

NYS Property Tax Cap

**Budgetary Implications
for
Blind Brook Schools**

NYS Property Tax Cap Legislation

Chapter 97 of the Laws of 2011 passed both the NYS Senate and Assembly, with Governor Cuomo signing it on June 24, 2011.

The following entities are covered by the cap legislation:

- All Counties (except NYC)
- All Cities (except NYC)
- All Towns
- All Villages
- All Fire Districts
- School Districts (except Big 5)
- Special Districts (sewer, water, library)

Only school districts are required to have budgets passed by resident voters

NYS Property Tax Cap Legislation

For all school districts the cap becomes effective with the 2012-2013 school district budget through at least 2016-2017. The cap stays in place thereafter as long as NYS rent control laws are in place.

What is the NYS Tax Cap?

It is widely believed that the law caps annual increases in property tax collections at 2% a year or the rate of inflation, whichever is lower.

In fact, what it really does is create a tax levy limit and ultimately, a maximum allowable tax levy which may be less than 2% for Blind Brook.

Tax Cap Calculation is a Two Step Process

1. Compute Tax Levy Limit

2. Compute Maximum Allowable Tax Levy

There is still some uncertainty about elements of these calculations therefore information on the next set of slides may change slightly in the months ahead...

Tax Levy Limit Computation

$$\begin{aligned} & \text{Prior year tax levy} \\ & \quad \times \\ & \text{Tax base growth factor} \\ & \quad (\text{Assumes BB}=1.0000) \\ & \quad + \\ & \text{PILOTs receivable during prior year} \\ & \quad (2011-12) \\ & \quad - \\ & \text{Prior year exemptions} \\ & \quad (\text{excludes ERS \& TRS pension costs}) \\ & \quad = \\ & \text{Adjusted Prior Year Tax Levy} \\ & \quad \times \\ & \text{Allowable levy growth factor} \\ & \quad (\text{lesser of 2\% or CPI}) \\ & \quad - \\ & \text{PILOTs receivable in the coming year} \\ & \quad (2012-13) \\ & \quad + \\ & \text{Available Carryover, if any} \\ & \quad = \\ & \text{“Tax Levy Limit”} \end{aligned}$$

What is Meant by Prior Year Tax Levy?

2011-2012 Budget

\$39,587,509

=

Tax Levy

\$33,667,823

The total sum of operating funds to be raised by the school district after subtracting out all other non-property revenues. It is used to determine the school tax rate for property owners.

+

Non-Property Revenues

\$5,919,686

PILOTs, reserves, state aid, interest, tuition, sales tax revenue from county, school taxes from other districts (split lots)

85% of budget revenue comes from the tax levy

Tax Levy Limit Key Terms

Tax base growth factor - used to adjust the tax levy limit for actual physical growth in the tax base, i.e. new properties or significant additions to existing properties; not increases due to changes in assessments (available from the NYSDTF after Nov 1st for school districts) - <http://www.tax.ny.gov/research/property/cap.htm>

PILOT - Payment in lieu of taxes is an agreement where a property is taken off the tax roll for a period of time and agreed upon payments are made by the property owner instead (Doral Arrowwood and Stonegate at Belle Fair).

Prior year exemptions – 1) capital tax levy or debt service net of state building aid and 2) court orders will not apply for Blind Brook (tax certs are excluded).

Allowable levy growth factor - lesser of 2% or the NY/NJ CPI for the year ending December 31st - <http://www.bls.gov/ro2/cpinynj.htm>

Available Carryover – (Prior year tax levy limit – prior year tax levy) but no greater than 1.5% x prior year tax levy limit - there will be no carryover for 2012-2013.

Blind Brook Tax Levy Limit Calculation

Prior year tax levy	\$33,667,823
Tax base growth factor <small>(from NYSDTF Website)</small>	<u>x 1.0000</u>
	33,667,823
Prior year PILOTs <small>(actual)</small>	<u>+ 896,648</u>
	34,564,471
Prior year exemptions <small>(2011-12 debt service less building aid only)</small>	- 1,792,094

Adjusted Prior Year Levy = \$32,772,377

Allowable Growth Factor <small>(lesser of CPI or 2%)</small>	<u>x 1.02</u>
	33,427,825
PILOTs for coming year <small>(estimated)</small>	<u>- 925,000</u>
	= \$32,502,825
<u>Available Carryover <small>(None for initial year)</small></u>	<u>+ 0</u>

Tax Levy Limit (estimated) \$32,502,825

Maximum Levy to Support Proposed Budget

Tax Levy Limit

+

New school year exemptions

(Capital tax levy/Net debt service, ERS/TRS increases >2% over prior year)

=

Maximum Allowable Tax Levy

(requiring simple majority vote)

New School Year Exemptions

- **Capital Tax Levy/Capital Local Expenditures:**
 - Debt service less state building aid
- **Courts Orders Judgments other than tax certioraris:**
 - None expected for Blind Brook
- **Pension Exemption:**
 - Applies only when employer contribution rates for ERS and TRS increase by more than 2% over the prior year
 - o ERS employer contribution rate will increase from 16.3% to 18.9% of payroll or 2.6% over prior year (.006 exemption)
 - o TRS employer contribution rate is estimated to increase from 11.11% to 13.11% of payroll or 2.0% over prior year (no exemption)

Blind Brook Maximum Allowable Tax Levy

Tax Levy Limit

\$32,502,825

+

Exemptions {

2012-13 Net Debt Service	+ 1,707,939
ERS increase >2%	+ 20,140
TRS increase >2%	+ 0

=

Maximum Allowable Tax Levy

\$34,230,904

(Estimated)

Blind Brook Maximum Allowable Tax Levy

2011-2012 Tax Levy

\$33,667,823

2012-2013 Tax Levy

\$34,230,904

Allowable Tax Levy Increase

\$ Difference: \$563,081

% Difference: 1.67%

Options Available to the School Board

1. Propose a budget requiring a tax levy at or below the Maximum Allowable Tax Levy...
 - Requires a simple majority (50% + 1 vote approval)
2. Propose a budget requiring a tax levy above the Maximum Allowable Tax Levy...
 - Requires that the School Board pass an authorizing resolution
 - Requires statement on ballot indicating the required tax levy before exemptions exceeds the Tax Levy Limit
 - Requires “super majority” voter approval (60% or more yes vote)

What Happens if the Budget is Not Approved by Voters

- 1. If the proposed budget is not approved by the required margin:**
 - The district may resubmit the original budget or submit a revised budget to the voters on the third Tuesday in June, **OR**
 - Adopt a contingency budget that levies a tax no greater than that of the prior year (0% increase in tax levy).
- 2. If the resubmitted/revised budget proposal is not approved by the required margin:**
 - The school board must adopt a budget that levies a tax no greater than that of the prior year (0% increase in tax levy) and the budget would be subject to contingent budget requirements.
 - Districts will not be allowed to increase the tax levy to the extent necessary to fund items of expenditure excluded from the tax cap (no growth factor, no capital, court order/judgments or pension exemptions).
 - The administrative cap is still in effect; non-contingent expenses are still removed; and expenditures are no longer subject to the contingent budget spending cap (4% or 120% of CPI).

Links for Additional Information

- **Legislation**

<http://open.nysenate.gov/legislation/bill/S5856-2011>

- **Comptroller's Tax Cap Web Page**

<http://www.osc.state.ny.us/localgov/realprop/index.htm>

- **NYS Dept of Tax and Finance**

<http://www.tax.ny.gov/research/property/cap.htm>

Summary of NYS Tax Cap

- School districts are faced with a property tax cap limit, not necessarily a “2% tax cap”.
- Cap data to be reported to the SED, OSC & DTF by March 1st.
- The actual allowable tax levy increase will vary by district.
- The Board can present a budget that “overrides” the cap but will need 60% voter approval.
- If override is approved it becomes the base for the next year’s tax levy limit calculation.
- If a budget fails to pass after the second vote the tax levy cannot increase above the prior year tax levy and other contingency budget rules apply.

Tax Cap Experience in Other States

Massachusetts

Gina Healy

BBHS Principal

Implications of Tax Cap at Blind Brook

**In order to discuss the implications of the new
tax cap we need to first estimate costs for
2012-2013**

Establishing 2012-2013 Rollover Budget

Assumptions used:

1. Anticipates no new programs or services for students
2. Relatively stable enrollment (down at PRSS and up at HS)
3. Salaries/benefits subject to contracts and Triborough Amendment
4. Pension costs will increase = ERS 16.3% → 18.9% & TRS 11.11% → 13.11%
5. Health insurance premiums will increase in 2012 and 2013 = 13%
6. Nominal increases in ancillary costs
7. Anticipates \$1,700,000 from reserves to reduce tax levy
 - ✓ \$100K from retirement reserve
 - ✓ \$100K from debt service reserve
 - ✓ \$1.5M from unassigned or “rainy day” fund balance
8. Anticipates no new state or federal education aid

Estimated Rollover Budget

Would result in a 2012-2013 budget-to-budget spending increase of....

\$1,360,609

3.40% Budget Increase and 3.99% Tax Levy Increase

Tax Cap Limit Budget

Assuming no change in other non-property tax revenues
we would need to reduce the rollover budget by

\$800,000

1.38% Budget Increase and 1.67% Tax Levy Increase

Implications of a Tax Cap

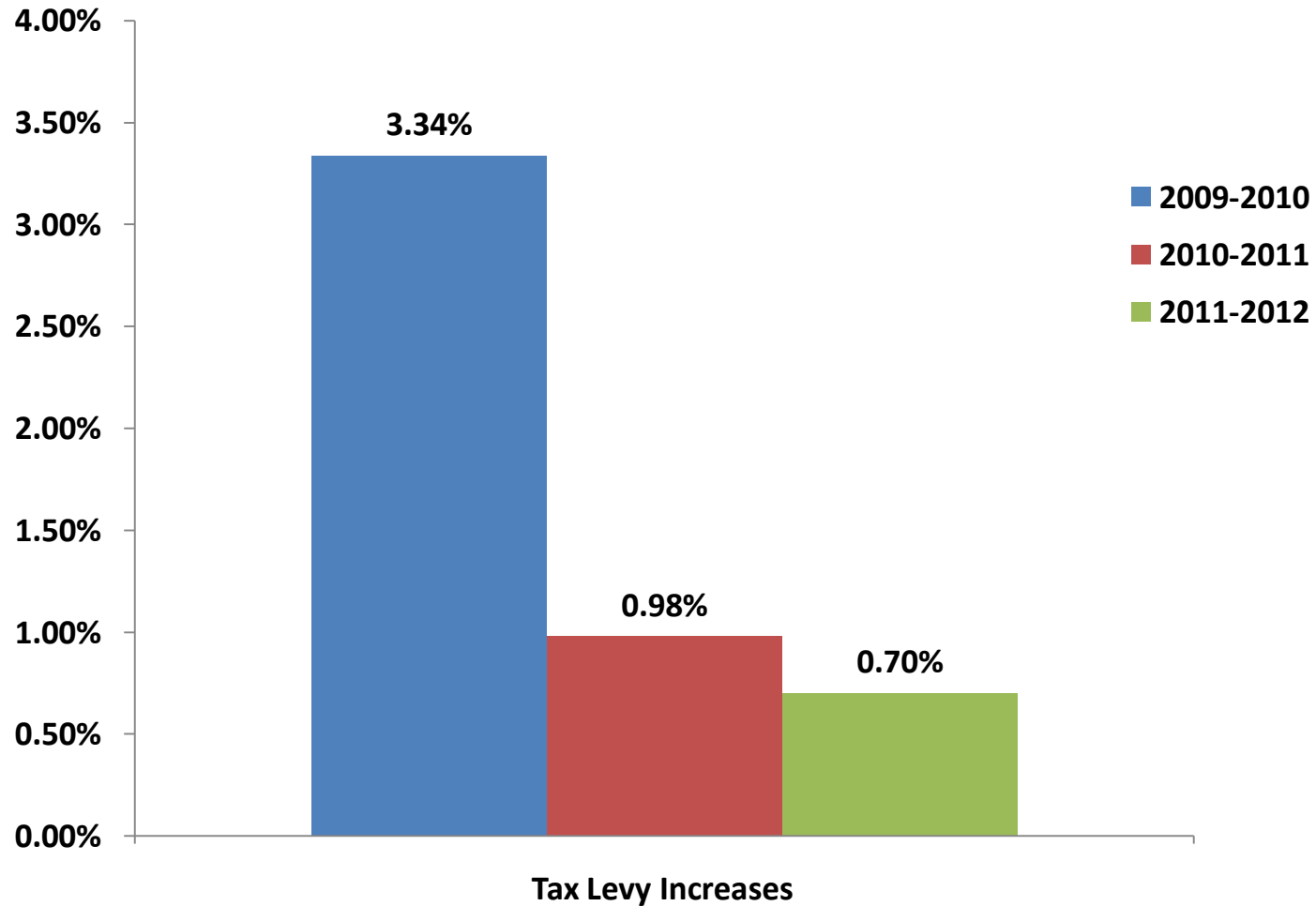
To reduce costs and meet the maximum tax levy limit school districts across the state will be faced with determining if they should:

1. Reduce services and programs for students
2. Institute larger class sizes
3. Defer capital equipment spending
4. Defer building maintenance projects
5. Institute other sacrifices as determined by the school board
6. Deplete their reserve funds

How Should Potential Impact be Determined at Blind Brook?

1. State Mandates
2. Theory of Retrogression
3. Long-range impact upon the education of K-12 students

Recent Efforts to Reduce Tax Levy Increases



Personnel Cuts 2009-2011

<u>Summary of Personnel Cuts</u>	<u>Positions</u>	<u>FTE</u>
Administrative	3	3.0
Teaching	7	5.8
Psychologist	1	1.0
Social Worker	1	1.0
Teaching Assistant	5	2.8
Teacher Aides	10	4.5
Nurse/OT	2	1.4
Custodial/Transportation	<u>7</u>	<u>6.4</u>
	36	25.9

Possible Actions to Reduce Expenditures for 2012-2013

	Cuts	Savings	Potential Impacts
K-5	5.0 teaching	\$500K	FLES, K-4 science, increased class sizes
6-8	1.5 teaching	\$150K	World language (exploratory), music
9-12	3.0 teaching	\$300K	ESL, Writing Center, psychologist, science research, effective communication, APs, clubs
Pupil Services	Tuition Services	\$100K	Reduce out-of-district placement budget
Guidance	1.0 counselor	\$100K	1:238 HS student-to-counselor ratio
Athletics	Modified Sports	\$100K	All modified teams and mergers
Technology	Equipment	\$50K	Defer wireless computing initiative
Facilities	Projects	\$100K	Defer larger projects in 5-year plan (flooring, plumbing, electrical)
Other	Non-instructional	\$100K	Clerical, facilities, other staffing
		\$1.5M	

NYS School Districts Need MANDATE RELIEF NOW



Discussion