Property Tax Levy Overrides in Other States

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Property Tax Levy Limits

- 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

- 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

- 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

Massachusetts
Proposition 2½
Proposition 2½

- 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

- 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 latter (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

<table>
<thead>
<tr>
<th>Fiscal Condition</th>
<th>Override Votes</th>
<th>Success Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weakest Fiscal Condition</td>
<td>96</td>
<td>28.1%</td>
</tr>
<tr>
<td>2nd Quintile</td>
<td>112</td>
<td>27.7%</td>
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<tr>
<td>Average Fiscal Condition</td>
<td>160</td>
<td>31.9%</td>
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<tr>
<td>4th Quintile</td>
<td>237</td>
<td>52.7%</td>
</tr>
<tr>
<td>Strongest Fiscal Condition</td>
<td>438</td>
<td>69.6%</td>
</tr>
<tr>
<td>All municipalities</td>
<td><strong>1,043</strong></td>
<td><strong>51.7%</strong></td>
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New York
Property Tax Cap
Tax Cap

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

- 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
Wisconsin
School Revenue Limits
Wisconsin’s Revenue Limit

- 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

- 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?

- 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

- 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