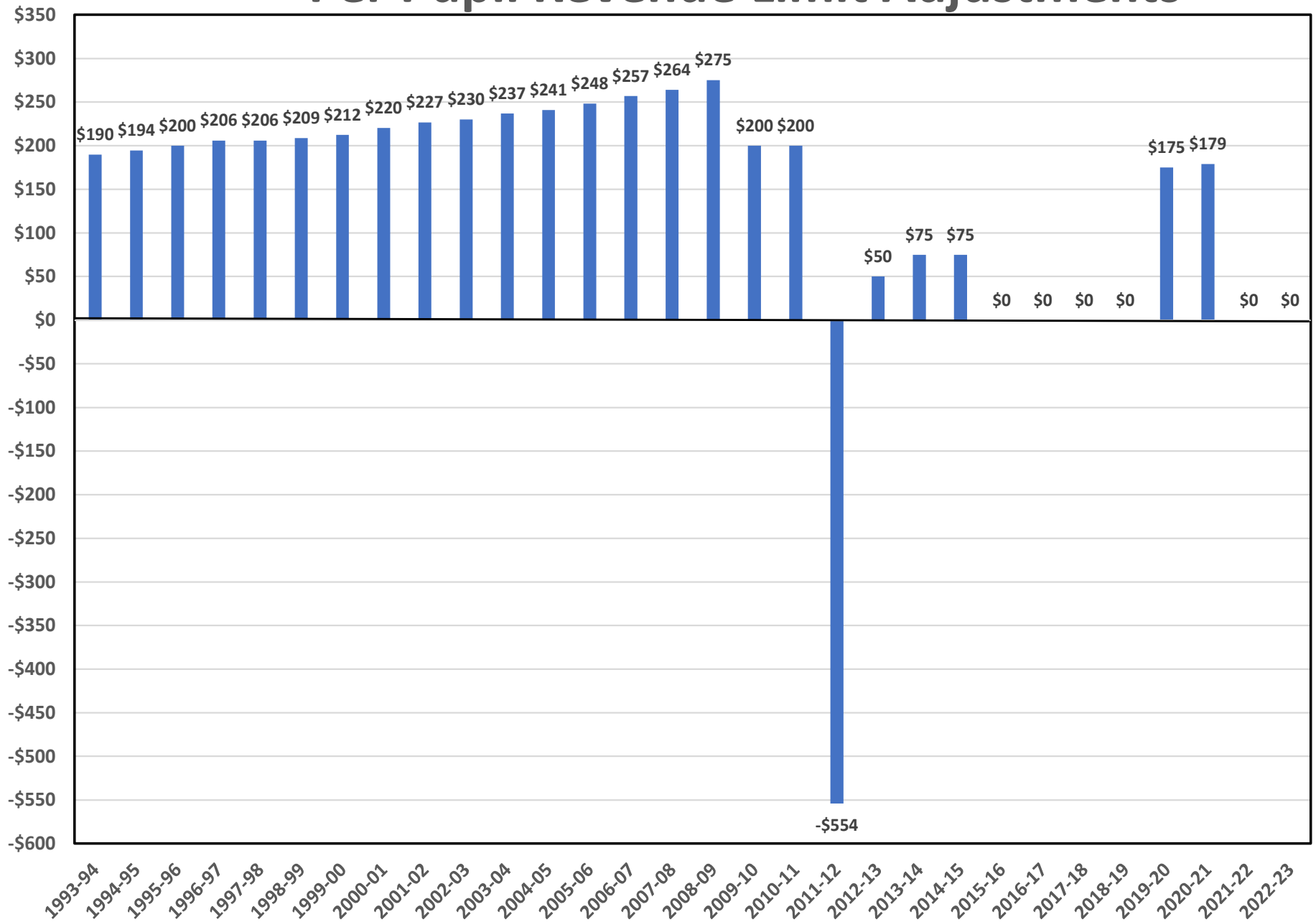


## Wisconsin's Revenue Limit

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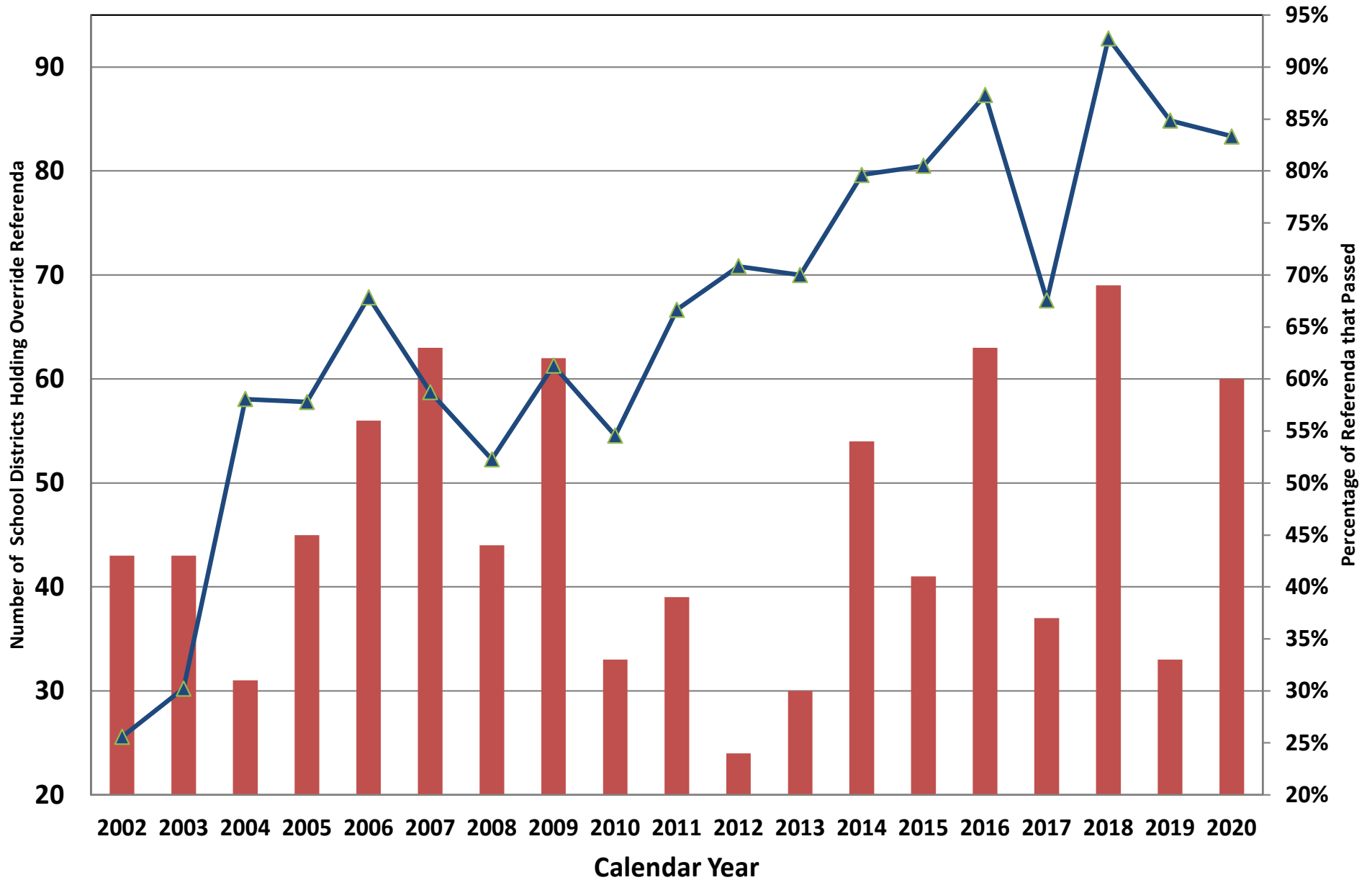
- Whenever a school district's per pupil aid is increased by more than the annual revenue limit adjustment, **every dollar of state aid above the limit must be offset by a dollar-for-dollar reduction in property tax levy**
- In most years, districts with low value revenue limits were allowed large annual adjustment
  - However, large differences in per pupil revenue limits remain

# Per Pupil Revenue Limit Adjustments



**Note:** For 2011-12, revenue limit adjustment was -5.5 percent. Dollar amounts varied by school district, but the average reduction was \$554 per pupil.

# Number of School Districts Holding Revenue Limit Override Referenda (bars) and Percentage that Passed (line), 2002 to 2020







## Which Districts Pass Overrides?

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- 112 school districts (27%) have not held a single override referendum between 2002 and 2020
- Another 87 districts (21%) only held a single referendum
- Probability of holding referendum similar in property poor and property rich districts, and in small rural and heavily urban districts
- Support for overrides is bipartisan
  - 15 of the 25 districts that passed overrides in November 2020 also supported Trump, in some cases by large margins



# Issues to Consider

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- Ease of overrides
  - Super majorities make overrides highly unlikely
  - Limiting frequency of override referenda
  - Limits to the size of overrides
- Unintended consequences of overrides
  - Increased racial segregation (Massachusetts)
  - Increased variation in per pupil spending (Wisconsin-Amiel, Knowles, Reschovsky, 2016)
  - May make closing of achievement gaps more difficult
- Interactions between state aid and local property tax levies may make achieving equity and adequacy goals of state funding systems more difficult