

Understanding

New York's

Property Tax Cap

...as it relates to South Country

Central School District

Property Tax Cap:

A change in the conversation

- In the past, we discussed
 - Budget to Budget increases
 - Contingency Budget
 - Tax rate increases from year to year
- The legislature approved a **tax levy limit** as determined by a complex formula outlined in the law
 - Deadline for submission to the Office of the Comptroller is March 1, 2012
- The new paradigm, we now will discuss
 - Tax Levy increases
 - Property Tax Cap increase on the tax levy
 - (2% or CPI whichever is lower beginning in 2012-2013)

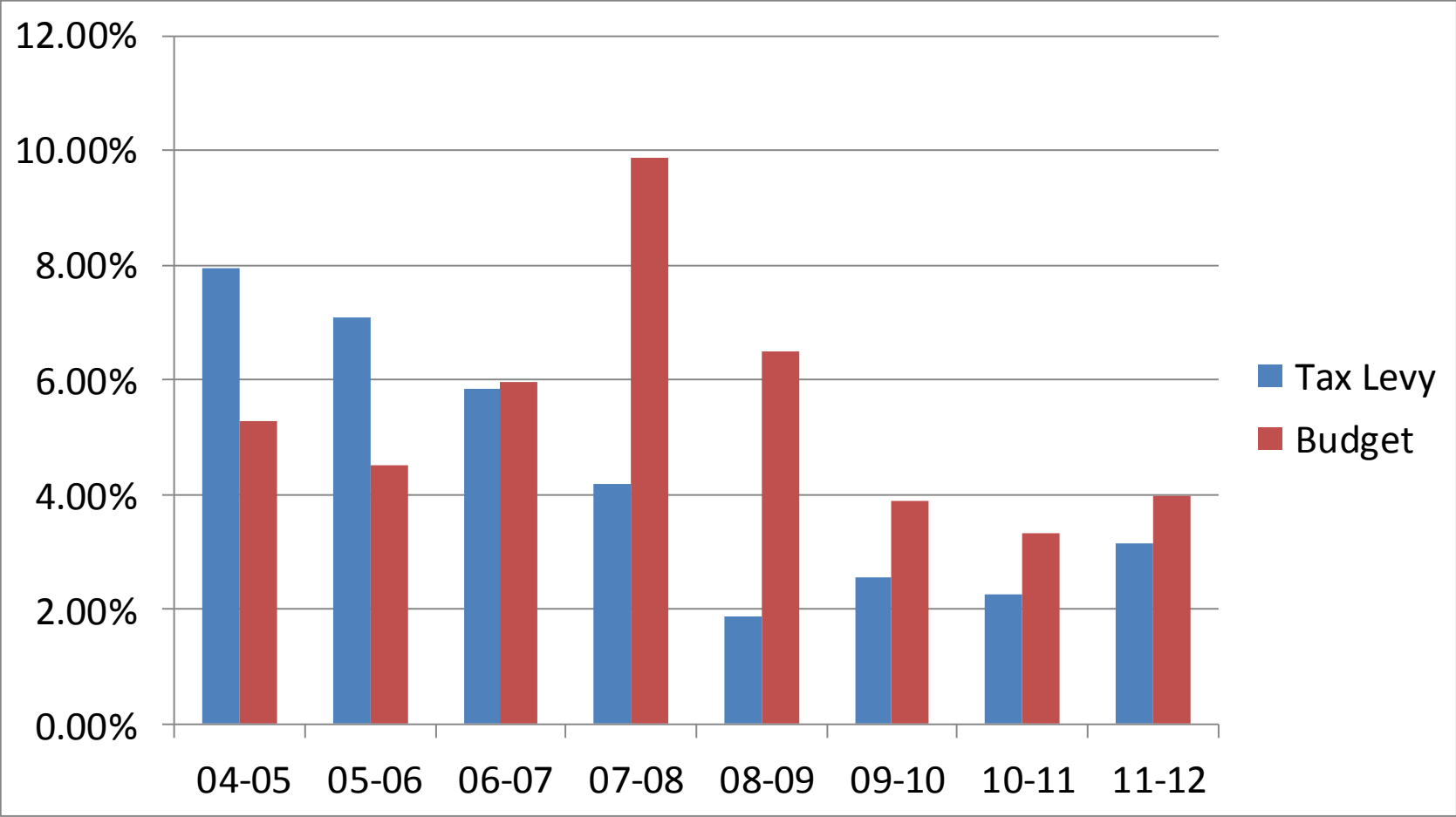
Exclusions

- The law allows school districts to exclude levy necessary to support the following:
 - Pension contributions due to increases in the statewide contribution rate over 2%
 - Expenditures resulting from court orders or judgments that exceed 5% of the total tax levied
 - The local portion of capital expenditures

Property Tax Cap vs. Tax Rate

- Cap on the levy refers to a year to year increase in the tax levy
- Rate refers to the annual increase individuals pay as determined by assessed values of homes, equalization rate and total levy
- **A 2% CAP DOES NOT MEAN THE TAX RATE INCREASE IS LIMITED TO 2%**

Increases Budget vs. Tax Levy



What does a Property Tax Cap Mean for South Country Schools

- 2011-2012 Tax Levy is \$53,353,348 (47% of revenue)
- Cap at 2% would allow for a maximum increase of \$1,067,000 or a **0.93% budget increase**
- Putting Things in Perspective:
 - Current budget increase was 3.99% or \$ 4,371,702
 - Current tax levy increase was 3.14% or \$ 1,624,204
- With salary and benefit increases the district will be faced with deficits every year under the cap

Projections: 2012-2013

- Expenditures
 - Salary: **\$ xx.x million**
 - Benefits (Pension, Health, Social Security, etc.): **\$x.x million**
 - **Total: \$xx.x million**
- Revenue (Changes)
 - Net Reduction: **\$1,530,348** (loss of Jobs Stimulus)
 - LIPA Rebate: **\$1,828,000**
 - Tax Levy Limit: **\$1,067,000**
- Deficit: **\$x.x million** + \$1,530,348 + \$1,828,000 - \$1,067,000 = **\$xx.x**

Does the public still vote on a budget?

- **YES – at the School District Annual Meeting and Election (third Tuesday in May):**
- If the proposed tax levy does not exceed the tax levy limit, more than 50% of the vote on the proposed budget must be in the affirmative.
- If the proposed tax levy exceeds the tax levy limit, 60% of the votes on the proposed budget must be in the affirmative
- In such a proposal, the ballot shall include the following substantially similar statement:
 - “Adoption of this budget requires a tax levy increase of ____% which exceeds the statutory tax levy increase limit of ____% for this school fiscal year and therefore exceeds the state tax cap and must be approved by sixty percent of the qualified voters present and voting.”

Implications of a Property Tax Cap

- Property Tax Cap to tax effect in 2012-2013 and will remain in effect through at least 2016-2017. Thereafter, it remains in effect only so long as regulation and control of residential rents and evictions (i.e. rent control) laws are in place.
- 60% super majority by voters to override the cap (district had a 59% majority in the last election).....41% decide for 59%
- Cap requires a simple majority
- If the resubmitted/revised budget proposal is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior year (0% increase in the tax levy) and the budget would still be subject to contingent budget requirements.

Implications of a Property Tax Cap

- Increases in uncontrollable costs, i.e. pension, health insurance, and continued and new unfunded mandates.
- Over the course of four to five years the district could find it cannot meet its educational or fiduciary obligations as we run through our fund balance and reserves.
- The challenge is finding other cost savings measures in delivering instruction, managing operations, and through negotiations with CBA and employees. The question is whether such savings can keep pace with deficits.
- Lifting of unfunded mandates in time to save money—a promise by legislature, but unlikely.
- Disconnect among the public's understanding of a tax cap and its impact on public services.

Proposed Mandate Relief Agenda

by the NYSSBA

Six Point Plan

- ✓ Make the pension system predictable and affordable
- ✓ Redefine compulsory arbitration
- ✓ Reduce the costs of construction on public projects
- ✓ Freeze step increases when contracts expire
- ✓ Establish minimum health insurance contribution level for employees and retirees
- ✓ Prohibit new unfunded mandates

We are proposing a
Community Round Table

**POSSIBLE AREAS
FOR EXPENDITURE
REDUCTIONS**

COMMUNITY INPUT

GETTING THE WORD OUT!

**What does a ZERO increase in the tax
levy mean to the school district?**

WHAT IS THERE TO CUT?

What is a “tax levy limit?”

Community Round Table

on

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Wednesday - January 25, 2012