

Impact of the New York State Property Tax Cap on the Huntington Union Free School District



Board of Education Meeting
Monday, January 30, 2012

Chapter 97 of the Laws of 2011

- Established a tax levy limit for school districts and municipalities in NYS effective fiscal year 2012-2013
- Expires June 2016, but shall remain in effect as long as “temporary” rent control and regulation laws remain in effect

TAX LEVY versus TAX RATE

- ◎ **Tax Levy** (taxpayer monies collected) =
Projected spending
minus State aid
minus appropriated fund balance
minus other revenues
- ◎ **Tax Rate** = individual \$ rate per hundred of assessed value used to calculate a tax bill.

Overview

- School districts may not adopt a budget that requires a tax levy exceeding the previous year's levy by more than $2\% + \text{exclusions}$ **or** $1\% + \text{the rate of inflation} + \text{exclusions}$, whichever is less.
- Rate of inflation determined by the average monthly CPI-U for the 12-month period ending 6 months prior to the start of the fiscal year.
- For the fiscal year beginning 7/1/12, the period ends 12/31/11. The pertinent CPI-U figure is 2.7%.

Important Clarification of Misconceptions

- Although commonly referred to as a “2% tax cap,” the allowable levy limit is likely to be higher due to exclusions and will vary among districts.
- The law doesn’t cap anyone’s actual tax bill. It applies only to the school tax levy.

Eight-Step Calculation

1. Determine total amount of taxes levied in 2011-2012.
2. Multiply by tax base growth factor – increases levy limit to reflect:
 - * new construction
 - * newly taxable status of existing property
 - * improvements to taxable property
(HUFSD Growth Factor = 1.0017)

Eight-Step Calculation (continued)

3. Add PILOTs (Payments in Lieu of Taxes)
receivable in 2011-2012
4. Subtract applicable 2011-2012 exemptions:
 - * Tort judgments > 5% of 2011-2012 tax levy
 - * 2011-2012 Capital Tax Levy

= ADJUSTED 2011-2012 TAX LEVY

Eight-Step Calculation (continued)

5. Multiply by **allowable levy growth factor**
(the lesser of 2% or 1%+inflation rate)
6. Subtracts **PILOTs** receivable in 2012-2013
7. Add **available carry-over** from prior fiscal
year (not available in year 1)
8. Add **2012-2013 exemptions**

Eight-Step Calculation (continued)

Permissible 2012-2013 exemptions:

- ⦿ 2012-2013 Capital Tax Levy (including debt service)
- ⦿ Tort judgments > 5% of 2011-2012 tax levy (excludes tax certioraris)
- ⦿ ERS contribution increase beyond 2%
- ⦿ TRS contribution increase beyond 2%

**= ALLOWABLE 2012-2013 TAX LEVY
(WITH SIMPLE MAJORITY VOTE)**

Calculation Worksheet

- The attached worksheet displays the calculations with several assumptions in place.
- Current estimate = a 2.21% tax levy increase from this year to next under the cap.

Board of Education Options

OPTION 1:

- ⦿ Propose a budget with tax levy at or below the prescribed level
- ⦿ Requires a simple majority (50% + 1 vote)

OPTION 2:

- ⦿ Propose a budget with tax levy above the prescribed level
- ⦿ Requires a “super majority” (60% approval)

Timeline

- MARCH 1, 2012 - tax levy limit calculation submitted to State Comptroller
- MARCH 5/19/26; APRIL 2, 2012 – Budget meetings organized by topic
- APRIL 16, 2012 – HUFSD BOE budget adoption
- MAY 7, 2012 – Public budget hearing
- MAY 15, 2012 – Budget Vote/BOE Election

If Budget is Voted Down on May 15

- District may resubmit the original budget or submit a revised budget to voters on the third Thursday in June.
- District may adopt a contingency budget that levies a tax no greater than that from the prior year (0%). This also immediately applies if a resubmitted/revised budget is voted down.
- Exclusions do not apply to a contingency budget.

HUFSD Challenges

Improving student performance

while

Working with increasingly fewer financial
resources

	2011-2012	ROLL-OVER 2012-2013	Tax Levy Capped 2012-2013
BUDGET	\$109,037,301	\$112,775,000	\$111,877,465
REVENUE (includes state aid, fund balance, reserves, other)	15,029,114	15,772,390	15,772,390
TAX LEVY	94,008,187	97,002,610	96,105,075
ASSESSED VALUATION	45,381,530	45,381,530	45,381,530

Non-Discretionary Costs

- ◎ Salary and Contractual Obligations
(Triborough Amendment to the Taylor Law)
- ◎ Pension Contributions (TRS/ERS)
- ◎ Debt Service
- ◎ Insurance Premiums
- ◎ BOCES Administrative & Capital Charges
- ◎ Utilities
- ◎ Special Education
- ◎ Transportation

	ROLL-OVER 2012-2013	Tax Levy Capped 2012-2013
\$ CHANGE IN BUDGET	\$3,737,699	\$2,840,164
% CHANGE IN BUDGET	3.43%	2.60%

ALLOWABLE TAX LEVY LIMIT INCREASE FOR 2012-2013 ...	\$2,840,164
ROLL-OVER TAX LEVY INCREASE ...	3,737,699
REQUIRED ADJUSTMENT	(\$897,535)

	2011-2012	ROLL-OVER 2012-2013	Tax Levy Capped 2012-2013
TAX RATE (per \$100)	\$207.15	\$213.75	\$211.77
TAX RATE \$ CHANGE (per \$100)		6.60	4.62
TAX RATE % CHANGE		3.19% (est.)	2.21% (est.)

Reserve/Fund Balance 6/30/11

Unappropriated Fund Balance (4%)	\$4,372,292
Appropriated Fund Balance	2,245,000
Capital Reserve	5,309,967
Workers Compensation	2,839,765
EBALR	1,035,720
Unemployment	66,910
Repair	<u>161,647</u>
	\$16,031,301

How Long Will 16 Million Last?

- Assuming 2% budget-to-budget increases → all reserve funds potentially liquidated by *2014-2015!*