

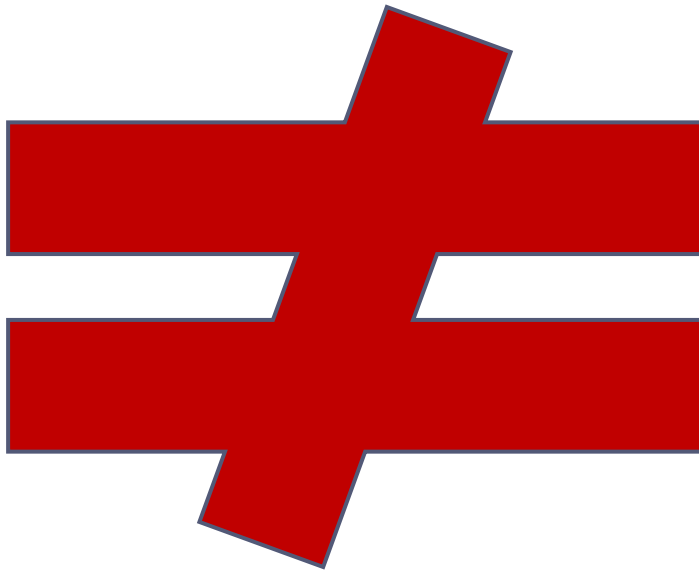


Property Tax Cap

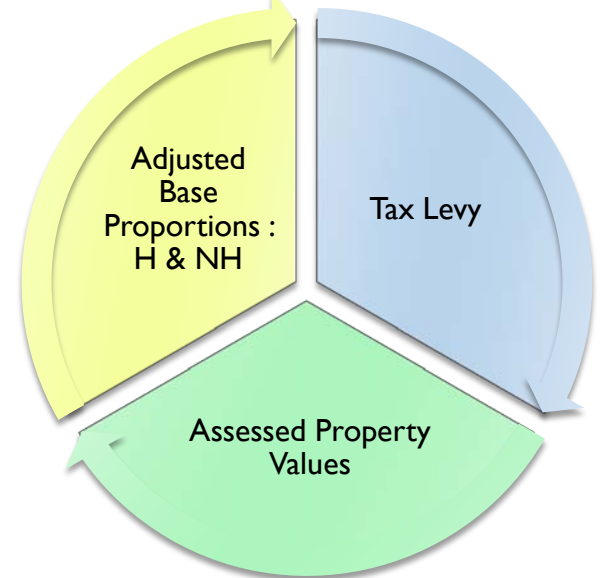
October 5, 2011

Chapter 97 of the Laws of 2011

LIMIT ON SCHOOL DISTRICT LEVY



Components of the Tax Bill



LIMIT ON TAX BILL

NY Property Tax Cap: How does it compare?

- ▶ There are over 15 states with levy caps
- ▶ Five are from “peer states” – Massachusetts, Illinois, New Jersey, California, and Michigan.
- ▶ Cuomo chose the Massachusetts model – proposition 2 ½
- ▶ However, **“Cuomo’s cap is the most restrictive and comprehensive”**
- ▶ Massachusetts only requires simple majority 50% +1 vote **to override** the cap. *New York requires over 60% majority vote*
- ▶ Massachusetts reformed its property tax administration system, providing for reassessment of all property at MV every three years. *NY has not made a uniform system.*

Property Tax Cap W/O Mandate Relief **DOES NOT WORK**



“The cap will bring intense added pressure on state officials to stop ignoring the local consequences of state mandates they impose on local governments..”

“Reform of State Mandates are necessary to address the root causes driving up property taxes”

(Source: Empire Center)

Property Tax Cap – Chapter 97

- ▶ Begins with the 2012-13 School Year Budget
- ▶ In effect until 2016-17 – tied with Rent Control Regulations
- ▶ Chapter 97 leaves in current contingency budget requirements
- ▶ Public still votes – tax levy limit and expenditures
- ▶ All prior budget deadlines remain + 3/1 reporting to OSC

Property Tax Cap - Formula

- ▶ School Districts still don't have an approved formula from SED and OSC
- ▶ OSC did not realize that schools begin their budget process in October
- ▶ Without an approved formula, it is impossible to provide an accurate projection for the impact of this new mandate for the 2012-13 budget development

New terminology needed to understand complex formula

- ▶ Tax Levy Limit
- ▶ Total Levy to support proposed budget
- ▶ Tax Base Growth Factor
- ▶ Allowable Levy Growth Factor
- ▶ Capital Tax Levy
- ▶ Allowable Carryover

#1 - Adjusted Prior Year Tax Levy

PRIOR YEAR TAX LEVY 2011-12



TAX BASE GROWTH FACTOR =

[Physical quantity increases to the tax assessment roles provided by ORPS]



P/Y PILOTS 2011-12



2011-12 EXEMPTIONS

[TORTS AND CAPITAL TAX LEVY ONLY]



ADJUSTED P/Y TAX LEVY 2011-12

#2-Current Year Tax Levy Limit

ADJUSTED PRIOR YEAR TAX LEVY 2011-12



ALLOWABLE LEVY GROWTH FACTOR

[Lesser of 2% or CPI (per contingency cal)]



C/Y PILOTS



Available Carryover, if any

[actual levy is less than limit to a maximum of 1.5% of tax limit]



TAX LEVY LIMIT 2012-13

(REPORTED TO OSC ON MARCH 1st AND COMMUNITY)

#3-Total Levy to Support Proposed Budget - Maximum Allowable Tax Levy

TAX LEVY LIMIT

[from calculation #2]



2012-13 Exemptions

[Capital Tax Levy, Torts, ERS, TRS]



**MAXIMUM ALLOWABLE TAX LEVY 2012-13
USED TO SUPPORT PROPOSED BUDGET**

REQUIRES SIMPLE MAJORITY – 50%



What does this formula mean for budget development?

- ▶ Expenditures will **NO** longer drive the budget process
- ▶ Revenues now drive the budget process, i.e. *tax levy cap w/exemptions, state aid, tuition charges, interest, return of fund balance, etc*

= the allowable budget

- ▶ The general fund budget will now be established similar to how state and federal grants are budgeted

Mandated –
required to be
funded by
District's Budget

Health &
Pension
est.
increase
for
2012-13 =
**3% of the
ply levy**

*Non-Mandated – inclusion in
Budget will now depend upon
available resources remaining*

There are many unresolved questions regarding this complex formula!

- ▶ Will the Capital Tax Levy be an exemption in the base yr?
- ▶ How will building aid be a factor in the Capital Tax Levy calculation?
- ▶ Pension exemptions:
 - ▶ ERS: OSC is using salaries from the bill and not 2012-13 projected salaries
 - ▶ TRS: OSC is using 2011-12 rates and not projected 2012-13 rates
- ▶ If the budget is defeated will exemptions still be allowed?

These are just a sample of the questions we are waiting for answers from SED and OSC



What options does the BOE have?

- ▶ **OPTION 1:** Propose a budget requiring a tax levy (before exemptions) at or below the Tax Levy Limit
 - ▶ *Requires a simple majority (50% + 1 vote)*
- ▶ **OPTION 2:** Propose a budget requiring a tax levy (before exemptions) above the Tax Levy Limit
 - ▶ *Requires a “super majority” (60% voter approval)*
 - ▶ *Requires a statement on the ballot indicating the required tax levy (before exemptions) exceeds the Tax Levy Limit*

WHEN the Tax Levy for Budget exceeds the *Tax Levy Limit...*

Statement on ballot required:

“Adoption of this budget requires a tax levy increase of *XYZ%*, which **exceeds the statutory tax levy increase limit** of *ABC%* 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.**”

What happens if the budget is **NOT** approved by the voters?

- ▶ The district may resubmit to the voters in June

Or

- ▶ Adopt a contingency budget that levies a tax no greater than that of the prior year (0% increase in the levy)
- ▶ If the resubmitted budget is not approved by the required margin - *the BOE must adopt a 0% levy increase and adhere to the contingency budget requirements*

We are still waiting to see if SED will allow exemptions to be added (ERS/TRS/Capital/Tort) for failed budgets

What does the Contingency Budget look like under the Property Tax Cap Law?

- ▶ Total Expenditures are **NO LONGER** subject to the contingent budget cap (*lesser of 120% of CPI or 4%*)
- ▶ Administrative cap is still in effect (*administrative component percentage cannot exceed the prior year*)
- ▶ Non-contingent expenses are removed, *i.e. equipment, certain salaries for employees not covered by bargaining units, use of buildings and grounds, pupil supplies, fee for Tri-States, Capital expenditures, etc.*

Key Points

- ▶ NYS has a property tax cap, **not a “2% cap”**
- ▶ The property tax cap limits the district’s levy **NOT** the individual tax bill of resident taxpayers
- ▶ The actual allowable tax levy increase will vary by district
- ▶ The formula allows for certain expenses to be exempt from the cap, therefore, allowing the tax levy increase to be greater than the “perceived” cap
- ▶ BOE’s can present a budget that “overrides” the cap but will need 60% of the voter approval

Communication Challenges

- ▶ **Misinformation and public expectations:**
 - ▶ Law doesn't cap tax increase; it sets a new threshold for voter approval based on the tax levy increase
 - ▶ 2% is what people think will be the limit
- ▶ **Confusion WILL abound**
 - ▶ Tax levy limit is reported but tax levy limit with exemptions is reality
 - ▶ Districts set tax levy; voters will hear tax bill
- ▶ **Fallout from other municipalities. If Towns and Counties override the levy, the public will voice their displeasure at the polls for schools.**
- ▶ **Exemptions – double edge sword**
- ▶ **Real consequences under contingent budget**

Communication Strategies

- ▶ We need to refer to the “voter approval threshold and eradicate any reference to a 2% tax cap”
- ▶ We need to inform the public and engage them early about choices, consequences, and opportunities
- ▶ We know we need tax relief for our taxpayers but we need to do that through Mandate Relief

Solutions:

Yr. 1 - Short-Term Solutions:

Mandate Relief

Yr. 2 – Long-Term Solutions:

Continued Mandate Relief

Changes to the Tax Cap Formula



FOCUSED STATE-WIDE EFFORT TO ACHIEVE IMMEDIATE MANDATE RELIEF FOR 2012-13 BUDGET DEVELOPMENT

*Unfunded/
Underfunded
Mandates*

Fiscal

Special
Education

Transportation





**What does this mean for
SOCSD?**

Non-Mandated Programs & Difficult Choices

BOCES (Career Tech, GED, Night School)	Kindergarten
Class-size guidelines	Professional development
Early Childhood Program	School nurses
Extracurricular clubs & activities	School librarians
Elective courses	Security guards
G&T	Teaching assistants and aides
Guidance counselors	Universal transportation – increase in mileage limits
Instrumental music programs	Academic requirements that exceed NYS'

IN CRISIS • SCHOOLS IN CRISIS • SCHOOLS IN CRISIS • SCHOOLS IN CRISIS • SCHOOLS IN CRISIS • SCHOOLS IN CRISIS • SCHOOLS IN CRISIS • SCHOOLS IN CRISIS

Schools in Crisis

