

COPIAGUE PUBLIC SCHOOLS

2012 / 13

BUDGET

DEVELOPMENT

A Great Place to Learn
www.copiague.k12.ny.us

Work Session: November 21, 2011

BUDGET DEVELOPMENT MISSION STATEMENT

The Copiague School District believes that we exist to serve the needs of our community of learners. Each student is unique and comes to us a learner. The district's mission is to provide instruction, programs, strategies and challenges in a caring, positive and safe learning environment.

The budget development process will support the goals of the Board of Education which reflect the vision, philosophy, and beliefs of our district and community. Through sound fiscal management and strategic planning the following goals will be realized.

BUDGET GOALS 2012-2013

- Provide an Expenditure and Revenue Plan that is child centered which is focused on increased achievement.
- Support a Staff Development Plan consistent with the Copiague School District Professional Development Plan to ensure that classroom strategies and practices are aligned with New York State Standards and Assessments.
- Support a staffing plan that ensures all children meet or exceed the New York State Learning Standards.
- Continue to implement the District's Technology Plan.
- Provide facilities for students, employees, and the community that are safe, well maintained and conducive to the activities of the district.
- Continue the review of existing Instructional Programs, Administrative Support Services, and all co-curricular and inter-scholastic activities to evaluate equity and efficiency in determining their continuation or modification.
- Actively seek out new revenue sources and implement cost containment strategies to minimize the tax burden and broaden student programming.
- Total budgetary and tax rate increase will be in line with Board of Education and community expectations.
- Budget proposal will include data which anticipates a multi-year timeframe to identify impact of future expense and revenue trends.
- Present a budget for voter approval that:
 - Provides full disclosure
 - Is easy to understand
 - Is free from error
 - Is sensitive to the needs of our District residents

BUDGET- SIGNIFICANT FACTORS

Heading for the Funding Cliff

2011/12

- ✓ Slow Economic Recovery
- ✓ State Aid Reduction of \$1.3 million

- ✓ Federal Stimulus Funds (ARRA) go away (\$2.5 million)
- ✓ Increased Retirement / Health Costs
 - ERS 32% increase
 - TRS 33% increase
 - Health insurance premiums increase by 15%
- ✓ Reduced Interest Revenue
- ✓ Continued Unfunded Mandates – No Relief in Sight
- ✓ Contractual Obligations → Labor - Transportation
- ✓ Aging Facilities = Maintenance Costs
- ✓ Escalating Cost of Student Services → Special Ed, BOCES Career & Tech. Ed
- ✓ Pending Property Tax Cap (*next year*)

2012/13

- ✓ Slow Economic Recovery (*Stagnant*)
- ✓ State Aid ??
 - Governor built 4% increase into 2-year budget
 - However, already projected \$3.5 billion deficit for next year
 - Just reported \$350 million deficit for current year
 - Based on this information, for now we have to assume flat aid (0% increase)
- ✓ Federal Stimulus funds (Job Bill funding) disappears
- ✓ Increased Retirement/Health costs
 - ERS 11.46% to 15.41% of payroll → 34% increase
 - TRS 11.11% to 12.5% of payroll → 12.5% increase
 - Health insurance premiums increase by 7%
- ✓ Reduced Interest Revenue
- ✓ Continued Unfunded Mandates - No Relief in Sight
- ✓ Contractual Obligations → Labor - Transportation
- ✓ Aging Facilities = Maintenance Costs
- ✓ Escalating Cost of Student Services → Special Ed, BOCES Career & Tech. Ed.
- ✓ Newly enacted Cap on Property Tax Levy

COPIAGUE PUBLIC SCHOOLS

BUDGET WORK SESSION

UNDERSTANDING THE NEW TAX LEVY CAP LEGISLATION

CHAPTER 97 of the laws of 2011

Monday, November 21, 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.**

- Not really a “cap”
- Sets a higher threshold for voter approval of budgets IF proposed tax levy increase exceeds the “tax levy limit”
 - 60% or more vs. simple majority (more than 50%)
- Tax levy limit calculated by each district and will vary by district.
- Tax levy limit is also *NOT* a limit - just a *threshold* for what level of voter support is needed.
- 8-step formula

TOTAL LEVY TO SUPPORT PROPOSED BUDGET

Tax Levy Limit

+

Coming School Year (2012-13) Exemptions

=

Maximum Allowable Tax Levy

(requiring simple majority - or - over 50%)

TAX LEVY LIMIT - 8 STEP FORMULA

$$\begin{aligned} & 2011-12 \text{ tax levy} \\ & \quad \times \\ & \quad \text{Tax base growth factor, if any} \\ & \quad + \\ & \quad \text{Payments in lieu of taxes (PILOTs) receivable during 2011-12} \\ & \quad - \\ & \quad \text{Taxes levied for exemptions during 2011-12 (debt service + lease payments)} \\ & \quad = \\ & \quad \text{Adjusted 2011-12 Year Tax Levy} \\ & \quad \quad \times \\ & \quad \quad \text{Allowable levy growth factor (lesser of 2% or CPI)} \\ & \quad \quad - \\ & \quad \quad \text{Payments in lieu of taxes (PILOT's) receivable in 2012-13} \\ & \quad \quad + \\ & \quad \quad \text{Available carryover, if any} \\ & \quad \quad = \\ & \quad \text{TAX LEVY LIMIT (2012-13)} \end{aligned}$$

STEP 1 - 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* = $1 + \text{Quantity Change Factor}$; only calculated if quantity change factor is a positive number.
- Factor will be made available by February 15th

** No growth in Town of Babylon due to tax challenges*

STEP 2 - PRIOR YEAR (2011-12) PILOT'S

- **Payments in lieu of taxes (PILOT's) owed to the district in the prior school year**
 - **For 2012-13 school year:
2011-12 PILOT's payments**
- **Not all districts will have PILOT's payments**

STEP 3 - PRIOR YEAR (2011-12)

EXEMPTIONS

- Capital Tax Levy = 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. (exclude tax certioraris)
- Excludes prior year pension cost (TRS & ERS)

* *Still awaiting clarification on exemptions*

STEP 4 - ADJUSTED PRIOR YEAR (2011-12) TAX LEVY

(Actual Copiague Calculation)

2011-12 levy adjusted for:	53,758,019
x Tax base growth factor	x 1.0
	<hr/>
	53,758,019
+ 2011-12 PILOT's	+ 1,592,084
	<hr/>
	55,350,103
- 2011-12 exemptions*	- 616,520
<i>(debt service & lease payments)</i>	<hr/>
	54,733,583

* Still awaiting clarification on Exemptions.

STEP 5 - ALLOWABLE LEVY GROWTH FACTOR

<u>Allowable Levy Growth Factor</u>		54,733,583
x <i>Lesser of : 1.02 or CPI (1.029)</i>	X	1.02
		<hr/>
		55,828,255

STEP 6 - PILOT'S FOR COMING YEAR (2012-13)

- Payments in lieu of taxes (PILOT's) to be collected in the coming school year 55,828,255
 - For 2012-13 school year:
2012-13 PILOT's payments - 1,532,000
- Not all districts will have PILOT's payments (Copiague does) 54,296,255

STEP 7 - AVAILABLE CARRYOVER

(NOT APPLICABLE IN 1ST YEAR OF CAP)

- 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. \$ 54,296,255
- Available Carryover* = (prior year tax levy limit – prior year tax levy), but no greater than: (1.5% x prior year tax levy limit).

** Not applicable as this is first year for this calculation*

STEP 8 - TAX LEVY LIMIT

- Prior to addition of allowable exemptions \$ 54,296,255

(reported by District to NYS Comptrollers office by March 1, 2012)

TAX LEVY TO SUPPORT PROPOSED BUDGET

Tax Levy Limit \$ 54,296,255

+

+

Coming School Year (2012-13) Exemptions* + 615,503

Capital Tax Levy
Capital Local Expenditures
Court Orders/Judgments

=

=

Maximum Allowable Tax Levy (2012-13) \$ 54,911,758

(requiring simple majority - or over 50%)

Total new tax levy revenue raised under cap \$ 1,153,739

Tax Levy Increase as % 2.1462%

* Still awaiting clarification on exemptions

DOES THE PUBLIC STILL VOTE ON A BUDGET?

- YES
- School District Budget Vote & Board Trustee Election - 3rd Tuesday in May
 - May 15, 2012
- Proposed budget is presented
- Propositions for additional spending, if any (buses, capital projects, etc.) are presented

ALL BUDGET DEADLINES/REQUIREMENTS REMAIN IN PLACE

- Legal notices
- Property tax report card is still required and will now include:
 - District tax levy limit
 - Proposed tax levy before exemptions
- Public hearing and disclosure
 - Budget notice will now include:
 - District tax levy limit
 - Proposed tax levy before exemptions

WHAT OPTIONS DOES THE BOE HAVE?

OPTION 1: Propose a budget requiring a tax levy before exemptions at or below the Tax Levy Limit prescribed by law

- Requires a simple majority (over 50%)

OPTION 2: Propose a budget requiring a tax levy before exemptions above the Tax Levy Limit

- Requires a “super majority” (over 60% approval)
- Requires a statement on ballot indicating the required tax levy before exemptions exceeds the Tax Levy Limit

WHAT HAPPENS IF THE BUDGET IS NOT APPROVED BY THE PUBLIC?

- If the proposed budget is not approved by the required margin:
 - The district may resubmit the original budget or submit a revised budget to the voters on the third Tuesday in June **OR**
 - Adopt a contingency budget that **levies a tax no greater than that of the prior year (0% increase in tax levy).**
- If the resubmitted/revised budget proposal is not approved by the required margin:
 - The Board of Education must adopt a budget that levies a tax no greater than that of the prior year (0% increase in tax levy) and the budget would be subject to contingent budget requirements.
- Districts will not be allowed to increase the tax levy to the extent necessary to fund items of expenditure excluded from the tax cap
 - No growth factor
 - No capital, court order/judgments or pension exemptions

ARE CONTINGENT BUDGET LAWS STILL IN EFFECT?

- Yes: Administrative spending cap is in effect
- Yes: Non-contingent expenses removed
- No: Expenditures are no longer subject to “old” contingent budget spending cap (4% or 120% of CPI)

WHAT NEW INFORMATION MUST BE REPORTED?

- On or before March 1st
- Information used to calculate tax levy limit:
 - Prior year (2011-12) tax levy
 - Tax base growth factor (ORPS)
 - Prior year (2011-12) PILOT's
 - Prior year (2011-12) exemptions (not pension exemptions)
 - Current year PILOT's (2012-13) payments
 - Available carryover (not applicable in first year)
- Submit to Comptroller, Tax and Finance, SED
- Format to be determined
- **DISTRICTS ARE NOT REQUIRED TO HAVE PROPOSED BUDGETS AVAILABLE BY MARCH 1ST**

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

IN BRIEF...

- NYS has a cap on the annual property tax levy increase, not a fixed “2% cap”
- The property tax levy cap limits the school district tax levy, NOT the individual tax bill of resident taxpayers
- 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 2%
- A budget can be presented that “overrides” the cap but will need 60% majority voter approval
- Voters are approving the budget (spending plan) – not the tax levy
- Certain components of the 8 step formula still require clarification

COMMUNICATION CHALLENGES

- Misinformation and public expectations
 - Law doesn't cap tax levy increase; it sets a new threshold for voter approval based on the tax levy increase
 - 2% is out there
- Confusion WILL abound
 - Tax levy limit is reported; tax levy increase is reality
 - Districts set tax levy; voters will hear tax bill
- Town of Babylon on different calendar than school district
 - Different rules apply to municipalities
- Real consequences under contingent budget