LEGISLATIVE AND FINANCIAL CHALLENGES

February 10th, 2012

Presented by:

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2012-2013

Property Tax Cap
Chapter 97 to the Laws of 2011

- Begins with the 2012/13 school year budget
- In effect through 2016/17. Thereafter, it remains in effect only as long as regulation and control of residential rents and eviction (i.e. rent control) laws are in place.
- Chapter 97 leaves most current contingency budget requirements/restrictions in place.

Introducing the Tax Cap

- The Tax Cap applies to the levy, not the rate or the homeowner's payment
- It's not simply 2%: The Levy Cap is calculated by a complex formula created by NYS. Exceptions will allow the cap to exceed 2% and CPI could hold the cap below 2%
- The Tax Levy must be approved by the voters
  - A 60% majority is needed to pass a Tax Levy above the Cap
  - A 50% majority is required to pass a Tax Levy at or below the Cap
- If the voters reject the budget twice, the tax levy increase is capped at **ZERO.**

Tax Levy Limit

2011/12 Tax Levy	$ 50,000,000	Provided by Office of Real Property Tax Service
Tax Base Growth Factor	x 1.002	
	$ 50,100,000	
2011/12 PILOT	$ 800,000	Estimate
	$ 50,900,000	
2011/12 Exemptions	$ (595,000)	2011-2012 Local Capital and Debt Service / Court Orders / Judgments
Adjusted 2011/12 Tax Levy	**$ 50,305,000**	
Allowable Growth Factor	x 1.02	Lesser of CPI or 2%. (Current CPI is 3.2%)
	$ 51,311,100	
2012/13 PILOT	$ (815,000)	Estimate
	$ 50,496,100	
Available Carryover	0	None for 2012/13
2012/13 TAX LEVY LIMIT	**$ 50,496,100**	**Submitted to the Comptroller's Office by March 1st.**

To Be Continued …..

2012/13 Exemptions

- **ERS Costs** = Tax levy necessary for 2012/13 expenditures for employer contributions caused by growth in the contribution rate, minus two percentage points
- **TRS Costs** = Tax levy necessary for expenditures for 2012/13 for employer contributions caused by growth in the contribution rate, minus two percentage points
- **Capital:** Local Capital Expenditures And Debt Service
- **Court Orders/Judgments**: (*Not* Tax Certioraris)

TRS Pension Exemption Calculation

Step 1: Calculate the change in the system average actuarial contribution rate for TRS

11.84% 2012/13 System Average	**-** Minus	**11.11% 2011/12 System Average**	=	**.73% Percentage Points Difference**

Step 2: If the annual growth in the contribution rate is greater than 2 percentage points, the amount above 2 percentage points is the portion of the salary based that may be excluded

.73 % Point Difference	**-** Minus	**2.0% Local Responsibility Not excludable**	=	**-1.27% (-0.0061) Excludable Portion**

Step 3: Multiply the excludable portion by the salary base (e.g. the salary base for your TRS employees in this example

ACTUAL TRS PENSION INCREASE IS 6.6%

THERE IS NO EXEMPTION FOR TRS.

ERS Pension Exemption Calculation

Step 1: Calculate the change in the system average actuarial contribution rate for ERS

18.9% (0.189) 2012/13 System Average	- Minus	16.3% (0.163) 2011/12 System Average	=	2.6% (0.026) Percentage Points Difference

Step 2: If the annual growth in the contribution rate is greater than 2 percentage points, the amount above 2 percentage points is the portion of the salary base that may be excluded

2.6% % Point Difference	- Minus	2.0% Local Responsibility Not excludable	=	0.6% (0.006) Excludable Portion

Step 3: Multiply the excludable portion by the salary base (e.g. the salary base for your ERS employees in this example

0.6% (0.006) Excludable Portion	x Multiplied	Salary Base	=	Dollar Value of Exemption

ACTUAL ERS PENSION INCREASE IS 16.0%

EXEMPTION PERMITS 3.7% EXCLUSION FROM TAX CAP

Maximum Allowable Tax Levy Increase

Tax Levy Limit:		$ 50,496,100
Tax Levy Limit Exemptions:		
TRS		$ -
ERS		$ 45,000
Capital Local Expenditures		?
Court Orders/Judgments		$ -
Debt Service (Net of Building Aid)		$ 590,000
Maximum Allowable Tax Levy Increase:		$ 51,131,100
2011/2012 Tax Levy		$ 50,000,000
Percent Increase		2.26%

WHAT DOES THIS MEAN TO MY DISTRICT, OUR SCHOOLS?

Typical School Budget

	Percent of Total Budget		Budget 2011/12	Estimated Increase		Budget 2012/13
Salaries	55%	$	55,000,000	Step + 1%	$	56,925,000
Benefits	20%	$	20,000,000	Various	$	21,900,200
BOCES	7%	$	7,000,000		$	7,000,000
Transportation	5%	$	5,000,000	CPI (3.2%)	$	5,160,000
Contract Services	3%	$	3,000,000		$	3,000,000
Debt Service	2.5%	$	2,500,000		$	2,500,000
Utilities	2%	$	2,000,000	10%	$	2,200,000
Materials/Supplies	1.5%	$	1,500,000		$	1,500,000
All Other	4%	$	4,000,000		$	4,000,000
Total	**100%**	**$**	**100,000,000**		**$**	**104,185,200**
Budgeted Increase					**$**	**4,185,200**
Percent Increase						**4.2%**

Revenue Analysis

High Wealth District – CWR Greater Than 1.9

	2011/12	Estimated Increase	2012/13
Budget	$100,000,000	4.2%	$104,185,200
State Aid	$ 5,000,000	2.66%*	$ 5,133,000
Fund Balance	$ 4,000,000	0.0%	$ 4,000,000
Tax Levy	$ 91,000,000	2.26%	$ 93,056,600
Reductions			$ 1,995,600
			25-30 Positions
Percent Tax Levy Increase to Maintain Programs			**4.45%**
*Executive Budget 01.18.12 / Nassau County Average			

Revenue Analysis

Mid Wealth District - CWR of 1.0 to 1.9

	2011/12	Estimated Increase	2012/13
Budget	$100,000,000	4.2%	$104,185,200
State Aid	$ 11,400,000	1.78%*	$ 11,602,920
Fund Balance	$ 4,000,000	0.0%	$ 4,000,000
Tax Levy	$ 84,600,000	2.26%	$ 86,511,960
Reductions			$ 2,070,320
			26-31 Positions
Percent Tax Levy Increase to Maintain Programs			**4.7%**
*Executive Budget 01.18.12 / Nassau County Average			

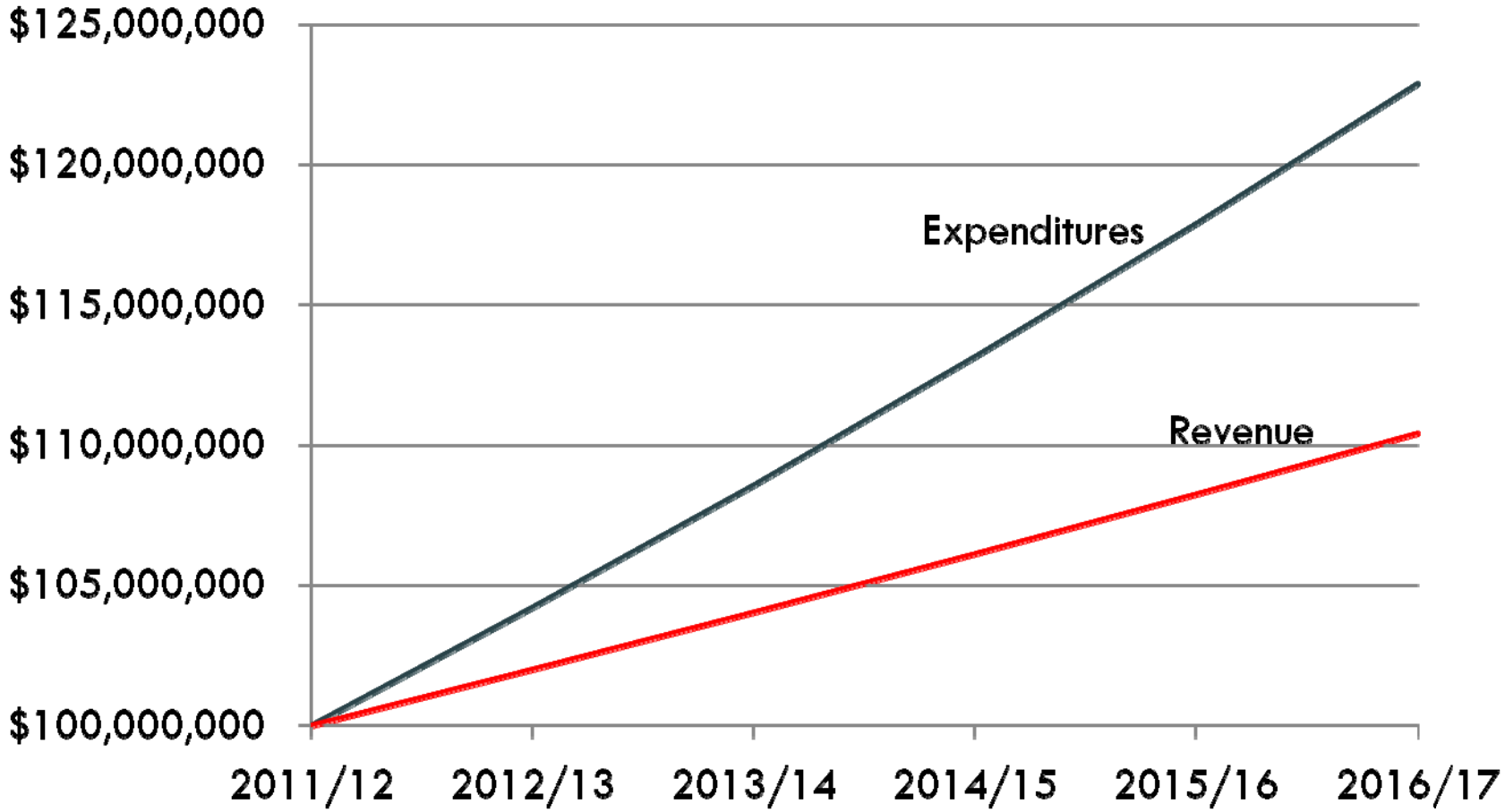
Revenue Analysis

Low Wealth District – CWR Less Than 1.0

	2011/12	Estimated Increase	2012/13
Budget	$100,000,000	4.2%	$104,185,200
State Aid	$ 40,000,000	1.83%*	$ 40,732,000
Fund Balance	$ 4,000,000	0.0%	$ 4,000,000
Tax Levy	$ 56,000,000	2.26%	$ 57,265,600
Reductions			$ 2,187,600
			28-33 Positions
Percent Tax Levy Increase to Maintain Programs			**6.2%**

*Executive Budget 01.18.12 / Nassau County Average

REVENUE vs. EXPENDITURES WITHIN THE TAX CAP



Mandate Relief

State mandates drive local school costs. Mandate relief has been promised, but not delivered.

- Require a "review" of new mandates that includes a comprehensive cost analysis and the definitive funding source.
- Freeze and review all currently proposed and pending mandates.
- ***Fund or reduce mileage limits (15 to 5 miles) for private school out-of-district transportation.***
- Allow consolidation of services under established contracts.
- Limit special education out-of-district transportation when Free Appropriate Education is provided.
- ***Allow districts to establish TRS reserve fund.***
- ***Legislate pension reform/TRS contribution restoration (pre 1998).***
- ***Establish a 55/25 "exit clause" for Tier 3/4 members who are 55 and older (in 2011) to create "entry" opportunities for new Tier 5 and "6" TRS contributors.***
- ***Cap/control health care premium costs with a statewide plan and limited employer contributions.***
- Utilize federal class size standards for students with disabilities and resource rooms while maintaining a continuum of services and supports for students.
- Amend Education Law 3602 that creates entitlement to special education for students parentally placed in private schools, and cap district contributions to out-of-district placements while ensuring that comparable programs are offered by the district of residence.
- Eliminate the requirement that an individual evaluation includes specific assessments as prescribed by Education Law 4402 (1) 9b(3)(a).
- Amend the law (A.5396-A/S.5972-A; Chapter 583) that shifted the burden of proof from parents to schools and that is counter to the 2007 Supreme Court decision.

Tax Cap Comparison
NY vs MA

Element / Condition	Massachusetts	New York
	Cap Function	
Failed Vote / No Vote	2.5% Increase	0.0% Increase
Majority Override (50.1%)	Unlimited Increase	2.0% Increase
Supermajority Override (60.1%)	None Needed	Unlimited Increase
	Economic Conditions	
10 year Enrollment Trend	-21%	-3.60%
State Aid History	CPI + 8.6%/Year	CPI - Only
State Economic Growth	Massachusetts Miracle	Uncertain
	Student Conditions	
Students in Poverty	28%	44%

What Options Does the Board of Education Have?

Option 1: Propose a budget requiring a tax levy at or below the tax levy limit including exemptions as prescribed by law

- Requires a simple majority (50% + 1 voter approval)

Option 2: Propose a budget requiring a tax levy above the tax levy limit including exemptions as prescribed by law

- Requires a resolution adopted by the Board of Education prior to budget vote
- Requires a "super majority" (60% voter approval)
  - Requires a statement on ballot indicating the required tax levy before exemptions exceeds the tax levy limit

Does the Public Still Vote on a Budget?

- **YES!**
- School district budget vote & election:

  Third Tuesday in May - May 15, 2012
- Proposed budget is presented
- Propositions for additional spending (buses, bond referendum, etc.) are presented
- Board of Education Trustee elections

THE VALUE OF A VOTE:

SUPERMAJORITY AND PIERCING THE CAP

- REQUIRES 60% OF THE VOTES CAST FOR APPROVAL
- 41% IS GREATER THAN 59%
- 3 YES VOTES FOR EVERY 2 NO VOTES FOR APPROVAL
- NO VOTE IS 50% MORE VALUABLE THAN A YES VOTE

"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."*

* http://www.osc.state.ny.us/localgov/realprop/pdf/instructions_schools.pdf

What Happens if the Budget is NOT Approved by the Public

- If the proposed budget is not approved by the required margin:
  - The district <u>may</u> resubmit the original budget or submit a revised budget to the voters on the third Tuesday in June OR
  - Adopt a contingency budget that levies a tax no greater than that of the 2011/12 school year (0% increase in tax levy)
- If the resubmitted/revised budget proposal is <u>not</u> approved by the required margin:
  - The Board of Education <u>must</u> adopt a budget that levies a tax no greater than that of the 2011/12 school year (0% increase tax levy) and the budget would be subject to contingent budget requirements

DISTRICTS WILL NOT BE ALLOWED TO INCREASE THE TAX LEVY

The Impact of the Cap

The School Board and Superintendent are working on this now –

Talk With Them!