Property Tax Cap Chapter 97 of the Laws of 2011

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

- NYS has a property tax levy cap, not a “2% cap”
  - The law does not restrict any proposed tax levy increase to 2%

- The law creates an 8 step formula to determine “tax levy limit”
  - Adjusts tax levy to reflect local growth in tax base and rate of inflation (max 2%)

- Sets a higher threshold for voter approval of budgets IF proposed tax levy increase exceeds the “tax levy limit” plus exemptions
  - BOEs can present a budget that requires a levy that exceeds the cap but will need 60% voter approval

- The actual allowable tax levy increase will vary by district
  - The formula allows for certain expenses to be exempt from the cap therefore allowing the total tax levy increase to be greater than the “perceived” cap

- The property tax levy cap limits the school district levy NOT the individual tax bill of resident taxpayers
  - Assessments and equalization rates will still impact tax rates

- Voters are approving the budget (spending plan) not the tax levy
Total Levy to support proposed budget

\[
\text{Tax Levy Limit} + \text{Coming school year exemptions} = \text{Maximum Allowable Tax Levy (requiring simple majority)}
\]
Prior Year Tax Levy

- Taxes levied in the prior year (2011-12) = $17,785,805
- including exemptions of $0 = $17,785,805
**Tax Base Growth Factor**

- **Quantity Change Factor** = The percentage by which the full value of the taxable real property in the school district increases due to physical or quantity change, compared with the prior year tax roll (growth in full value due to new construction, additions and improvements to real property, etc.).

- **Tax Base Growth Factor** = 1 + Quantity Change Factor; only calculated if quantity change factor is a positive number.

- **Source**: New York State Tax and Finance Department (ORPS)

- Factor will be made available by February 15th

- For 2012-13 Budget it is: 0.71% (.0071) or $126,279
Prior Year (2011-12) PILOTs

- Payments in lieu of taxes (PILOT) owed to the district in the prior school year. 2011-12 actual revenue received - $498,462
Prior Year (2011-12) Exemptions

- **Capital Tax Levy** = Tax levy necessary to support capital local expenditures

- **Capital Local Expenditures** = The tax levy associated with budgeted expenditures resulting from the construction, acquisition, reconstruction, rehabilitation or improvement of school district capital facilities or capital equipment, including debt service and lease expenditures, and transportation capital debt service.

- **Court Orders/Judgments** = Tax levy necessary for expenditures resulting from court orders or judgments arising out of tort actions for any amount that exceeds 5% of total tax levied in prior school year. Excludes tax certioraris.

- Excludes prior year pension exemption

- 2012-13 Budget figure is $0
Adjusted Prior Year (2011-12) Tax Levy

Prior year levy adjusted for:

- Tax base growth factor
- Prior year PILOT
- Prior year exemptions

- $17,785,805 + $126,279 + $498,462 + $0 = $18,410,546
Allowable Growth Factor

• Allowable Levy Growth Factor = Lesser of: 2% (1.02) OR (1 + Inflation Factor); Minimum of 1.0.

• Inflation Factor = CPI change, carried out four decimal places.
  • Same as CPI used for contingent budget cap 3.2%

• Source: US Department of Labor

• 2012-2013 Budget Figure is: 2% of $18,410,546 or +$368,211
PILOTs for coming year (2012-13)

Payments in lieu of taxes (PILOT) to be collected in the coming school year (2012-13). 2012-13 Budgeted amount is $560,987
Available Carryover

• Districts may use taxing authority from the prior school year to increase the subsequent year’s tax levy if taxes were increased in the prior school year by less than the amount allowed by the cap.

• Available Carryover = (Prior year tax levy limit – prior year tax levy), but no greater than: 1.5% x prior year tax levy limit.

• **No** Available Carryover (from 2011-12) for 2012-13
Tax Levy Limit

• Amount to be calculated and submitted to Comptroller’s Office prior to March 1st of each year
• Prior to addition of allowable exemptions
• $18,410,546 + $368,211 - $560,987 + $0 = $18,217,770
Total Levy to support proposed budget

Tax Levy Limit $18,217,770

+ 

Coming school year exemptions $28,917

= 

Maximum Allowable Tax Levy $18,246,687

(requiring simple majority)
2012-13 School Year Exemptions

- **Capital Tax Levy** = Tax levy necessary to support capital local expenditures
- **Capital Local Expenditures** = The tax levy associated with budgeted expenditures resulting from the construction, acquisition, reconstruction, rehabilitation or improvement of school district capital facilities or capital equipment, including debt service and lease expenditures, and transportation capital debt service.
- **Court Orders/Judgments** = Tax levy necessary for expenditures resulting from court orders or judgments arising out of tort actions for any amount that exceeds 5% of total tax levied in prior school year. Excludes tax certioraris
- $0 for 2012-13
Pension Calculation Example

Step 1: Calculate the change in the system average actuarial contribution rate for ERS or the normal contribution rate for TRS. The following example is based on the rate for ERS.

\[
\begin{align*}
18.9\% &= 0.189 \\
(2012-13) &\text{ System Average} \\
16.3\% &= 0.163 \\
(2011-12) &\text{ System Average} \\
\end{align*}
\]

\[\text{Percentage Points Difference} = 2.6\% = 0.026\]

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.

\[
\begin{align*}
2.6\% &= \text{\% point difference} \\
2.0\% &= \text{Local responsibility not excludable} \\
\end{align*}
\]

\[\text{Excludable Portion} = 0.6\% = 0.006\]

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

\[
\begin{align*}
0.6\% &= 0.006 \\
(\text{Excludable Portion}) \\
\times &\text{Salary Base} \\
\end{align*}
\]

\[\text{Exempt Amount} = \text{Excludable Portion \times Salary Base}\]

Step 4:

Add exempt amount to the tax levy limit
(Note: Exclusions increase the amount of taxes you are allowed to levy)
2012-13 School Year Exemptions

- The pension cost exemption applies only when ERS and/or TRS employer contribution rates increase by more than 2 percentage points over the prior year.

ERS Costs = Tax levy necessary for expenditures for coming school year for employer contributions caused by growth in the system average actuarial contribution rate, minus two percentage points.
- 2012-13 rate of 18.9% - 2011-12 rate of 16.3% = 2.6%
- 2.6% - 2.0% = 0.60% exemption percentage
- $4,819,570 salaries per NYS Comptroller Office x 0.60% exemption percentage = $28,917 Exemption

TRS Costs = Tax levy necessary for expenditures for coming school year for employer contributions caused by growth in the normal contribution rate, minus two percentage points.
- 2012-13 rate of 11.84% - 2011-12 rate of 11.11% = 0.73%. Less than 2.0% = NO Exemption

For example, if an employer contribution rate for ERS and/or TRS increased by 2.2 percentage points, only an amount equal to applicable salary expenditures times .002 would be excluded from the tax levy cap. If an employer contribution rate increased by 1.98 percentage points over the prior year, no exclusion would be allowed from the cap on the tax levy for pension cost increases.
### The Calculation for Batavia City School for 2012-13 Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Prior year (2011-12) tax levy</td>
<td>$17,785,805</td>
</tr>
<tr>
<td>B. Tax base growth factor from (if any)</td>
<td>0.71% (.0071)</td>
</tr>
<tr>
<td>C. Increase based on Growth Factor ( (A \times B) )</td>
<td>+ 126,279</td>
</tr>
<tr>
<td>D. Payments in lieu of taxes (PILOTs) receivable during 2011-12</td>
<td>+ 498,462</td>
</tr>
<tr>
<td>E. Taxes levied for exemptions during prior year (not ERS &amp; TRS)</td>
<td>- 0</td>
</tr>
<tr>
<td><strong>F. Adjusted Prior Year (2011-12) Tax Levy</strong></td>
<td><strong>$18,410,546</strong></td>
</tr>
<tr>
<td>G. Allowable levy growth factor (lesser of 2% or CPI)</td>
<td>2% (0.02)</td>
</tr>
<tr>
<td></td>
<td>+ 368,211</td>
</tr>
<tr>
<td>H. Payments in lieu of taxes (PILOTs) receivable in 2012-13</td>
<td>- 560,987</td>
</tr>
<tr>
<td>I. Available carryover (if any)</td>
<td>+ 0</td>
</tr>
<tr>
<td>J. Tax Levy Limit</td>
<td>$18,217,770</td>
</tr>
<tr>
<td>K. 2012-13 NYS ERS Exemption</td>
<td>+ 28,917</td>
</tr>
<tr>
<td>L. Tax Cap Limit 2012-13</td>
<td>$18,246,687</td>
</tr>
<tr>
<td>M. BOE Approved Tax Levy for 2012-13</td>
<td>$18,140,376</td>
</tr>
<tr>
<td><strong>O. 2012-13 Tax Levy - Under Tax Cap Limit</strong></td>
<td><strong>$106,311</strong></td>
</tr>
</tbody>
</table>