

Impact of the New York State Property Tax Cap on the West Babylon School District November 29, 2011



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Overview

Chapter 97 of the Laws of 2011:

- Establishes a Tax Levy Limit for all school districts in NYS except the big five city school districts.
- Enacted June 24, 2011. Effective beginning with the 2012-2013 fiscal year.
- Expires June 15, 2016 but shall remain in effect as long as “temporary” rent control and regulation laws also remain in effect.
- School districts may not adopt a budget that requires a tax levy that exceeds the prior year’s levy by more than 2%, or the rate of inflation, whichever is less.

Tax Levy vs. Tax Rate

Definition-Tax Levy:

- **Tax Levy** = Budget – Revenue (state aid + other revenues + appropriated fund balance)

Variables affecting the Tax Levy:

- The Budget
- Appropriated Fund Balance
- State Aid and Other Revenues

Changes in any one of these variables affect the tax levy.

Tax Levy vs. Tax Rate

Definition-Tax Rate:

- Individual rate per hundred dollars of assessed value used to calculate a tax bill.
- To determine the tax rate, the district divides the tax levy by the total taxable assessed value of all property in their jurisdiction.

Variables affecting the Tax Rate:

- The Amount of the Tax Levy
- The Assessment of Property

A Change in one of these variables affects the tax rate.

Tax Levy vs. Tax Rate

Importance of Assessments

- Growth in Assessments spread the tax levy among more property value.
- All other things being equal, if assessments grow then the change in the tax rate paid by residents will be less than the increase in the tax levy.

Your tax bill can change each year due to changes in school district or local government:

- Budgets
- Revenue
- Total Taxable Assessed Value

Tax Levy vs. Tax Rate

Tax Levy = Budget – Revenue

- Ex: $\$93,975,510 - 31,969,836 = \$62,005,674$

Tax Rate = Tax Levy / Assessed Value X 100

- Ex: $(\$62,005,674 / 34,064,373) \times 100 = \182.02

For a home assessed at \$3,500

- Ex: $(\$3,500 \times 182.02) / 100 = \$6,371$

Budget Vote Scenarios

- If a budget is presented to the voters that is within the 2% cap, more than 50% (simple majority) of the voters must approve the budget.
 - **If the budget presented to the voters on May 15th fails:**
 - The same budget **can** be resubmitted for a second vote.
 - The budget **can** be reduced.
 - The Board **can** adopt a budget with a 0% tax levy increase.
 - **If the budget fails again on June 19th:**
 - The Board **must** adopt a budget with a 0% tax levy increase.

Provision for Override

Districts may present to the voters a budget that requires a tax levy that exceeds the statutory limit of 2%. However, that budget must be approved by at least **60%** (super majority) of all the votes cast.

If that budget does not pass:

- The Board may adopt a final budget with no growth in the tax levy from the prior year or resubmit the original or a revised budget.

If the budget is defeated a second time:

- The Board must adopt a contingency budget with a tax levy that is no greater than the levy of the prior year (0% increase).

Historical Budget Vote Results

BUDGET VOTE RESULTS						
School Year	Date of Vote	YES	NO	Total	Difference	%Pass/ Fail
1998/99	May 19, 1998	641	438	1,079	203	59.41%
1999/00	May 18, 1999	1,151	542	1,693	609	67.99%
2000/01	May 16, 2000	1,031	632	1,663	399	62.00%
2001/02	May 15, 2001	1,252	642	1,894	610	66.10%
2002/03	May 21, 2002	991	557	1,548	434	64.02%
2003/04	June 3, 2003	1,563	694	2,257	869	69.25%
2004/05	May 18, 2004	1,512	1,021	2,533	491	59.69%
2005/06	May 17, 2005	1,120	1,323	2,443	(203)	45.85%
2005/06	June 21, 2005	2,387	1,578	3,965	809	60.20%
2006/07	May 16, 2006	1,852	1,254	3,106	598	59.63%
2007/08	May 15, 2007	1,517	835	2,352	682	64.50%
2008/09	May 20, 2008	973	825	1,798	148	54.12%
2009/10	May 19, 2009	1,207	785	1,992	422	60.59%
2010/11	May 18, 2010	1,145	1,325	2,470	(180)	46.36%
2010/11	June 15, 2010	1,746	1,035	2,781	711	62.78%
2011/12	May 17, 2011	1,546	962	2,508	584	61.64%
14 Year Average						62.28%

Historical Budget Data

Year	Budget	Budget Actual	Budget \$ Difference	Revenue	Revenue Actual	Revenue \$ Difference	Budget Increase	Tax Rate	Tax Rate Increase	Applied Fund Balance
1998/99	54,269,296	53,783,923	485,373	52,907,346	54,564,021	1,656,675	4.98%	98.30	1.66%	\$ 1,361,950
1999/00	56,369,385	55,699,260	670,125	54,933,935	56,850,327	1,916,392	3.87%	99.07	0.78%	\$ 1,488,950
2000/01	58,821,623	58,347,956	473,667	57,332,672	59,418,942	2,086,270	4.35%	103.29	4.25%	\$ 1,488,950
2001/02	61,760,338	61,564,235	196,103	59,635,470	61,280,229	1,644,759	5.00%	107.09	3.68%	\$ 2,124,867
2002/03	63,986,789	62,760,968	1,225,821	62,865,775	63,678,812	813,037	3.60%	112.69	5.23%	\$ 1,401,592
2003/04	66,634,674	66,441,857	192,817	65,118,944	65,864,345	745,401	4.14%	121.33	7.66%	\$ 1,515,730
2004/05	70,926,857	70,431,474	495,383	69,422,857	71,178,685	1,755,828	6.44%	132.70	9.37%	\$ 1,504,000
2005/06	76,857,457	74,480,858	2,376,599	75,542,457	77,050,627	1,508,170	8.36%	142.47	7.36%	\$ 1,315,000
2006/07	81,024,426	78,460,408	2,564,018	79,540,098	81,181,724	1,641,626	5.42%	147.01	3.19%	\$ 1,484,328
2007/08	84,309,025	84,105,671	203,354	82,260,224	85,437,463	3,177,239	4.05%	151.37	2.97%	\$ 2,048,801
2008/09	89,706,114	86,026,056	3,680,058	86,768,588	87,943,236	1,174,648	6.40%	157.00	3.72%	\$ 2,937,526
2009/10	92,342,203	86,674,239	5,667,964	88,284,708	88,942,373	657,665	2.94%	163.04	3.85%	\$ 4,057,495
2010/11	93,146,827	89,863,871	3,282,956	88,944,056	88,356,502	(587,554)	0.87%	170.98	4.87%	\$ 4,502,771
2011/12	93,975,510					(217,288)	0.89%	182.02	6.46%	\$ 5,141,635
14 Year Average							4.38%		4.65%	\$ 2,312,400

West Babylon UFSD

Current Fund Balance

Total Fund Balance as of June 30, 2010	\$ 16,810,805
Fund Balance Applied to Support 2010-11 Budget	<u>(4,502,771)</u>
Balance as of October 15, 2010	12,308,034
Expenditures and Encumbrances Under Budget	3,282,954
Revenues Under Budget	<u>(587,553)</u>
Change in Encumbrance	<u>(8,865)</u>
Total Fund Balance as of June 30 2011	\$ 14,994,570
Fund Balance Applied to Support 2011-12 Budget	<u>(5,141,635)</u>
Current Fund Balance as of November 29, 2011	\$ 9,852,935

Reserved vs. Unreserved Fund Balance

West Babylon UFSD Reserves	Projected Balance at 6/30/2012
Reserve for Retirement	893,374
Reserve for Unemployment	191,858
Reserve for Workers Comp.	1,954,557
Reserve for Employee Benefit Accrued Liabilities	2,979,089
Prior Year Encumbrance	250,763
Total Reserved Fund Balance	\$ 6,269,641
Total Unreserved Fund Balance	\$ 3,583,294
Total Fund Balance	\$ 9,852,935
2011-2012 Budget	\$93,975,510
Unreserved Fund Balance %	3.81%

- The use of **reserve funds** is guided by the specific law authorizing the reserve fund.
- Unreserved fund balance** provides a cushion for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available to meet the cost of operations.

Combining a reasonable level of unreserved fund balance with legally established reserve funds provides resources for both unanticipated events and other identified or planned needs.

West Babylon UFSD Reserve Funds

West Babylon Reserves	Balance at June 30, 2011	Appropriated Current Year 2011-2012	Projected Balance at 6/30/2012
Reserve for Retirement (ERS only)	\$2,898,946	\$2,005,572	\$893,374
Reserve for Unemployment	658,231	466,373	191,858
Reserve for Workers Compensation	2,354,557	400,000	1,954,557
Reserve for Employee Benefit Accrued Liabilities	2,979,089	-	2,979,089
Total:	\$8,890,823	\$2,871,945	\$6,018,878

Long Range Use of Reserves

Fund Balance Countdown

	2011-2012			2012-2013			2013-2014		
Reserve	6/30/2011	Applied	10/15/2011	6/30/2012	Applied	10/15/2012	6/30/2013	Applied	10/15/2013
Prior Year Encumbrances	250,763		250,763	250,763		250,763	250,763		250,763
Retirement	2,898,946	(2,005,572)	893,374	893,374	(893,374)	0	0		0
Unemployment	658,231	(466,373)	191,858	191,858	(191,858)	0	0		0
Workers' Compensation	2,354,557	(400,000)	1,954,557	1,954,557	(709,876)	1,244,681	1,244,681	(400,000)	844,681
Employee Benefits	2,979,089	0	2,979,089	2,979,089	(150,000)	2,829,089	2,829,089	(100,000)	2,729,089
Total Reserves	9,141,586	(2,871,945)	6,269,641	6,269,641	(1,945,108)	4,324,533	4,324,533	(500,000)	3,824,533

Long Range Use of Reserves

Fund Balance Countdown

	2011-2012			2012-2013			2013-2014		
Reserve	6/30/2011	Applied	10/15/2011	6/30/2012	Applied	10/15/2012	6/30/2013	Applied	10/15/2013
Prior Year Encumbrances	250,763		250,763	250,763		250,763	250,763		250,763
Retirement	2,898,946	(2,005,572)	893,374	893,374	(893,374)	0	0		0
Unemployment	658,231	(466,373)	191,858	191,858	(191,858)	0	0		0
Workers' Compensation	2,354,557	(400,000)	1,954,557	1,954,557	(709,876)	1,244,681	1,244,681	(400,000)	844,681
Employee Benefits	2,979,089	0	2,979,089	2,979,089	(150,000)	2,829,089	2,829,089	(100,000)	2,729,089
Total Reserves	9,141,586	(2,871,945)	6,269,641	6,269,641	(1,945,108)	4,324,533	4,324,533	(500,000)	3,824,533

	2011-2012			2012-2013			2013-2014		
Use of Reserves		2,871,945			1,945,108			500,000	
Unreserved Fund Balance		2,269,690		3,583,294	2,196,527	1,386,767	1,386,767	1,386,767	0
Applied Fund Balance		5,141,635			4,141,635			1,886,767	
\$ Change in Applied Fund Balance from Current Year					(1,000,000)			(3,254,868)	

West Babylon UFSD Tax Levy Limit

Current Year 2011-2012:

Budget	\$93,975,510
Revenue	- <u>31,969,836</u>
Tax Levy	\$62,005,674

2% maximum levy increase 1,240,113 (62,005,674 X .02)

2012-2013 Tax Levy Limit: ***\$63,245,787**

Therefore, the 2012-2013 budget can increase by approximately \$1,240,113 plus any increases in revenue or minus any decreases in revenue.

** Unadjusted for the tax base growth factor and does not include exclusions.*

Impact of the Tax Cap on the West Babylon UFSD

West Babylon UFSD	Current Year	Roll Over Budget	2% Property Tax Cap	0% Increase in Tax Levy
<u>Estimated Revenue</u>	2011-12	2012-13	2012-13	2012-13
Budget	93,975,510	99,097,175	94,215,623	92,975,510
Revenue <i>(includes fund balance, reserves, other)</i>	31,969,836	30,969,836	30,969,836	30,969,836
Tax Levy <i>(2% of 2011-12)</i>	62,005,674	68,127,339	63,245,787	62,005,674
Assessed Valuation	34,064,373	34,064,373	34,064,373	34,064,373
\$ Change in Budget		5,121,665	240,113	-
%Change in Budget		5.45%	0.26%	0.00%
<u>Tax Rate</u>				
Tax Rate (per \$100)	182.02	200.00	185.67	182.02
\$Change		17.97	3.64	-
%Change		9.87%	2.00%	0.00%

<u>Tax Levy Increase</u>		6,121,665	1,240,113	0
\$ Change - 2011-12 Budget and Roll Over		5,121,665		
\$ Change - Roll Over vs. 2% Cap			(4,881,552)	
\$ Change - Roll Over vs. No Increase				(6,121,665)

\$ Change - 2% Cap vs. No Increase				(1,240,113)
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Mitigating the Impact

1. Evaluate the efficiency and effectiveness of existing programs. Determine which programs or services should be supported with current resources, maintained at current levels, reduced or eliminated based on projected enrollment, demographic changes, and/or changes in Federal and State mandates, laws, regulations, contractual agreements, etc.
2. Prepare a multi-year plan projecting the future costs of existing programs and services to determine whether existing revenue streams will be sufficient to cover these costs by the end of the planning period. This plan will help us understand the impact of today's decisions over time.
3. Manage unreserved fund balance conservatively by trying to maintain the maximum of the next year's budgetary appropriations in order to provide insurance against unanticipated expenditures or revenue shortfalls.
4. Need to establish or increase legal reserve funds in order to provide a degree of financial stability.

Mitigating the Impact

Additional steps that should be taken during these tough times:

- Communicate more, not less and provide accurate facts to all the stakeholders in the community.
- Show the financial impact, short and long-term, of every budget decision.
- Continually monitor the budget and identify any variances.
- Review comparative year to year data, budget vs. actual, and analyze trends.
- Review all other relevant data and economic indicators.
- Stay focused on the mission of the district:

“We, the West Babylon School Community, declare our commitment to provide educational experiences of quality which enable all students to learn, share, lead and compete in the global community. Our commitment is to provide a school system dedicated to the proposition that all students will become lifelong learners who take pride in their work and in their service to others. We, therefore, endeavor to continually improve the quality of our work.”

DATE	ACTION
November/ December	Central Administrators, Principals, Directors, and Coordinators will input budget requests into Finance Manager (November 1 to December 20) and meet with Central Administration.
November 29, 2011	Special BOE Meeting: Ramifications of a property tax cap, Presentation of a Roll-Over Budget, Long range use of fund balance and reserves, BOE discussion on establishing a target tax rate. High School PAC - 7:00pm.
December 13, 2011	Continuation of Discussion with BOE regarding establishing target tax rates for West Babylon
January 3, 2012	Superintendent and Executive Director of Finance review Budget Draft #1
January 10, 2012	BOE New Business Agenda item: Board review and discussion of Budget Draft #1
January 17, 2012	Special BOE Meeting: Review of appropriation requests for General Support - 7:00pm - 10:00pm
January 24, 2012	BOE New Business Agenda item: Board review and discussion of Budget Draft #2
February 7, 2012	Special BOE Meeting: Review of appropriation requests for Instruction - 7:00pm - 10:00pm
February 14, 2012	BOE New Business Agenda item: Board review and discussion of Budget Draft #3 with Administrative Recommendations
March 1, 2012	Submission of Property Tax Cap Calculation to NYS Comptroller's Office. Determination of whether district will consider over ride.
March 6, 2012	Special BOE Meeting: Review of appropriation requests for Transportation, Community Service & Undistributed Funds - 7:00pm - 10:00pm
March 28, 2012	Budget Presentation Meeting in High School PAC - 7:30pm -10:00pm
April 3, 2012	Budget Presentation Meeting in Junior High Eagle Hall - 7:30pm - 10:00 pm
April 17, 2012	Board's FINAL review and adoption of proposed budget
May 7, 2012	Board Budget Hearing 7:30pm - 10:00pm.
May 15, 2012	BUDGET VOTE 7AM - 9PM