

November 8, 2011

THE TAX CAP FORMULA

Presentation Goals

- Create Accurate Understanding of the Tax Cap
- Explain terminology of the Tax Cap Formula
- Review of Tax Cap Formula
- Discuss implications for SVE

Tax Cap Facts

- NOT a 2% Tax Cap
- 2% is only one factor in an eight (8) step calculation
- Each school district will have a different tax levy limit
- “Tax Levy Limit” leading to an “Allowable Tax Levy Limit” for a majority vote
- Not a cap on the tax rate or individual taxes
- Voters still vote on budget

Definition of Terms

- **Tax Levy Limit** – the result of the tax cap formula that is submitted to the State Comptroller by March 1st
- **Allowable Tax Levy Limit** – the result of the tax cap formula + exemptions resulting in the total tax levy allowed for a simple majority budget vote
- **Tax Levy Override** – when the tax levy exceeds the Allowable Tax Levy Limit triggering the need of a supermajority budget vote for passage

Definition of Terms

- **Supermajority Vote** – a 60% public budget vote that is needed to override the tax cap
- **Tax base growth factor** – “Quantity” change factor due to physical or quantity change in tax base compared to prior year’s tax roll provided by ORPS in February
- **PILOT Agreements** – Payments In Lieu of Taxes owed to school districts & municipalities

Definition of Terms

- **Prior Year Exemptions** – Capital Tax Levy, Capital Local Expenditures (i.e. local portion of capital projects and debt service)
- **Allowable Growth Factor** (lesser of the Consumer Price Index (CPI) or 2%, OSC to provide)
- **Available Carryover** – (Prior year tax levy limit minus the prior year tax levy, but no greater than 1.5%)

Definition of Terms

- **Current Year Exemptions - Capital Tax Levy, Capital Local Expenditures (i.e. local share of capital projects and debt service), Pension rate increase above 2% over prior year**
- **Contingency Budget – The budget adopted after two failed school budget votes. Now requires a 0% increase in the tax levy**

Tax Cap Formula

Prior Year Tax Levy

+

Tax Base Growth Factor

+

Prior Year PILOT Agreement(s)

-

Prior Year Exemptions

=

Adjusted Prior Year Tax Levy

Tax Cap Formula

Adjusted Prior Year Tax Levy

X

Allowable Growth Factor (1.02 or CPI
whichever is lower)

-

Coming Year's PILOT Agreement(s)

+

Available Carryover (N/A in 2012-13)

=

Tax Levy Limit (Reported to OSC)

Tax Cap Formula

Tax Levy Limit

+

Coming School Year Exemptions

=

Allowable Tax Levy Limit

Example of Tax Cap Formula – Spotville Central School*

Prior Year Tax Levy	5,253,000
Tax base growth factor	X <u>1.00</u>
	5,253,000
Prior Year PILOT	+ <u>100,000</u>
	5,353,000
Prior year exemptions	- <u>100,000</u>
Adjusted Prior Year Levy	5,253,000
Allowable Growth Factor	X <u>1.02</u>
	5,358,060
Coming Year PILOT	- <u>90,000</u>
	5,268,060
Available Carryover	+ 0
TAX LEVY LIMIT (Reported to OSC March 1)	5,268,060
Coming School Year Exemptions	+ 125,000
MAXIMUM ALLOWABLE LEVY w/o supermajority vote	5,393,060 = +2.66%

*Questar III BOCES Example

Example of Tax Cap Formula

NOTE:

In the prior example, after exemptions are added this mythical school district has a tax cap of 2.66%, which is **GREATER** than the 2% cap reported publicly by politicians and the media

Tax Cap Implications

- Dramatic Pension Increases/Small Exempt Portion

Pension Exemption Calculation Example

Retirement System	FY 2012 Bill	FY 2013 Bill	Difference	Exempt Portion
ERS	16.3%	18.9%	2.6%	0.6%
TRS	11.11%	12.5%	1.39%	0.0%

Pension Exemption Calculation Example

Retirement System	FY 2012 Payroll	FY 2012 Bill (ERS 16.3%; TRS 11.11%)	FY2013 Bill (ERS 18.9%; TRS est.12.5%)	Difference	Exempt Portion (ERS .6%; TRS 0%)
ERS	\$1,219,412	\$198,764	\$230,469	\$ 31,705	\$7,316
TRS	\$5,724,414	\$635,982	\$715,552	\$ 79,570	
Total	\$6,943,826	\$834,746	\$946,021	\$ 111,275	\$7,316

Note #1: In this example, although the budget to budget increase in pension costs is over 13%, the exempt portion only accounts for less than 1% of the increase

Note #2: For SVE, the non-exempt increase in pension costs would require a 1.7% increase in the local tax levy **IF** all other expenses remained the same **AND** state aid remained at current levels

Tax Cap Implications

- Pension Increases/Small Exempt Portion
- A 1% increase in the tax levy produces \$60,887 in revenue
- In 2012-13 we must replace \$347k in one-time funds and cover a \$300k increase in Healthcare costs
- In 2011-12 we cut \$737k from our school budget