

Property Tax Cap Legislation

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By
 Ron Clamser, Jr. - CVES
 Timothy Place, WSWHE BOCES

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Property Tax Cap Legislation

Chapter 97 of the Laws of 2011

Provisions

- Tax Cap begins with 2012-13 school year.
- Effective until at least 2016-17 (tied to rent control laws).
- Leaves most current contingency budget requirements/restrictions in place.
- Not really a “cap” – voter approved threshold.

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Property Tax Cap Legislation

Maximum Allowable Tax Levy Formula

Step 1 – Calculate Adjusted Prior Year Tax Levy

$$\begin{aligned}
 & \text{(Prior year tax levy) } \times \text{ (tax base growth factor)} \\
 & \quad + \\
 & \quad \text{Prior school year PILOT's receivable} \\
 & \quad - \\
 & \text{Prior school year capital \& court order exemptions} \\
 & \quad \text{(not ERS and TRS)} \\
 & \quad = \\
 & \text{Adjusted Prior Year Tax Levy}
 \end{aligned}$$

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Property Tax Cap Legislation

Maximum Allowable Tax Levy Formula - continued

Step 2 – Calculate Tax Levy Limit

$$\begin{aligned}
 & \text{Adjusted Prior Year Tax Levy} \\
 & \quad \times \\
 & \text{allowable levy growth factor (lesser of 2\% or CPI)} \\
 & \quad - \\
 & \text{Coming school year PILOT's receivable} \\
 & \quad + \\
 & \text{Available carry over (zero for 2012-13)} \\
 & \quad = \\
 & \text{Tax Levy Limit}
 \end{aligned}$$

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Property Tax Cap Legislation

Maximum Allowable Tax Levy Formula - continued

Step 3 – Calculate Maximum Allowable Tax Levy

$$\begin{array}{r}
 \text{Tax Levy Limit} \\
 + \\
 \text{Coming school year capital, court order, and pension} \\
 \text{exemptions (includes ERS \& TRS)} \\
 = \\
 \text{Maximum Allowable Tax Levy} \\
 \text{(requiring simple majority vote)}
 \end{array}$$

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Definitions

- **Tax Base Growth Factor** – 1 + quantity change factor. This represents the % change in full value property for new construction, etc. and is calculated by the Tax and Finance Commissioner by Feb. 15th of each year.
- **Allowable Levy Growth Factor** – lesser of 2% or change in CPI (from U.S. Dept. of Labor).
- **Available Carryover** – the amount prior year levy was below the tax levy limit, limited to 1.5% of the tax levy limit. (No carryover available for 2012-13)

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Exemptions

- **PILOT** – Payment in Lieu of Taxes (not all districts will have PILOT's).
- **Local Capital Expenditures** {minus state aid} – budgeted expenditures associated with construction, improvements, acquisition, etc. of school district capital facilities and capital equipment. Includes debt service, capital leases, and transportation capital debt.
- **Court Orders** – budgeted expenditures for court orders and judgments from tort actions (only the amount exceeding 5% of prior year tax levy). Excludes Tax Certioraris.
- **Pension (ERS & TRS)** – increase in employer contribution rates in excess of 2 percentage points.

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Pension (ERS & TRS) Exemption

Example

Tax Levy limit: \$31,150,000
ERS Salaries: \$8,150,000

Step 1: Calculate the change in ERS rate.

$$18.9\% - 16.3\% = 2.6 \text{ percentage points}$$

Step 2: Calculate the difference in excess of 2 percentage points.

$$2.6 - 2.0 = 0.6\% \text{ allowable}$$

Step 3: Multiply the allowable % by the salary base.

$$\$8,150,000 \times 0.6\% = \$48,900$$

Step 4: Add exemption to tax levy limit to determine Maximum Allowable Tax Levy.

$$\$31,150,000 + \$48,900 = \$31,198,900 \text{ (Maximum Allowable Tax Levy)}$$

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Other Considerations

- Submit information necessary to calculate tax levy limit to Commissioner of Ed, State Comptroller, and Commissioner of Tax and Finance by March 1st each year.
- Budget may exceed tax levy limit with 60% super majority of votes.
- Contingent budget requirement not eliminated.
- **Not a 2% Cap** (voter approved threshold).

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Why it's not a 2% Cap

Prior year tax levy	5,253,000	
Tax base growth factor	x 1.00	
	5,253,000	
Prior year PILOT	+ 100,000	
	5,353,000	
Prior year exemptions	- 110,000	
	5,243,000	
Adjusted Prior Year Levy	5,243,000	
Allowable growth Factor (lesser of CPI or 2%)	x 1.02	
	5,347,860	
PILOTs for coming year	- 100,000	
	5,247,860	
Available carry over	+ 0	
Tax Levy Limit	5,247,860	
Exemptions in coming year	+ 125,000	
Maximum Allowable Levy	5,372,860	2.47%

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Does the public still vote on a budget?

- YES!
- School District Annual Meeting & Election – 3rd Tuesday in May. (May 15, 2012)
- Present the 2012-13 proposed budget.
- Present propositions for additional spending (buses, capital projects, etc.)
- Board of Education elections.

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All budget deadlines/requirements remain.

- Legal notices
- Property tax report card still required and will now include:
 - District tax levy limit
 - Proposed tax levy before exemptions
- Public hearings and disclosures:
 - Budget notice will now include district tax levy limit and proposed tax levy before exemptions.
 - Budget statement.

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Budgets with tax levies that exceed the cap

Ballot *must* contain similar language:

“Adoption of this budget requires a tax levy increase of _____ which exceeds the statutory tax levy increase limit of _____ for this fiscal year and therefore exceeds the state tax cap and must be approved by sixty percent of the qualified voters present and voting.”

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What happens if the budget is not approved by the public?

If the original budget is defeated, the district may

- resubmit the original or a revised budget to the voters, or
- adopt a contingent budget with a 0% tax levy increase.

If the resubmitted budget is defeated:

- the Board *must* adopt a contingent budget with a 0% tax levy.
- All other contingency budget requirements apply (admin cap, elimination of non-contingent expenses, etc.).

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Contingency budget laws still in effect

Contingency Budget Requirements

- Administrative Cap still in effect.
- Non-contingent expenses still removed.
- Expenditures no longer subject to contingent budget spending cap (4% or 120% of CPI).
- New contingent cap is zero (0%) on the tax levy.

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What happens if there is an error in the calculation of the cap?

If, due to clerical or technical errors, the actual levy exceeds the maximum allowable tax levy:

- The excess amount collected is placed in reserve.
- Excess amount and any interest earned will be used to offset the tax levy in the following year.

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Property Tax Cap

Resources

- Office of NYS Comptroller
- NYS Association of School Business Officials
- Questar *III* BOCES – State Aid and Financial Planning Service

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Contact Information

Ron Clamser, Jr.
School Business Executive
Champlain Valley Educational Services
518 Rugar Street
Plattsburgh, NY 12901
(518) 536-7329
clamser_ron@cves.org

Timothy Place
Assistant Supt. For Administrative Services
WSWHE BOCES
1153 Burgoyne Ave
Fort Edward, NY 12828
(518) 746-3320
tplace@wswhiboces.org

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