

N-SSBA/NCCSS/SCSSA

Joint Conference

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The Property Tax Cap by the Numbers: The Impact on Our Schools



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Tax Levy Basics

- The school property tax levy represents the amount of funding a school district needs to raise through property taxes to balance its budget.

- The Property Tax Levy is calculated as follows:

$$\begin{array}{r} \text{Projected School Spending} \\ (-) \text{ minus state aid} \\ (-) \text{ minus other revenues} \\ \hline (-) \text{ minus prior year's fund balance} \\ \hline = \text{Property Tax Levy} \end{array}$$

- On Long Island, property taxes comprise nearly 70% of school funding.



Tax Cap Basics

- Overdependence on property taxes is real.
- Governor Cuomo's top priority is the introduction of a Property Tax Cap. It was introduced in the Senate on January 28, 2011 (S.2706).
- The Paterson proposed Property Tax Cap was the lesser of 4%, or 120% of the CPI increase.
- Caps the levy, not the tax rate.



S.2706

Preliminary Analysis

- Preliminary analyses underway by all major educational organizations.
- “Devil is in the details.”
- Full impact can only be measured in conjunction with executive budget proposal.



S.2706

What's Next?

- Introduced by Senate Majority Leader at request of Governor.
- No Assembly “same as” bill filed.
- May pass Senate by the time of this presentation.
- Cap ultimately must be agreed to by Governor, Senate, and Assembly.
- Applies to school tax levy for the 2012-13 school year.



Tax Cap ~ Related Issues

- Reduced State Aid
- Local Control
- Increasing Costs
- Override Provision
- Mandate Relief



Related Issues ~

Loss of State Aid / Mandate Relief

- A cut in state aid alone will drive a tax levy increase, sometimes in excess of the proposed cap.
- A comprehensive mandate relief agenda that will enable school districts to cut costs and spread program reductions over a broader base must be approved in conjunction with the introduction of a tax cap.



Related Issues ~ Local Control / Overrides

- The appropriate point in the budget approval process to introduce a tax cap is after the community had the opportunity to vote on a locally prepared budget. Only after voter rejection should a cap be imposed.
- This year, 124 of 124 Long Island school districts approved their budget.
- Any public referendum on a tax cap override or underide should be approved or rejected based upon the will of the majority. Forty-one percent of an electorate should not have the capacity to determine the future of a community's schools.



Related Issues ~ Increasing Costs

- Certain cost increases beyond the control of local school districts, such as TRS and ERS rate increases, health insurance premiums, fuel, and utilities should be excluded from the calculation of the cap.
- Health Insurance, TRS/ERS payments, and special education expenses make up 30% or more of most budgets.
- Health Insurance (Empire) will rise by 14% next year.
- TRS rates will rise by approximately 33% next year.
- ERS rates will rise by 40% next year.



Is there Uniformity in Results? – Wealth Gap/Equity

Percentage of Students in Long Island's Least Wealthy and Wealthiest School Districts Passing the Elementary/Middle Level Assessments and Regents Exams

Demographic Factors/Assessment/Regents 2008-09	Least Wealthy LI Districts (9 districts) % of all students tested	Wealthiest LI Districts (9 districts) % of all students tested
Total Enrollment	56,329	23,306
% Free/Reduced Lunch	53.5	11.4
% Limited English Proficient (LEP)	18.8	5.0
% Drop Out	2.8	0.9
State Aid Share (State Aid as % of Total Revenue)	56.1	6.2
Per Pupil Expenditure	\$21,915	\$28,593
Assessments Results – Elementary and Middle Level Students Scoring at Levels 3 and 4		
Grade 4 ELA	76.4	91.4
Grade 4 Mathematics	86.2	94.4
Grade 4 Science	91.2	96.3
Grade 5 Social Studies	90.6	96.6
Grade 8 ELA	58.9	87.7
Grade 8 Mathematics	74.2	93.2
Grade 8 Science	67.9	84.7
Grade 8 Social Studies	60.2	88.7
Regents Exam Results – Students Scoring 65+		
English	78.5	92.5
Mathematics Course A	50.7	93.5
Global History & Geography	70.0	88.2
US History & Government	81.3	94.0
Living Environment	76.8	95.2



Tax Cap ~ 2010-11

“What If” Scenarios

- Spending
- State Aid
- Fund Balance / Other Revenues
- Tax Levy
- Tax Cap
- \$ Reduction to Reach Cap
- % Spending Increase After Reduction



Tax Cap ~ 2010-11

“What If” Scenarios

	<i>Scenarios</i>								
	A	B	C	D	E	F	G	H	I
Spending	+2.5%	+2.5%	+2.5%	+2.5%	+ 2.5%	+2.5%	+2.5%	+2.5%	+2.5%
State Aid	0.0%	0.0%	0.0%	- 5.0%	- 5.0%	- 5.0%	-10.0%	-10.0%	-10.0%
Fund Balance / Other Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Cap	4.0%	2.0%	0.0%	4.0%	2.0%	0.0%	4.0%	2.0%	0.0%

Bayport- Blue Point UFSD Tax Cap Scenarios

	School Budget	State Aid	Fund Balance and Other Revenue	Tax Levy	Capped Tax Levy	Required Budget Cut	% Increase/ Capped School Budget
<i>2010-11 Actual</i>	\$61,989,773	\$16,347,879	\$3,672,638	\$41,969,256			
<i>A</i>	2.5% \$63,539,517	0% \$16,347,879	0% \$3,672,638	\$43,519,000	4% \$43,648,026	\$129,026	2.7% \$63,668,543
<i>B</i>	2.5% \$63,539,517	0% \$16,347,879	0% \$3,672,638	\$43,519,000	2% \$42,808,641	- \$710,359	1.4% \$62,829,158
<i>C</i>	2.5% \$63,539,517	0% \$16,347,879	0% \$3,672,638	\$43,519,000	0% \$41,969,256	- \$1,549,744	0.0% \$61,989,773
<i>D</i>	2.5% \$63,539,517	- 5.0% \$15,530,485	0% \$3,672,638	\$44,336,394	4% \$43,648,026	- \$688,368	1.4% \$62,851,149
<i>E</i>	2.5% \$63,539,517	- 5.0% \$15,530,485	0% \$3,672,638	\$44,336,394	2% \$42,808,641	- \$1,527,753	0.0% \$62,011,764
<i>F</i>	2.5% \$63,539,517	- 5.0% \$15,530,485	0% \$3,672,638	\$44,336,394	0% \$41,969,256	- \$2,367,138	- 1.3% \$61,172,379
<i>G</i>	2.5% \$63,539,517	- 10.0% \$14,713,091	0% \$3,672,638	\$45,153,788	4% \$43,648,026	- \$1,505,762	0.1% \$62,033,755
<i>H</i>	2.5% \$63,539,517	- 10.0% \$14,713,091	0% \$3,672,638	\$45,153,788	2% \$42,808,641	- \$2,345,147	- 1.3% \$61,194,370
<i>I</i>	2.5% \$63,539,517	- 10.0% \$14,713,091	0% \$3,672,638	\$45,153,788	0% \$41,969,256	- \$3,184,532	- 2.6% \$60,354,985

Connetquot CSD Tax Cap Scenarios

	School Budget	State Aid	Fund Balance and Other Revenue	Tax Levy	Capped Tax Levy	Required Budget Cut	% Increase/Capped School Budget
<i>2010-11 Actual</i>	\$161,836,925	\$44,570,008	\$11,218,110	\$106,048,807			
<i>A</i>	2.5% \$165,882,848	0% \$44,570,008	0% \$11,218,110	\$110,094,730	4% \$110,290,759	\$196,029	2.6% \$166,078,877
<i>B</i>	2.5% \$165,882,848	0% \$44,570,008	0% \$11,218,110	\$110,094,730	2% \$108,169,783	-\$1,924,947	1.3% \$163,957,901
<i>C</i>	2.5% \$165,882,848	0% \$44,570,008	0% \$11,218,110	\$110,094,730	0% \$106,048,807	-\$4,045,923	0.0% \$161,836,925
<i>D</i>	2.5% \$165,882,848	- 5.0% \$42,341,508	0% \$11,218,110	\$112,323,231	4% \$110,290,759	-\$2,032,471	1.2% \$163,850,377
<i>E</i>	2.5% \$165,882,848	- 5.0% \$42,341,508	0% \$11,218,110	\$112,323,231	2% \$108,169,783	-\$4,153,447	- 0.1% \$161,729,401
<i>F</i>	2.5% \$165,882,848	- 5.0% \$42,341,508	0% \$11,218,110	\$112,323,231	0% \$106,048,807	-\$6,274,424	- 1.4% \$159,608,425
<i>G</i>	2.5% \$165,882,848	- 10.0% \$40,113,007	0% \$11,218,110	\$114,551,731	4% \$110,290,759	-\$4,260,972	- 0.1% \$161,621,876
<i>H</i>	2.5% \$165,882,848	- 10.0% \$40,113,007	0% \$11,218,110	\$114,551,731	2% \$108,169,783	-\$6,381,948	- 1.4% \$159,500,900
<i>I</i>	2.5% \$165,882,848	- 10.0% \$40,113,007	0% \$11,218,110	\$114,551,731	0% \$106,048,807	-\$8,502,924	- 2.8% \$157,379,924



Long Island Tax Cap Over Time

Long Island	Tax Levy	State Aid	Fund Balance and Other Revenue	School Budget with Tax Levy Cap (2012-16 projections)	School Budget with 2.5% increase	Required budget cut to remain within allowable increase
<i>2010-11 Actual</i>	\$7,467,316,622	\$2,477,830,764	\$724,411,090	\$10,669,558,476		
<i>Five Year Projections</i>						
<i>2011-12 (year 1)</i>	1% \$7,541,989,788	- 5% \$2,353,939,788	- 5 % \$688,190,536	\$10,584,119,550	2.5% \$10,936,297,438	\$ (352,177,888) - 3.2%
<i>2012-13 (year 2)</i>	1% \$7,617,409,686	2% \$2,306,860,441	- 5 % \$653,781,009	\$10,578,051,136	2.5% \$10,848,722,538	\$ (270,671,402) - 2.5%
<i>2013-14 (year 3)</i>	1% \$7,693,583,783	0% \$2,306,860,441	- 5% \$621,091,958	\$10,621,536,183	2.5% \$10,842,502,415	\$ (220,966,232) - 2.0%
<i>2014-15 (year 4)</i>	1% \$7,770,519,621	0% \$2,306,860,441	- 5% \$590,037,360	\$10,667,417,422	2.5% \$10,887,074,587	\$ (219,657,165) - 2.0%
<i>2015-16 (year 5)</i>	1% \$7,848,224,817	0% \$2,306,860,441	- 5% \$560,535,492	\$10,715,620,751	2.5% \$10,934,102,858	\$ (218,482,107) - 2.0%
					Total	\$ (1,281,954,795)



Bayport- Blue Point UFSD Tax Cap Over Time

Bayport- Blue Point UFSD	Tax Levy	State Aid	Fund Balance and Other Revenue	School Budget with Tax Levy Cap (2012-16 projections)	School Budget with 2.5% increase	Required budget cut to remain within allowable increase
<i>2010-11 Actual</i>	\$41,969,256	\$16,347,879	\$3,672,638	\$61,989,773		
<i>Five Year Projections</i>						
<i>2011-12 (year 1)</i>	1% \$42,388,949	- 5% \$15,530,485	- 5 % \$3,489,006	\$61,408,440	2.5% \$63,539,517	\$ (2,131,078) - 3.4%
<i>2012-13 (year 2)</i>	1% \$42,812,838	2% \$15,219,875	- 5 % \$3,314,556	\$61,347,269	2.5% \$62,943,651	\$ (1,596,382) - 2.5%
<i>2013-14 (year 3)</i>	1% \$43,240,966	0% \$15,219,875	- 5% \$3,148,828	\$61,609,670	2.5% \$62,880,951	\$ (1,271,281) - 2.0%
<i>2014-15 (year 4)</i>	1% \$43,673,376	0% \$15,219,875	- 5% \$2,991,387	\$61,884,638	2.5% \$63,149,912	\$ (1,265,273) - 2.0%
<i>2015-16 (year 5)</i>	1% \$44,110,110	0% \$15,219,875	- 5% \$2,841,817	\$62,171,802	2.5% \$63,431,754	\$ (1,259,952) - 2.0%
					Total	\$ (7,523,965)



Connetquot CSD Tax Cap Over Time

Connetquot CSD	Tax Levy	State Aid	Fund Balance and Other Revenue	School Budget with Tax Levy Cap (2012-16 projections)	School Budget with 2.5% increase	Required budget cut to remain within allowable increase
<i>2010-11 Actual</i>	\$106,048,807	\$44,570,008	\$11,218,110	\$161,836,925		
<i>Five Year Projections</i>						
<i>2011-12 (year 1)</i>	1% \$107,109,295	- 5% \$42,341,508	- 5 % \$10,657,205	\$160,108,007	2.5% \$165,882,848	\$ (5,774,841) - 3.5%
<i>2012-13 (year 2)</i>	1% \$108,180,388	2% \$41,494,677	- 5 % \$10,124,344	\$159,799,410	2.5% \$164,110,707	\$ (4,311,298) - 2.6%
<i>2013-14 (year 3)</i>	1% \$109,262,192	0% \$41,494,677	- 5% \$9,618,127	\$160,374,996	2.5% \$163,794,395	\$ (3,419,399) - 2.1%
<i>2014-15 (year 4)</i>	1% \$110,354,814	0% \$41,494,677	- 5% \$9,137,221	\$160,986,712	2.5% \$164,384,371	\$ (3,397,659) - 2.1%
<i>2015-16 (year 5)</i>	1% \$111,458,362	0% \$41,494,677	- 5% \$8,680,360	\$161,633,399	2.5% \$165,011,380	\$ (3,377,981) - 2.0%
					Total	\$ (20,281,177)



Tax Cap Issues

- Cap impact differs dramatically among districts.
- Cuts assume budget increase of 2.5% - this is very optimistic in most instances.
- Higher budget increases, less state aid, or a lower cap will increase the required budget cut.
- Employee benefits and energy related cost increases alone may exceed the capped increase.



Tax Cap Design Principles

- Any cap should be sensitive to “NYS Maintenance of Effort.”
- Any cap should be sensitive to “Local Control.”
- Any cap should be sensitive to “Cost Increases Beyond District Control.”
- Any cap should be sensitive to “Community Input.”
- Any cap should be “Introduced in Conjunction with Mandate Relief.”



Advocate for a Cap Designed to be More Sensitive

- There will be a property tax cap and it should be as well-designed as possible.
- Verify your district data and choose a likely scenario(s).
- Identify the impact
- Tell Your Story – Be Direct & Truthful
- Long Island as a region should not be disadvantaged
 - Protect Share
 - Protect Expense Driven Aids
 - Protect High Tax Aid
- Other Local Issues



Any Questions?



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