
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

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Today's Presenters

- Moderator
 - Matt Reilly
- Presenters
 - Jay O'Connor
 - Stephen McNally

Agenda

- Tax Cap Review
 - Summary
 - Reporting Requirements
 - Calculation Elements
- Changes for 2013-14
 - 2012-13 Carryover
 - Reserve for Excess Tax Levy
 - Capital Tax Levy
- Budget Process
 - Property Tax Report Card, 6-Day Budget Notice and Administrator Salary Disclosure

Overview of The Tax Levy Limit

- First applied to SY 2012-13
- Overwhelming compliance in the first year
 - 97% of districts proposed tax levy increases below the cap
 - Of those exceeding the cap, 19 were defeated. 18 passed on revote
- Second year, SY 2013-14, incorporates Tax Cap Reserves and Carryover from 2012-13

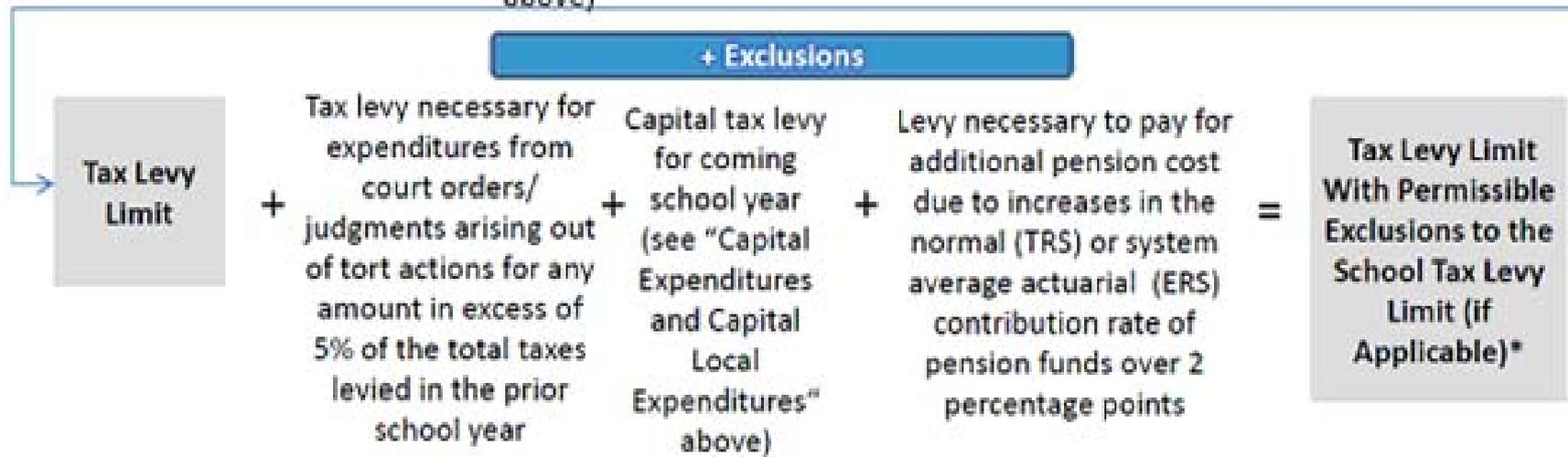
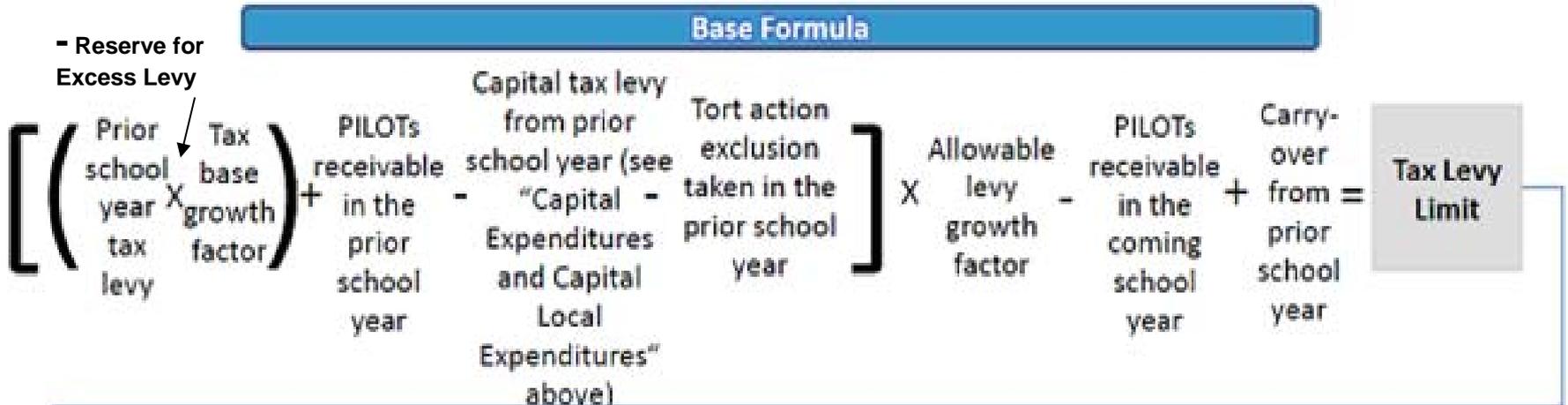
Summary

- Property taxes levied can't increase by more than 2 percent, or the rate of inflation, whichever is lower
- Exclusions allowed for a portion of pension cost increases, local capital expenditures and tort actions
- Tax cap limits total levy, not assessed value or tax rate
- Districts may exceed the tax cap with a 60% supermajority vote
- After two unsuccessful votes, tax levy capped at the prior year's amount, with no exclusions

Reporting Requirements

- All school districts must calculate their levy limits and report the data to OSC on-line
 - By March 1, though resubmissions will be accepted through April 29, the deadline for the Property Tax Report Card to be adopted and submitted to SED
 - Submission required, even if planning to seek an override
- Same data must be reported on Property Tax Report Card and Six-Day Budget Notice

Calculation Elements: SY 2013-14 and After



* This may be offset by any prior year excess levy from amounts in the reserve for excess tax levy, if such has been identified. If school districts propose to exceed this amount, they must get 60% voter approval for an override.

Calculation Elements (Changes in BOLD)

Tax Levy

- Total levy for school district
- **Less any Tax Cap Reserve for excess levy**
- Does not include school district library levy

Tax Base Growth Factor

- Adjusts for actual growth, not assessment
- Pre-filled by Tax and Finance
- Can't be negative

Calculation Elements (Changes in BOLD)

Pilots

- May adjust base year for material changes
- Document with PILOT agreements/schedules

Allowable Levy Growth Factor

- Lesser of 2% or CPI-U. For 2013-14, it's again 2% for school districts

Carryover from Prior Year

- **Unused Tax Levy Limit before exclusions from 2012-13, up to 1.5% of the prior year's tax levy limit**

Calculation Elements - Exclusions

Pensions

- ERS – Increasing by less than 2%, no exclusion
- TRS – Estimated increase of 4.41%, therefore a 2.41% exclusion for 2013-14
- Salary base: Use best estimate, or prior year's

Capital Tax Levy

- Capital local expenditures, minus expenditures supported by: reserves, fund balance, State or federal aid, gifts
- Cannot be negative

Tort Actions

- Costs resulting from court orders or judgments to the extent they exceed 5 percent of the prior year's tax levy

Aid to Be Deducted from Capital Expenditures

Prior 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

- ❑ Based on 2012-13 Enacted Budget Amounts, as adjusted and/or received in 2012-13
- ❑ Any adjustments in any of the above revenue sources in 2012-13 about which the district has already been notified and/or is otherwise certain will occur

plus

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

Aid to Be Deducted from Capital Expenditures

Upcoming year (e.g., 2013-14)

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 2013-14 that will reduce the local levy for capital expenditures

Plus or Minus:

Any adjustments in any of the above revenue sources in 2013-14 about which the district has already been notified

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

Changes for 2013-14

Carryover of Unused Levy Limit

- The difference between the prior year's Tax Levy Limit before allowable exclusions and the actual amount levied in the prior year
- Prior year's exclusions for pension costs, capital local expenditures or torts are not carried over
- Up to a maximum of 1.5% of prior year's levy limit

Reserve for Excess Tax Levy

- If an excess tax levy was identified for prior year(s), districts must place excess in reserve
- The excess, including interest earned, must be deducted from the prior year levy to begin the calculation of the coming year's tax levy limit
- The same amount must also be deducted from the coming year's tax levy, as it is to be returned to taxpayers in that year

Capital Tax Exclusion

- Material changes to 2012-13 amount
- Uncertainty regarding State Building Aid amounts
 - Information and guidance for districts affected by Chapter 383 adjustment to assumed amortization interest rate:

https://stateaid.nysed.gov/build/html_docs/interest_rate_recalibration_feb2013.htm

Other Budget-Related Issues

- Property Tax Report Card
- 6-Day Budget Notice
- Administrator Salary Disclosure
- Contingent Budget
- Separate Propositions

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

Levy Limit Resources and Contact Information

- OSC Property Tax Website:
www.osc.state.ny.us/localgov/realprop/index.htm
- OSC Property Tax Levy Limit Hotline: (518) 473-0006
Email: LGSAMonitoring@osc.state.ny.us
- Retirement System (ERS Salary Projection Data)
Email: RTEmpSer@osc.state.ny.us
- Retirement System (TRS Salary Projection Data)
<http://www.nystrs.org/main/admbull/bull2013-1.pdf>
- NYSED Property Tax Information:
<http://www.p12.nysed.gov/mgtserv/propertytax/taxcap/>

Question and Answer Session

Thank You for Participating