



School Districts in the Tax Levy Cap Era

Implications for 2012 and Beyond

A Citizen's Guide

- o Facts
- o Tax Levy Basics
- o What the public's perception may be
- o New Terminology
- o Formula for Determining the Tax Levy Limit
- o When is 2% not really 2%
- o How it affects us
- o What we can do as a community

Facts:

- o Property Tax Cap in effect through 2016-2017
 - o It is tied to the Rent Control laws
- o Not really a “cap”
- o Sets a **higher threshold for voter approval** of budgets *IF* the proposed tax levy increase exceeds the “tax levy limit”
 - o Requires approval by 60% or more of all voters vs. simple majority (50%+1)
- o “Tax Levy Limit” calculated by each district and will vary by district

Facts:

(continued)

- o The property tax cap limits the school district levy
NOT the individual tax bill of resident taxpayers
- o “Tax Levy Limit” is also NOT a limit—just a threshold
for what level of voter support is needed
- o The formula used to calculate the “Tax Levy Limit”
allows for certain expenses to be exempt thereby
allowing the total tax levy increase to be greater
than the “perceived cap”
- o Voters are approving the budget (spending plan)
NOT the tax levy

Tax Levy Basics:

- o The school property tax represents the amount of funding a school district needs to raise through property taxes to balance its budget.
- o The Property Tax Levy is calculated as follows:

Projected School Spending (Budget)

less State Aid

less Other Revenues

less Prior year's fund balance

= Property Tax Levy

Sample 2% Tax Cap Levy: (What the public Perception may be?)

| | |
|--------------------------|--------------|
| Prior Year Tax Levy..... | \$53,353,439 |
| x | x |
| 2% | 2% |
| = | = |
| New Tax Levy..... | \$54,420,508 |

Sample 2% Tax Cap Levy:

(What is the public Perception may be?)

| | | |
|---------------------|-------|--------------|
| Prior Year Tax Levy | | \$53,353,439 |
| x | | x |
| | | 2% |
| = | | = |
| New Tax Levy..... | | \$54,420,508 |

.....it's
wrong!

New Terminology:

- o Tax Levy Override – when the tax levy exceeds the Allowable Tax Levy Limit and the budget requires a supermajority to pass
- o Supermajority Vote – a 60% “yes” vote that is needed to override the tax cap
- o Tax base growth factor – The percentage by which the full value of taxable real property increases due to new construction, additions and improvements to real property. (from Office of the Comptroller prior to February 15th)
- o PILOT Agreements: Payments In Lieu Of Taxes owed to schools or municipalities

New Terminology:

(continued)

- o Allowable Levy Growth Factor – lesser of the Consumer Price Index or 2%
- o Available Carryover – Prior year tax levy limit minus the prior year tax levy, but no greater than 1.5%
- o Tort or Court Ordered Exemption – Tax levy necessary for expenditures resulting from court orders or judgments arising out of tort actions for any amount that exceeds 5% of the total tax levied in the prior school year
- o Pension Exemption – applies only when ERS and/or TRS employer contribution rates increase by more than 2% over the prior year

New Terminology:

(continued)

- o Current Year Exemptions – Local Capital Expenditures, TANS interest expense, Court Orders/Judgments, Pension costs above 2% annual increases
- o Contingency Budget – The budget adopted after two failed school budget votes results in a 0% increases in the tax levy
- o Capital Local Expenditures Exemption – tax levy associated budget expenditures resulting from the construction or improvement of school district facilities

New York State Office of the State Comptroller

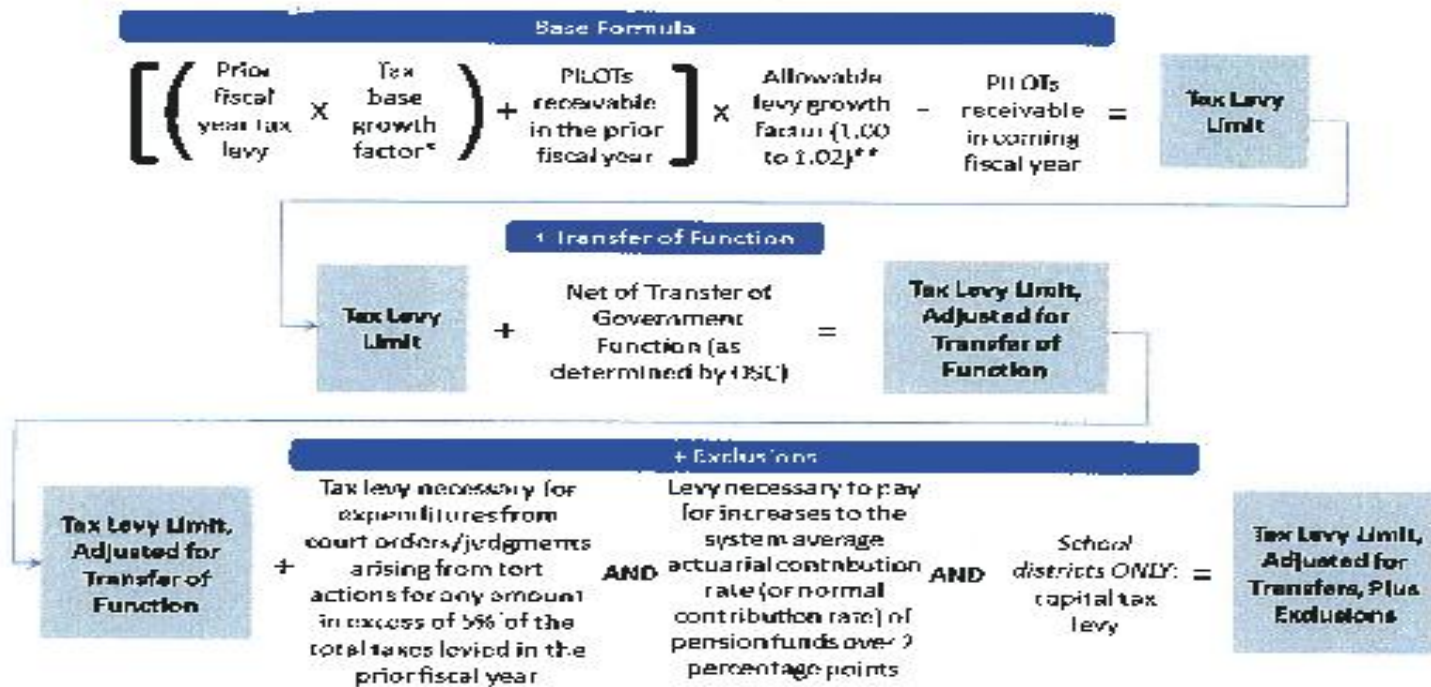
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Property Tax Cap

Formula for Determining Tax Levy Limit

Formula for determining a local government's tax levy limit under the cap (Chapter 97 of the Laws of 2011):



The Real Tax Levy – Part 1:

Pursuant to Chapter 97 of the laws of 2011

$$\begin{array}{r} \text{Prior Year Tax Levy} \\ \times \\ \text{Tax Base Growth Factor} \\ + \\ \text{Prior Year Pilot Agreement(s)} \\ - \\ \text{Prior Year Exemptions} \\ = \\ \text{Adjusted Prior Year Tax Levy} \end{array}$$

The Real Tax Levy – Part 2:

Pursuant to Chapter 97 of the laws of 2011

Adjusted Prior Year Tax Levy

X

Allowable Growth Factor

(lesser of 2% or CPI)

(from NYS Department of Education)

-

Coming Year Pilot Agreement(s)

+

Available Carryover

=

Tax Levy Limit

(reported to Office of Comptroller prior to March 1st)

The Real Tax Levy – Part 3:

Pursuant to Chapter 97 of the laws of 2011

Tax Levy Limit

+

Coming School Year Exemptions

=

Maximum Allowable Tax Levy Limit

(requiring simple majority)

Example of an Exemption:

Pension Increase (ERS)

- o The pension cost exemption applies only when the Employees Retirement System (ERS) and/or Teachers Retirement System (TRS) employer contribution rates increase by more than two percentage points (2%) over the prior year

(Four Step Process)

Pension Increase (ERS):

Step #1

$$\begin{array}{ccccc} \boxed{18.9\%} & & \boxed{16.3\%} & & \boxed{2.6\%} \\ \text{2012-2013} & - & \text{2011-2012} & = & \text{Point} \\ \text{School Year} & & \text{School Year} & & \text{Difference} \end{array}$$

Step #1

$$\begin{array}{ccccc} \boxed{2.6\%} & & \boxed{2\%} & & \boxed{0.6\%} \\ \text{Percentage} & - & \text{Local} & = & \text{Exempt} \\ \text{Difference} & & \text{Responsibility} & & \text{Portion} \end{array}$$

Pension Increase (ERS):

Step #3

.6%
Exempt
Portion



\$6,334,288
Projected
Salary Base
(from NYS Comptroller)



\$38,006
Exempt
Portion

Step #4

\$38,006 is added to the Tax Levy Limit
(Exemptions increase the amount of taxes you are allowed to levy)

When is 2% not really 2%

| | | | |
|---|-------------------------------------------|----------------------|-------------------------------|
| o | Prior year tax levy..... | \$53,353,439 | |
| o | x Tax Base Growth Factor..... | X <u>100.00%</u> | determined by NYS |
| o | | \$53,353,439 | |
| o | + Prior year PILOT | \$ <u>4,556,142</u> | |
| o | | \$57,909,581 | |
| o | - Prior year exemption (capital levy).... | \$ <u>9,782,794</u> | capital debt, TANS interest |
| o | Adjusted Prior Year Levy..... | <u>\$48,126,788</u> | |
| o | Allowable Growth Factor..... | 2% | lesser of CPI or 2% |
| o | | <u>\$49,089,323</u> | |
| o | - PILOTS for coming year..... | \$ <u>4,556,142</u> | estimate using prior year amt |
| o | | <u>\$ 44,533,181</u> | |
| o | + Available Carryover..... | \$ -- | |
| o | TAX LEVY LIMIT..... | \$ <u>44,533,181</u> | reported to NYS (3/1) |
| o | + coming School Year Exemptions..... | \$ <u>10,323,030</u> | capital debt, TANS int, ERS |
| o | Maximum Allowable Levy..... | <u>\$54,856,211</u> | 2.82% |



When is 2% not really 2%

| | | | |
|---|-------------------------------------------|---------------------|-------------------------------|
| o | Prior year tax levy..... | \$53,353,439 | |
| o | x Tax Base Growth Factor..... | X 100.24% | determined by NYS |
| o | | \$53,481,487.25 | |
| o | + Prior year PILOT | \$ 4,556,142 | |
| o | | \$58,037,629 | |
| o | - Prior year exemption (capital levy).... | \$ 9,782,794 | capital debt, TANS interest |
| o | Adjusted Prior Year Levy..... | \$48,254,788 | |
| o | Allowable Growth Factor..... | 2% | lesser of CPI or 2% |
| o | | \$49,219,932 | |
| o | - PILOTS for coming year..... | \$ 4,556,142 | estimate using prior year amt |
| o | | \$ 44,663,790 | |
| o | + Available Carryover..... | \$ -- | |
| o | TAX LEVY LIMIT..... | \$ 44,663,790 | reported to NYS (3/1) |
| o | + coming School Year Exemptions..... | \$ 10,323,030 | capital debt, TANS, int, ERS |
| o | Maximum Allowable Levy..... | \$54,986,821 | 3.06% |



Does the public still vote on a budget?

- o YES!
- o School District Annual Meeting & Election
 - o Tuesday, May 15, 2012
- o Proposed budget is presented
- o Board of Education Elections

All Budget Deadlines/ Requirements Remain in Place

- o Legal Notices
- o Property tax report card is still required and will now include
 - o District tax levy limit
 - o Proposed tax levy before exemptions
- o Public hearings and disclosure
 - o Budget notice will now include:
 - o District tax levy limit
 - o Proposed tax levy before exemptions
 - o Budget Statement

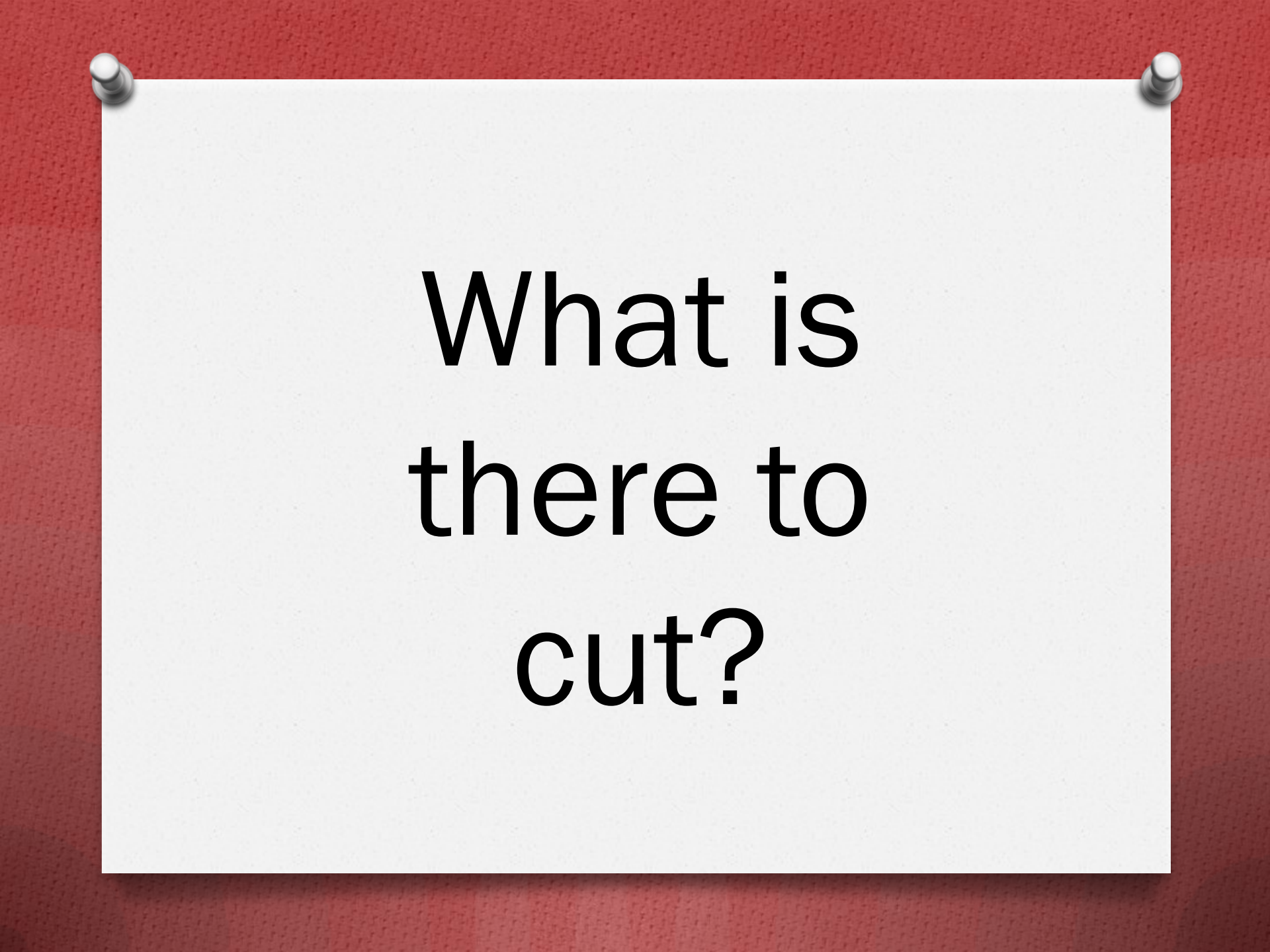
What happens if the budget is not approved by the public?

- o If the proposed budget is not approved by the required margin:
 - o The district may submit the original budget or submit a revised budget to the voters on June 19th
- o If the resubmitted/revised budget proposal is not approved by the required margin, the Board of Education must adopt a budget that levies a tax **no greater than that of the prior year (0% increase tax levy)**
- o District will not be allowed to increase the tax levy to the extent necessary to fund items of expenditure excluded from the tax cap
 - o No growth factor
 - o No capital, court orders/judgments or pension exemptions

12/21/2011

Tax Base Growth Factors for School Districts
for Fiscal Years Starting in 2012
Sorted by SD Name within County

| ORPTS SD Code | School District Name | Tax Base Growth Factor |
|------------------|--------------------------|---------------------------|
| 473815 | New Suffolk | 1.0002 |
| 472003 | North Babylon | 1.0007 |
| 472604 | Northport-East Northport | 1.0024 |
| 473802 | Oysterponds | 1.0046 |
| 472724 | Patchogue-Medford | 1.0016 |
| 472206 | Port Jefferson | 1.0007 |
| 473603 | Quogue | 1.0021 |
| 473601 | Ramseyburg-Spenk | 1.0000 |
| 473002 | Riverhead | 1.0000 |
| 472209 | Rocky Point | 1.0018 |
| 472205 | Sachem | 1.0032 |
| 472405 | Sag Harbor | 1.0080 |
| 473610 | Sagaponock | 1.0000 |
| 472804 | Sayville | 1.0010 |
| 473201 | Shelter Island | 1.0000 |
| 473001 | Shoreham-Wading River | 1.0000 |
| 473401 | Smithtown | 1.0056 |
| 472204 | South Country | 1.0024 |
| 472613 | South Huntington | 1.0014 |
| 473606 | Southampton | 1.0003 |
| 473805 | Southold | 1.0076 |
| 472404 | Spring | 1.0043 |
| 282402 | Syoset | 1.0033 |
| 472201 | Three Village | 1.0000 |
| 473613 | Tuckahoe Cmmnr | 1.0039 |
| 472402 | Wainscott | 1.0046 |
| 472002 | West Babylon | 1.0021 |
| 472809 | West Islip | 1.0018 |
| 473602 | Westhampton Beach | 1.0009 |
| 472232 | William Floyd | 1.0010 |
| 472009 | Wyandanch | 1.0002 |



What is
there to
cut?

Implications of a Property Tax Cap Summary

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

Implications of a Property Tax Cap Summary

- o New York State has a tax levy cap, not a true “2% tax cap”
- o The law limits the increase in the school tax levy not in the individual tax bill
- o The actual levy will vary by district based on exemptions
- o The law allows for certain exemptions which will result in a levy higher than 2% without the need for a supermajority
- o A district may choose to increase the tax levy through an “override” that would require a 60% supermajority