

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



Board of Education Meeting  
Monday, December 5, 2011

# 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.

# 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

# Overview

- School districts may not adopt a budget that requires a tax levy exceeding the previous year's levy by more than *2% + exclusions* **or** *1% + the rate of inflation + exclusions*, whichever is less.
- Rate of inflation determined by the average monthly CPI 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 CPI period ends 12/31/11. The pertinent figure will be released on 1/19/12. (The current figure is in the range of 3.5%.)

# 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(Town of Huntington Growth Factor = 1.0035)

# 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 2.41% tax levy increase from this year to next under the cap.
- The worksheet will be updated as certain figures are finalized.

# Board of Education Options

---

## OPTION 1:

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

## OPTION 2:

- Propose a budget involving 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
- 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

# Mitigating the Impact

---

## **Improve Budgetary Practices:**

- Maintain budget accuracy
- Strengthen budget monitoring throughout the year
- Control costs
- Maintain internal controls

# Mitigating the Impact

---

## **Budget Development Action Plan:**

- Begin fiscal year with sound, conservative estimates of revenues and expenditures
- Maintain adequate unrestricted fund balance to manage risk and avoid end-of-year deficits
- Develop a budget monitoring system that identifies significant revenue and expenditure fluctuations in a timely manner
- Maintain strong internal control procedures; prevent unnecessary cost overruns

# Mitigating the Impact

---

## **Additional steps:**

- Maintain communication/transparency and involve stakeholders
- Review the financial impact of every budget decision
- Stay focused on the mission of the district
- Make certain that our students remain priority #1



## Reserves/Fund Balance

---

Unappropriated Fund Balance	\$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
Repairs	<u>161,647</u>
	\$16,031,301

# How Long Will 16.3 Million Last?

---

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