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Draft

Board of Education Meeting

Explanation of Tax Levy

January 17, 2013

2% Levy Cap

If you simply multiplied this year's levy:

76,242,180 by 2%

you would get a levy increase of $1,524,844

It's not that easy…….

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Formula for Determining the Levy Cap

$$\overbrace{\left[\left(\textit{Prior Year Tax Levy} \;\times\; \textit{Tax Base Growth}\right) + \textit{Prior Year PILOTS} - \textit{Tort Exemption} - \textit{Capital Expense Exemption}\right]}^{\textit{(Adjusted prior year tax levy)}}$$

$$\times$$

$$\textit{Levy Growth Factor} - \textit{Coming Year PILOTS} + \textit{Tort} + \textit{Capital} + \textit{Pension} + \textit{carryover} = \text{Levy cap}$$

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Part One of the Formula

$$\underbrace{\left[\left(\textit{Prior Year Tax Levy} \times \textit{Tax Base Growth}\right) + \textit{Prior Year PILOTS} - \textit{Tort Exemption} - \textit{Capital Expense Exemption}\right]}_{\textit{(Adjusted prior year tax levy)}}$$

$$\left[\left(76{,}242{,}180 \times 1.0002\right) = 76{,}257{,}428 + \underset{\textit{Prior Year PILOTS}}{0} - \underset{\textit{Tort Exemption}}{0} - \textit{Capital Expense Exemption}\right]$$

Supplied annually by the State Taxation and Finance Department. This numerical value adjusts the tax levy limit to reflect an increase in the full value of taxable real property in a district due to new growth or significant additions to existing properties. **2012 rate was 1.0059**

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Capital Expense Exemption

• Debt in budget	2,452,956
• Bus leases	370,000
• Energy performance contracts	316,286
• Sub-Total	3,139,242
MINUS	
• Building Aid and Transportation Aid	-574,640
• Total	2,564,602

Complete Part One of Formula

$$\left[\left(76{,}242{,}180 \times 1.0002\right) = 76{,}257{,}428 + 0 - 0 - 2{,}564{,}602\right]$$

= An adjusted prior year tax levy of 73,692,826

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Formula for Determining the Levy Cap

(Adjusted prior year tax levy)

[*73,692,826*]

X

Levy growth factor (2% or CPI)	−	*Coming Year PILOTS*	+	*Tort* + *Capital* + *Pension*	+	*Carryover*	=	*Levy Cap*

The allowable Levy Growth Factor is the lesser of 2% or the inflation rate. If the inflation rate is less than 2%, then the allowable Levy Growth Factor is the sum of 1 plus an inflation rate (average of last 2 years CPI).

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Formula for Determining the Levy Cap

(Adjusted prior year tax levy)

[*73,692,826*]

X

2% =75,166,682 – *Coming Year PILOTS* + *Tort* + ***Capital*** + *Pension* + *Carryover* = *Levy Cap*

Capital Expense Exemption

• Debt in budget	1,952,956
• Bus leases	370,000
• Energy performance contracts	316,286
• Sub-Total	2,639,242
Minus	
• Building Aid and Transportation Aid	-600,000*
• Total	**2,039,242**

***Not known at this time**

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Formula for Determining the Levy Cap

$$\underbrace{\left[\ \textit{73,692,826}\ \times \textit{2\% = 75,166,682} - \begin{matrix}\textit{Coming Year}\\ \textit{PILOTS}\end{matrix}\ \right]}_{\textit{(Adjusted prior year tax levy)}} + \begin{matrix}\textit{Tort}\\ +\\ \textit{2,039,242}\\ +\\ \textit{Pension}\end{matrix} + \textit{Carryover} = \textit{Levy Cap}$$

- TRS increase is 11.84% to 16.0% = 4.16% increase*
- We have an exemption for the 2.16% over 2%
- 2.0% x $37,000,000
- = $740,000

* TRS percent still not finalized; we have been told to calculate between 15.50% and 16.50%

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Final Levy Cap

(Adjusted prior year tax levy)

[(*76,257,428*) + *Prior Year PILOTS* – *Tort Exemption* – *2,564,602*]

73,692,826

X

2% = 75,166,682 – *Coming Year PILOTS* + *Tort + 2,039,242 + 740,000* + *Carryover* = *77,945,924*

- New Levy 77,945,924
- Old levy 76,242,180
- Increase in levy 1,703,744 or 2.23%
  - This is an approximate number

- Present calculation of a “roll over” budget is 86,000,000 or a 2.38% budget to budget increase;
- Major drivers-
    - TRS- $ 1,500,000
    - ERS- $ 200,000
    - Health- $ 800,000

Snapshot Summary

- Difference between roll over budget and tax levy limit is approx. a $550,000 reduction
- Reduction of $500,000 of debt changes levy calculation from 2.9% to 2.3%
- Growth rate only added 15,000 to levy (last year it added $441,310)
- TRS added about 1% to allowable cap

Capital Expense Exemption

Can have a one time effect on the Levy Calculation. As we see this year- it lowered the tax levy calculation from 2.9% to 2.3%. After this year the debt number will remain constant in the first part of the calculation as well as the second part. Similarly if we added debt- it would increase the levy cap for one year.

What happens if the reverse occurs? What would happen if we add $500,000 of debt? That would mean our allowable levy cap would increase by .6%. Again that would be a one time occurrence.

BUT that also doesn't mean we have to maximize that cap.

For example- if we floated a bond in 2013-14 and incurred a $500,000 debt we could transfer the facilities repair line in next year's budget to cover the new debt. So even though we would be allowed to go an additional .6% on the levy calculation we wouldn't have to because it is already in the budget.