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# School District Budgeting and Implementing the Property Tax Cap

***Presented by:***

**New York State Education Department**

Office of School Operations

Office of Educational Management Services



# Today's Presenters

- Moderator: Ruth Singer, NYSED
- Presenters
  - Deborah Cunningham, Coordinator for Educational Management Services, NYSED
  - Jay O'Connor, NYSED

# Support Schedule

- Webinars
  - February 15, 2012 2-4 pm
  - February 16, 2012 1:30-3:00 pm
  - February 17, 2012 2:00-3:30 pm
  
- One-on-one Assistance
  - February 21-24, 2012
  - By email ([emscmgts@mail.nysed.gov](mailto:emscmgts@mail.nysed.gov)) or phone (518.474.6541)
  
- Illuminate Technical Assistance Sessions
  - Check [www.p12.nysed.gov/mgtserv/](http://www.p12.nysed.gov/mgtserv/) for details
    - February 27, 2012 3:00-4:00 pm
    - February 28, 2012 2:00-3:00 pm
    - February 29, 2012 1:00-2:00 pm

# Goals for Today's Session

- Describe the property tax levy limit for school districts and how OSC and SED fit in
- Walk through the online form
- Discuss details behind the various elements in the form
- Answer questions about school district budgeting and the levy limit at the end of the presentation

# Overview of The Tax Levy Limit

- Chapter 97 of the Laws of 2011
- Enacted June 24, 2011
  - Program bill originated with Governor
  - Bill amended and passed as part of omnibus bill
- Starts with fiscal years beginning in 2012; for schools this is SY 2012-13
- Expires June 15, 2016 unless rent control extended

# Summary

- Tax cap limits **total levy** set by local governments and school districts, **not** assessed value or tax rate.
- Basic principle: Local governments and school districts may not adopt a budget that requires a tax levy that exceeds the prior year's levy by more than 2 percent or the rate of inflation, whichever is less, unless they officially override the tax levy limitation.

# Nuances

- Given exclusions, adjustments, and other nuances, the cap may not be 2%
  - Adjustments and exclusions can raise it
  - Low inflation could lower it
- Even under a 2% increase, not all taxpayers will see the same impact on their bills
  - If a big business moves out of a district, everyone else's rate (and bill) could rise
  - Equalization rates between towns within the same district can fluctuate from year to year
- Requires a lot of communication with taxpayers

# Who is Covered by the Cap?

- All counties, cities (except NYC), towns, villages, fire districts have their own limit
- Most school districts do as well
  - Not NYC
  - “Big 4” of Buffalo, Rochester, Syracuse and Yonkers are covered under their cities’ caps
- Some types of special districts are also capped separately
  - Most libraries (including all school district libraries) have their own levy limit and report independently

# Roles: Office of State Comptroller

- Prescribe and implement reporting form
- Establish reserve for excess funds
- Conduct post-audit
- May review submitted forms for compliance
- Issue guidance
  - Where issues are the same as for local governments (definition of PILOTs, etc.)
  - On using the report form tool

# Roles: State Education Department

- Review submitted forms
- Calculate new levy limit for school districts in cases of reorganization or dissolution
- Issue guidance on school-specific matters

# Reporting Requirements

- All school districts must calculate their levy limits and report the data to OSC, SED and Taxation and Finance
- Must be reported on Property Tax Report Card
- Districts must use OSC's report form
  - Comptroller has sent user IDs and PINs
  - Reported data will be shared with SED and Tax
- School district reports must be submitted
  - By March 1<sup>st</sup>
  - Even if you plan to seek an override

# Calculation Elements: SY 2012-13

- Prior year (SY 2011-12) levy
- x Tax base growth factor
- + Prior year (SY 2011-12) PILOTs receivable
- Prior year (SY 2011-12) capital tax levy
- x Allowable levy growth factor
- Coming year (SY 2012-13) PILOTs receivable
- + Coming year (SY 2012-13) exclusions for pension, tort and capital tax levy

# Report Form – Page 1

Tax Levy Cap Elements	Amount
1. Total Real Property Tax Levy for Fiscal Year Ending (FYE) 06/30/2012	<input type="text" value="\$0"/>
2. Tax Base Growth Factor, if any	<input type="text" value="1.0000"/>
3. PILOTS receivable in FYE 06/30/2012	<input type="text" value="\$0"/>
4. PILOTS receivable in FYE 06/30/2013	<input type="text" value="\$0"/>
5. Tax levy necessary for expenditures resulting from court orders or judgments resulting from tort actions FYE 06/30/2013	<input type="text" value="\$0"/>
6. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS) or normal contribution rate (TRS) in excess of 2 percentage points:	
a. State and Local Employees' Retirement System (ERS)	<input type="text" value="\$0"/>
b. Teachers' Retirement System (TRS)	<input type="text" value="\$0"/>
7. Capital Tax Levy for FYE 06/30/2012	<input type="text" value="\$0"/>
8. Capital Tax Levy for FYE 06/30/2013	<input type="text" value="\$0"/>

# Calculation Elements: Prior / Coming Year Tax Levy

- Total levy for school district
- Does not include school district library levy
- Any definitional issues to be determined by State Education Department

# Report Form – Page 1

Tax Levy Cap Elements	Amount
1. Total Real Property Tax Levy for Fiscal Year Ending (FYE) 06/30/2012	\$1,000,000
2. Tax Base Growth Factor, if any	1.0000
3. PILOTS receivable in FYE 06/30/2012	\$0
4. PILOTS receivable in FYE 06/30/2013	\$0
5. Tax levy necessary for expenditures resulting from court orders or judgments resulting from tort actions FYE 06/30/2013	\$0
6. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS) or normal contribution rate (TRS) in excess of 2 percentage points:	
a. State and Local Employees' Retirement System (ERS)	\$0
b. Teachers' Retirement System (TRS)	\$0
7. Capital Tax Levy for FYE 06/30/2012	\$0
8. Capital Tax Levy for FYE 06/30/2013	\$0

# Calculation Elements: Tax Base Growth Factor

- Determined by Tax and Finance
- Adjusts for “brick and mortar” development that increases the value of a district’s full taxable property
- Can’t be less than 1.000, even if tax base declines
- Pre-populated on form; no need to fill in

# Report Form – Page 1

Tax Levy Cap Elements	Amount
1. Total Real Property Tax Levy for Fiscal Year Ending (FYE) 06/30/2012	\$1,000,000
2. Tax Base Growth Factor, if any	1.0000
3. PILOTS receivable in FYE 06/30/2012	\$0
4. PILOTS receivable in FYE 06/30/2013	\$0
5. Tax levy necessary for expenditures resulting from court orders or judgments resulting from tort actions FYE 06/30/2013	\$0
6. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS) or normal contribution rate (TRS) in excess of 2 percentage points:	
a. State and Local Employees' Retirement System (ERS)	\$0
b. Teachers' Retirement System (TRS)	\$0
7. Capital Tax Levy for FYE 06/30/2012	\$0
8. Capital Tax Levy for FYE 06/30/2013	\$0

# Calculation Elements: PILOTs

- PILOTs = payments in lieu of taxation
  - Generally offered to attract new businesses
  - May be negotiated by another entity (often county Industrial Development Agency)
- Law calls for “PILOTs receivable”
  - Use best estimate
  - Should tie back to PILOT agreements/schedules
  - Estimates for levy limit should match budget estimates

# Report Form – Page 1

Tax Levy Cap Elements	Amount
1. Total Real Property Tax Levy for Fiscal Year Ending (FYE) 06/30/2012	\$1,000,000
2. Tax Base Growth Factor, if any	1.0000
3. PILOTS receivable in FYE 06/30/2012	\$5,000
4. PILOTS receivable in FYE 06/30/2013	\$5,000
5. Tax levy necessary for expenditures resulting from court orders or judgments resulting from tort actions FYE 06/30/2013	\$0
6. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (SACR) or normal contribution rate (TRS) in excess of 2 percentage points:	
a. State and Local Employees' Retirement System (ERS)	\$0
b. Teachers' Retirement System (TRS)	\$0
7. Capital Tax Levy for FYE 06/30/2012	\$0
8. Capital Tax Levy for FYE 06/30/2013	\$0

Where is the allowable levy growth factor?

# Calculation Elements: Levy Growth Factor (Inflation or 2%)

- This is generally a 2% increase
- However, it could be lower, depending on inflation in the previous year
  - Measured by annual change in CPI-U for the calendar year preceding the school budget year, as reported by the Bureau of Labor Statistics
- OSC will calculate the allowable levy growth factor each year in January
  - For SY 2012-13, the allowable increase is 2%
  - Not on first page of form because you don't need to fill it in
- The inflation factor is never a reduction

# Report Form – Page 1

Tax Levy Cap Elements	Amount
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3. PILOTS receivable in FYE 06/30/2012	\$5,000
4. PILOTS receivable in FYE 06/30/2013	\$5,000
5. Tax levy necessary for expenditures resulting from court orders or judgments resulting from tort actions FYE 06/30/2013	\$0
6. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS) or normal contribution rate (TRS) in excess of 2 percentage points:	
a. State and Local Employees' Retirement System (ERS)	\$0
b. Teachers' Retirement System (TRS)	\$0
7. Capital Tax Levy for FYE 06/30/2012	\$0
8. Capital Tax Levy for FYE 06/30/2013	\$0

# Calculation Elements – 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 percentage points applied to projected salary base
  - Expenditures resulting from court orders or judgments arising out of *tort* actions that exceed 5% of the total tax levied in the prior fiscal year
  - The local portion of capital expenditures

# Pension Exclusion: A little more detail

Based on statewide rate calculation, not local averages

Must use OSC-projected ERS salary base; no local adjustment allowed

- Excludable rates for SY 2012-13:
  - ERS: 0.6% of projected SFY 2012-13 salary base
  - TRS: No exclusion
    - The normal contribution rate rose from 11.11% to 11.85%, an increase of only 0.74 percentage points
- The pension exclusion is not based on pension contribution growth from one year to the next
- Use the pension exclusion calculator and online ERS salary base data to calculate

# ERS Salary Base from Employer Projection and Rates (EPR)

Employer Name

99999 ERS - 2013 Projection

Use the salary base in the column marked "Projected Salaries 04/01/2012-03/31/2013"

Tier	Plan ID	Options	Salary Estimates 04/01/2011 - 03/31/2012	Projection Factor	Projected Salaries 04/01/2012 - 03/31/2013**	2 R Plan Option	Contribution	
1	75I	41J	\$320,835	x 0.82	\$263,085	x 25.4%	= \$65,771	\$1,052
2	75I	41J	\$309,513	x 0.92	\$284,752	x 23.2%	= \$64,924	\$1,139
3	A14	41J	\$1,115,394	x 0.97	\$1,081,932	x 18.6%	= \$196,911	\$4,328
4	A15	41J	\$10,535,961	x 0.99	\$10,430,601	x 18.6%	= \$1,898,370	\$41,722
5	A15	41J	\$327,091	x 1.45	\$474,282	x 15.1%	= \$69,720	\$1,897
<b>Sub Totals</b>			\$12,608,794		\$12,534,652		\$2,295,696	\$50,138

\*\* 2011 Actual Salaries double inflated

Estimated 2013 Regular Pension Contribution, Including GTLI

\$2,345,834

Due February 1, 2013 Payments

divide by factor

Pre Pay December 15, 2012 Payments

## Amortization Installments at 5%

2005 Ch. 260, Laws of 2004 Amortization Payment Installment 8 of 10	\$68,362	\$67,946
2006 Ch. 260, Laws of 2004 Amortization Payment Installment 7 of 10	\$16,327	\$16,228
2011 Ch. 57, Laws of 2010 Amortization Payment Installment 2 of 10	\$20,531	\$20,406

# Pension Calculator

## Salary Base for bill to be paid in SY 2012-13:

State and Local Employee Retirement System (ERS)

Teachers Retirement System (TRS)

## Excludable Percentage:

State and Local Employee Retirement System (ERS)

Teachers Retirement System (TRS)

## Pension Exclusion:

ERS

TRS

Taken from EPR
500,000
N/A
0.60%
N/A
\$3,000
N/A

Excludable percentage SY 2012-13

Form will calculate pension exclusion

# Other Exclusions: Tort and Capital

- Tort exclusion does not include tax certiorari payments. In general, this is likely to apply to only a very few places.
- Capital exclusion is something SED will address more fully in its section of the discussion.

# Not Excluded

- Health care costs
- Emergency expenditures, such as those for hurricane remediation, etc.
- The cost of educational mandates, including:
  - Special education costs
  - Costs shifted from the county to the district
  - Costs associated with reporting data to SED
- Anything else other than the pension, tort and capital exclusions already mentioned

# Report Form – Page 1

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2. Tax Base Growth Factor, if any	1.0000
3. PILOTS receivable in FYE 06/30/2012	\$5,000
4. PILOTS receivable in FYE 06/30/2013	\$5,000
5. Tax levy necessary for expenditures resulting from court orders or judgments resulting from tort actions FYE 06/30/2013	\$0
6. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS) or normal contribution rate (TRS) in excess of 2 percentage points:	
a. State and Local Employees' Retirement System (ERS)	\$3,000
b. Teachers' Retirement System (TRS)	\$0
7. Capital Tax Levy for FYE 06/30/2012	\$140,000
8. Capital Tax Levy for FYE 06/30/2013	\$145,000

# Report Form – Page 2: Calculates Levy Limit Before Exclusions...

Tax Levy Cap - Calculations and Totals	
<b>Tax Levy Limit (Cap) Before Exclusions</b>	
Tax Levy FYE 06/30/2012	\$1,000,000
Tax Base Growth Factor	1.0000
PILOTS receivable FYE 06/30/2012	\$5,000
Capital Tax Levy for FYE 06/30/2012	\$140,000
Allowable levy growth factor	1.0200
PILOTS receivable FYE 06/30/2013	\$5,000
<b>Total Levy Limit Before Exclusions</b>	<b>\$877,300</b>

# Then Calculates the Exclusions...

<b>Exclusions</b>	
Tax levy necessary for expenditures resulting from tort orders/judgments over 5% FYE 06/30/2012 tax levy	\$0
Capital Tax Levy for FYE 06/30/2013	\$145,000
Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS) or normal contribution rate (TRS) in excess of 2 percentage points:	
ERS	\$3,000
TRS	\$0
<b>Total Exclusions</b>	<b>\$148,000</b>

# Finally, the Bottom Line:

This is the number you can't exceed without an override

<b>Tax Levy Limit, Plus Exclusions</b>	\$1,025,300
<b>Proposed Levy for FYE 06/30/2013</b>	<input type="text" value="\$1,020,000"/>
<b>Difference Between Tax Levy Limit Plus Exclusions and Proposed Levy</b>	\$5,300
<b>Do you plan to override the cap in 2013?</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No

# Don't Forget to Click "Submit"!

Form Completed By	
First Name	<input type="text" value="Liz"/>
Last Name	<input type="text" value="Davis"/>
Title	<input type="text" value="School District Clerk"/> <input type="button" value="Title List"/>
E-Mail	<input type="text" value="lizdavis@example.com"/>
Phone	<input type="text" value="555"/> - <input type="text" value="555"/> - <input type="text" value="5555"/> <input type="text" value="5"/> Ext.

Do not use the browsers back button as it will navigate you away from this form.

BACK

Save as Draft

SUBMIT

# Next Year: Carryover

- “Available Carryover”
  - If a school district levies less than the levy limit in a given year, the amount not levied in that year may be carried over to the next year’s levy limit, up to a total of 1.5% of that year’s limit.
  - Unused exclusions may not be carried forward.
- There is no “available carryover” this year, because there was no limit in place last year

# Report Form – Page 2: Back to Levy Limit Before Exclusions...

Tax Levy Cap - Calculations and Totals	
<b>Tax Levy Limit (Cap) Before Exclusions</b>	
Tax Levy FYE 06/30/2012	\$1,000,000
Tax Base Growth Factor	1.0000
PILOTS receivable FYE 06/30/2012	\$5,000
Capital Tax Levy for FYE 06/30/2012	\$140,000
Allowable levy growth factor	1.0200
PILOTS receivable FYE 06/30/2013	\$5,000
<b>Total Levy Limit Before Exclusions</b>	<b>\$877,300</b>

If you do not use this full amount, you may carry some of what is left over into next year's limit.

# State Education Department Topics

- TRS pension exclusion for school districts
- Capital tax levy exclusion
- Propositions and the tax cap
- Override provisions for school districts
- Other budgetary provisions

# Capital Exclusion:

- Levy for capital expenditures is excluded for the current and coming school years
- Capital local expenditures =  
*Capital expenditures*
  - *expenditures supported by reserves and fund balance*
  - *aid, gifts and other revenue for capital purposes*
- *If the computation of capital local expenditures results in a negative number, a zero exclusion may be used*

# Capital Expenditures

## ST-3 Account Codes - Including Actual Expenditures in the General, Capital and Debt Service Funds

Selected .2 object codes in the General Fund (Equipment)<sup>1</sup>

A1620.4/A1621.4 - Any capital lease expenses  
A5510.4/A5530.4 - Any school bus lease expenses

A9701.6 - Principal: Term Bonds - School Construction  
A9702.6 - Principal: Term Bonds - Bus Purchases  
A9700.6 - Principal: Term Bonds - Other (Specify)<sup>2</sup>  
A9711.6 - Principal: Serial Bonds - School Construction  
A9712.6 - Principal: Serial Bonds - Bus Purchases  
A9710.6 - Principal: Serial Bonds - Other (Specify)  
A9721.6 - Principal: Statutory Bonds - School Construction  
A9722.6 - Principal: Statutory Bonds - Bus Purchases  
A9720.6 - Principal: Statutory Bonds - Other (Specify)  
A9731.6 - Principal: Bond Anticipation Notes - School Construction  
A9732.6 - Principal: Bond Anticipation Notes - Bus Purchases  
A9730.6 - Principal: Bond Anticipation Notes - Other (Specify)  
A9741.6 - Principal: Capital Notes - School Construction  
A9742.6 - Principal: Capital Notes - Bus Purchases  
A9740.6 - Principal: Capital Notes - Other (Specify)  
A9787.6 - Principal: Installment Purchase Debt - Bus Purchases  
A9785.6 - Principal: Installment Purchase Debt - Other (Specify)  
A9789.6 - Principal: Other Debt (Specify)

A9701.7 - Interest: Term Bonds - School Construction  
A9702.7 - Interest: Term Bonds - Bus Purchases  
A9700.7 - Interest: Term Bonds - Other (Specify)  
A9711.7 - Interest: Serial Bonds - School Construction  
A9712.7 - Interest: Serial Bonds - Bus Purchases  
A9710.7 - Interest: Serial Bonds - Other (Specify)  
A9721.7 - Interest: Statutory Bonds - School Construction  
A9722.7 - Interest: Statutory Bonds - Bus Purchases  
A9720.7 - Interest: Statutory Bonds - Other (Specify)  
A9731.7 - Interest: Bond Anticipation Notes - School Construction  
A9732.7 - Interest: Bond Anticipation Notes - Bus Purchases  
A9730.7 - Interest: Bond Anticipation Notes - Other (Specify)  
A9741.7 - Interest: Capital Notes - School Construction  
A9742.7 - Interest: Capital Notes - Bus Purchases  
A9740.7 - Interest: Capital Notes - Other (Specify)  
A9787.7 - Interest: Installment Purchase Debt - Bus Purchases  
A9785.7 - Interest: Installment Purchase Debt - Other (Specify)  
A9789.7 - Interest: Other Debt (Specify)

H522 - Expenditures By Project: Current Funds

### Notes:

<sup>1</sup> Equipment

Must be part of a capital project approved by the voters, where required by law

Retains its original shape and appearance with use

Is non-expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it rather than replace it with an entirely new unit

It represents an investment of money which makes it feasible and advisable to capitalize the item

It does not lose its identity through incorporation into a different or more complex unit or substance

<sup>2</sup>Any principal or interest that must be specified, such as A9700.6 must be capital in nature. Amounts included in those codes for anything not considered capital may not be included in the Capital Tax Levy Amount.

Maintenance and repair costs are not capital expenditures for the calculation of the capital tax levy.

# Capital Expenditures (cont'd.)

## ST-3 Account Codes - Including Actual Expenditures in the General, Capital and Debt Service Funds

V1380.4 - Fiscal Agent Fees	V9701.7 - Interest: Term Bonds - School Construction
V9701.6 - Principal: Term Bonds - School Construction	V9702.7 - Interest: Term Bonds - Bus Purchases
V9702.6 - Principal: Term Bonds - Bus Purchases	V9700.7 - Interest: Term Bonds - Other (Specify)
V9700.6 - Principal: Term Bonds - Other (Specify)	V9711.7 - Interest: Serial Bonds - School Construction
V9711.6 - Principal: Serial Bonds - School Construction	V9712.7 - Interest: Serial Bonds - Bus Purchases
V9712.6 - Principal: Serial Bonds - Bus Purchases	V9710.7 - Interest: Serial Bonds - Other (Specify)
V9710.6 - Principal: Serial Bonds - Other (Specify)	V9721.7 - Interest: Statutory Bonds - School Construction
V9721.6 - Principal: Statutory Bonds - School Construction	V9722.7 - Interest: Statutory Bonds - Bus Purchases
V9722.6 - Principal: Statutory Bonds - Bus Purchases	V9720.7 - Interest: Statutory Bonds - Other (Specify)
V9720.6 - Principal: Statutory Bonds - Other (Specify)	V9731.7 - Interest: Bond Anticipation Notes - School Construction
V9731.6 - Principal: Bond Anticipation Notes - School Construction	V9732.7 - Interest: Bond Anticipation Notes - Bus Purchases
V9732.6 - Principal: Bond Anticipation Notes - Bus Purchases	V9730.7 - Interest: Bond Anticipation Notes - Other (Specify)
V9730.6 - Principal: Bond Anticipation Notes - Other (Specify)	V9741.7 - Interest: Capital Notes - School Construction
V9741.6 - Principal: Capital Notes - School Construction	V9742.7 - Interest: Capital Notes - Bus Purchases
V9742.6 - Principal: Capital Notes - Bus Purchases	V9740.7 - Interest: Capital Notes - Other (Specify)
V9740.6 - Principal: Capital Notes - Other (Specify)	V9787.7 - Interest: Installment Purchase Debt - Bus Purchases
V9787.6 - Principal: Installment Purchase Debt - Bus Purchases	V9785.7 - Interest: Installment Purchase Debt - Other (Specify)
V9785.6 - Principal: Installment Purchase Debt - Other (Specify)	V9789.7 - Interest: Other Debt (Specify)
V9789.6 - Principal: Other Debt (Specify)	
V9991.4 - Payment to Escrow Agent (Advanced Refunding Bonds)	

### Notes:

<sup>1</sup> Equipment

Must be part of a capital project approved by the voters, where required by law  
Retains its original shape and appearance with use  
Is non-expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it rather than replace it with an entirely new unit  
It represents an investment of money which makes it feasible and advisable to capitalize the item  
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<sup>2</sup>Any principal or interest that must be specified, such as A9700.6 must be capital in nature. Amounts included in those codes for anything not considered capital may not be included in the Capital Tax Levy Amount.

Maintenance and repair costs are not capital expenditures for the calculation of the capital tax levy.

# Aid to Be Deducted from Capital Expenditures

## ***Current year (e.g., 2011-12)***

Any state or federal aid for capital including Building Aid, Excel Aid and Transportation Capital Aid and other revenues including gifts

- ❑ Use Enacted Budget Amounts
- ❑ Any adjustments in any of the above revenue sources in 2011-12 about which the district has already been notified and/or is otherwise certain will occur.

Any transfers from reserves or fund balance used to make the expenditures.

# Aid to Be Deducted from Capital Expenditures

## ***Upcoming year (e.g., 2012-13)***

Any state or federal aid for capital including Building Aid, Excel Aid and Transportation Capital Aid and other revenues including gifts

- Use Executive Budget Estimates

plus

Any other revenue (e.g., aid, grant, subsidy, gift, incentive, etc.) expected to be received in 2012-13 that will reduce the local levy for capital expenditures

minus

Any adjustments in any of the above revenue sources in 2012-13 about which the district has already been notified.

In the case where revenues exceed expenditures no adjustment to the prior year total tax levy is to be made.

40

# Override Provision: Generally

- The law allows local governments and school districts to override the levy limit
  - An override is good for that fiscal year only; cannot “opt out” of the tax cap permanently.
  - If override is successful, the amount levied becomes the base for the next fiscal year.

# Override: Local Governments vs. School Districts

- Local governments and special districts need to get a 60% vote of their governing board to override the limit
  - Counties, cities, towns and villages must pass a local law
  - Fire districts and special districts, like library districts, must pass a resolution
- Schools must put the override to their **voters** and get a 60% supermajority public vote

# Override Language for School Budget Vote

- Chapter 97 instructs districts to use language “substantially similar” to the following:

*“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.”*

# Override Vote Process for School Districts

- A budget that would exceed the levy limit would have to pass by 60%
- A budget that does **not** exceed levy limit must still pass with simple majority (>50%)

# Override Vote Process – What Happens if the Budget Fails

- If an override budget fails to get 60%, the school can:
  - Resubmit that budget again and hope for 60%
  - Submit a budget with a levy limit within the cap and hope it gets >50%
  - Go to a contingency budget (0% levy growth)
- If a non-override budget fails to get >50%, the same process applies

# Override – Contingency Budget

- If no budget is approved, the contingency budget may not include a levy higher than the prior year's levy (0% levy growth)

# Propositions and the Tax Cap

- Chapter 97 allows separate propositions:
  - *Nothing in this section shall preclude the trustee, trustees, or board of education of a school district, in their discretion, from submitting additional items of expenditures to the voters for approval as separate propositions or the voters from submitting propositions pursuant to sections two thousand eight and two thousand thirty-five of this part; provided however, except in the case of a proposition submitted for any expenditure contained within subparagraphs (i) through (iv) of paragraph i of subdivision two of this section, **if any proposition, or propositions collectively that are subject to a vote on the same date, would require an expenditure of money that would require a tax levy and would result in the tax levy limit being exceeded for the corresponding school year then such proposition shall be approved if sixty percent of the votes cast thereon are in the affirmative.***

# How are propositions treated under the Tax Cap law?

Proposition Type	Is Proposition Excluded from the Tax Cap?
Proposition for additional transportation service	No
Proposition for educational programs (separate from core budget proposition)	No
Proposition for capital expenditure	Yes
Proposition for transportation capital expenditure	Yes

*If a school district budget is presented under the cap and the addition of a proposition creates a budget over the cap, what level of voter approval is required?*

Proposition Type	Level of Voter Approval?
Proposition for additional transportation service	60 percent or more
Proposition for educational programs (separate from core budget proposition)	60 percent or more
Proposition for capital expenditure	50 percent or more
Proposition for transportation capital expenditure	50 percent or more

**Scenarios:** A school district budget is presented under the cap and the addition of a proposition creates a budget over the cap

What is the district's obligation?

- **Proposition passes and budget fails**
  - District must provide the additional transportation service approved by the voters within the contingency budget (zero levy increase)
  - District may have the authority to make the expenditures the voters approved in the other types of propositions
- **Proposition fails and budget passes**
  - There is no authority to make the expenditures for the propositions. The budget can be implemented only as approved.

# Next Year: Reserve

- If, due to a clerical or technical error, actual levy exceeds the levy limit, the excess must be placed in a reserve
- This excess amount, plus any interest, must be used to offset the levy in next fiscal year

# Property Tax Report Card

## 2012-13 Property Tax Report Card

010100 - ALBANY CITY SD

School District Contact Person: \_\_\_\_\_

School District Telephone Number: \_\_\_\_\_

	Budgeted 2011-12 (A)	Budgeted 2012-13 (B)	Percent Change (C)
Total Spending			
School Tax Levy Limit			
Permissible Exclusions to the School Tax Levy Limit			
Proposed School Year Tax Levy (not including Permissible Exclusions to the School Tax Levy Limit)			
Proposed School Year Tax Levy (including Permissible Exclusions to the School Tax Levy Limit) *			
Public School Enrollment			
Consumer Price Index			

\* If this Percent Change exceeds the Tax Levy Limit With Exclusions, approval of 60% or more of qualified voters present and voting is required.

	Actual 2011-12 (D)	Estimated 2012-13 (E)
Adjusted Restricted Fund Balance		
Assigned Appropriated Fund Balance		
Adjusted Unrestricted Fund Balance		
Adjusted Unrestricted Fund Balance as a Percent of the Total Budget		

# Six-Day Notice

## School District Budget Notice

Overall Budget Proposal	Budget Adopted for the 20__ School Year	Budget Proposed for the 20__ (+1) School Year	Contingency Budget for the 20__ (+1) School Year *
Total Budgeted Amount	\$	\$	\$
Increase/decrease for the 20__ (+1) school year		\$	\$
Percentage increase(decrease) in each proposed budget		%	%
School Tax Levy Limit		\$	
Proposed School Year Tax Levy (including permissible exclusions to the School Tax Levy Limit) <sup>1</sup>	\$	\$	\$
Change in the Consumer Price Index		%	
Administrative component	\$	\$	\$
Program component	\$	\$	\$
Capital component	\$	\$	\$
* Provide a statement of assumptions made in projecting a contingency budget for the 20__ (+1) school year, should the proposed budget be defeated. <sup>2</sup>			

### Basic STAR Exemption Impact

Estimated Basic STAR<sup>3</sup> Exemption Savings:

	Budget Proposed for the 20__ (+1) School Year
Basic STAR Tax Savings	\$

The annual budget vote for the fiscal year 20\_\_-20\_\_ by the qualified voters of the \_\_\_\_\_ school district, \_\_\_\_\_ County, New York, will be held at \_\_\_\_\_ school(s) in said district on Tuesday, May \_\_\_\_, 20\_\_ at 7:30pm prevailing time OR between the hours of \_\_:00am and \_\_:00pm, prevailing time in the \_\_\_\_\_ school(s), at which time the polls will be opened to vote by voting ballot or machine.

<sup>1</sup> If this percent change exceeds the Tax Levy Limit with Exclusions (if applicable), approval of 60% or more of qualified voters present and voting is required.

<sup>2</sup> Provide a statement of assumptions made in estimating the contingency budget pursuant to section 2023 of the Education Law.

<sup>3</sup> The basic school tax relief (STAR) exemption is authorized by section 425 of the Real Property Tax Law.

# Other Budget-Related Issues

- Three-part budget
- Ordinary contingent expenses
- Administrator salary disclosure

# While you're on OSC's website, don't forget other key resources...

- Local Government Management Guides
- Accounting Bulletins
- Training Resources
- Multiyear Planning Page

# Recap: What Does The Tax Cap Mean to My District?

- Depends a great deal on your district
  - Mix of property tax vs. aid
  - Politics and needs of students
- Make sure your taxpayers understand what's actually being capped (levy) and why it isn't 2%
- If you need to override, make your case to your taxpayers

# Levy Limit Resources and Contact Information

- OSC Property Tax Website:  
[www.osc.state.ny.us/localgov/realprop/index.htm](http://www.osc.state.ny.us/localgov/realprop/index.htm)
- OSC Property Tax Levy Limit Hotline: (518) 473-0006  
Email: [LGSAMonitoring@osc.state.ny.us](mailto:LGSAMonitoring@osc.state.ny.us)
- Retirement System (ERS Salary Projection Data)  
Email: [RTEmpSer@osc.state.ny.us](mailto:RTEmpSer@osc.state.ny.us)
- State Education Department:  
[www.p12.nysed.gov/mgtserv](http://www.p12.nysed.gov/mgtserv)

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# Questions?

## Thank you!