



# **Pittsford Central School District**

Budget Work Session #1

February 13, 2012

# Agenda

- Budget Development Process – How is it different today?
- Property Tax Cap Tutorial
- Property Tax Cap – Pittsford (based on latest information)
- Status Quo Budget
- Draft Budget
- Summary
- What's Next?



# What has changed?

## ■ How is budget development different today?

### ■ What are the voters voting on?

- **Before** – the entire spending plan (budget) total \$ amount
- **Today** – the Tax Levy
  - At or below the cap simple majority (50% +1)
  - Above the cap requires supermajority (60%)

### ■ What is a Tax Levy?

- **Before** – the total budget less all non-tax forms of revenue = Tax Levy (what needed from community)
- **Today** – There are three different types of Tax Levy numbers



# More Changes?






- What if the budget fails?

## Contingent Budget

- **Before** – the budget was allowed to increase by  $\text{CPI} \times 120\%$  plus or minus certain exclusions. In recent years often the Contingent Cap was similar to or even higher than the proposed budget.
- **Today** – There is no cap on the budget, the cap remains on the Levy and it **cannot be any greater than the previous year's Tax Levy.**
  - For most schools losing State Aid and Jobs Fund Grant this would result in a budget to budget **DECREASE.**

# TAX LEVY – from One to Three

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- With all the talk of New York's new "2 percent tax cap", it may come as a surprise to learn that each school district in the state will present **three separate tax levy numbers** as part of their compliance with the new legislation
  - Chances are none of the three tax levy numbers will be exactly 2 percent
  - Because the 2 percent is just one part of a complex formula that schools must use to calculate two of their tax levy numbers:
    - Tax Levy Limit
    - Maximum Allowable Tax Levy
1. **Tax Levy Limit** - a formula that essentially tells how much community support a District may obtain from its proposed budget
    - The highest allowable tax levy (before exclusions) that a district can propose and require a **simple majority** of voters (50 percent plus 1) to pass the budget
    - If a district proposes a tax levy beyond the Tax Levy Limit (before exclusions) it will need **supermajority** approval of voters (60 percent) to pass the budget
  2. **Maximum Allowable Tax Levy** is the Tax Levy Limit PLUS certain exclusions. Taxes levied to fund the following expenses are excluded from the limit:
    - Voter approved Capital Expenditures
    - Increases beyond two percentage points in Employee and Teacher Retirement System costs (mandated by NYS)
    - Exclusions are added to the Tax Levy Limit and are not subject to or trigger the 60% supermajority
  3. **Proposed Tax Levy** - the levy called for by the district to support the proposed budget
    - The total amount of money to be raised by the local community after factoring all other revenues



# Is the Property Tax Cap Complex?

## New York's Tax Levy Limit Formula:

*How does it add up?*

*Although often referred to as a "2 percent tax cap," New York's new tax levy "cap" law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual "tax levy limit." That limit then determines what level of voter support is required for budget approval.*

### THE BASE FORMULA

The "quantity change factor," determined by the Dept. of Taxation and Finance for each district by Feb. 1. It's the year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction). Increases in full value due solely to assessment changes are not included. This factor will not be less than 1.000, even if a district sees a decrease in its full property value.

The amount of the school district's current-year tax levy (2011-12) necessary to pay for court orders or judgments arising out of tort actions. Applies only to the portion that exceeds 5% of the school district's total prior-year tax levy. Tax certioraries do not qualify.

This factor, which accounts for inflationary change, is limited to the lesser of 2 percent or the change in the consumer price index. For the 2012-13 budget year, this factor is 1.02 (2% increase) for all school districts.

The highest allowable tax levy (before exclusions; see below) that a school district can propose as part of its annual budget and need only a simple majority of voters (50% + 1) to pass the budget. Each school district will calculate and report its own tax levy limit.

**PRIOR SCHOOL-YEAR  
TAX LEVY**

**X**

**TAX BASE  
GROWTH FACTOR**

**+**

**PILOTS RECEIVED IN  
PRIOR SCHOOL YEAR**

**-**

**TAX LEVY TO PAY FOR SOME  
COURT ORDERS / JUDGMENTS**

**-**

**TAX LEVY TO PAY FOR  
LOCAL CAPITAL COSTS**

**X**

**ALLOWABLE LEVY  
GROWTH FACTOR**

**-**

**PILOTS RECEIVABLE IN  
COMING SCHOOL YEAR**

**=**

**TAX LEVY LIMIT**

The total amount of property tax revenue levied by the school district for the 2011-12 school year (the year prior to budget year 2012-13).

The amount of revenue receivable by the school district in the 2011-12 school year from "payments in lieu of taxes," or PILOTs. Certain commercial property owners (usually large corporations) enter into PILOT agreements to make annual payments instead of paying property taxes for a negotiated period of time.

The amount of the school district's current-year tax levy (2011-12) necessary to pay for construction/renovation of capital facilities or capital equipment (including debt service and lease expenditures) and transportation capital debt service (e.g., bus leases and purchases). Refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).

The amount of revenue the school district expects to receive in the 2012-13 school year from "payments in lieu of taxes," or PILOTs.

*Note: in future years, a district can "carry over" any unused portion of its tax levy limit, up to 1.5%. However, this is not a factor for 2012-13.*

# Is the Property Tax Cap Complex?

## EXCLUSIONS TO BE ADDED

*The law excludes certain portions of a school district's tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.*

### TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS

The amount of the school district's coming-year tax levy (2012-13) necessary to pay for court orders or judgments arising out of tort actions. Only the amount that exceeds 5% of the school district's prior-year total tax levy can be excluded from the tax levy limit. Tax certioraries cannot be excluded.

### TAX LEVY TO PAY FOR SOME PENSION CONTRIBUTION COSTS

Applies only when the employer contribution rates set by the statewide pension systems (TRS and ERS) increase by more than 2 percentage points from one year to the next. Even with this exclusion, most—if not all—pension costs must be funded within a school district's tax levy limit.

### TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS

The amount of the school district's coming-year tax levy (2012-13) necessary to pay for construction/renovation of capital facilities or equipment (including debt service and lease expenditures) and transportation capital debt service. This exclusion refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).

### MAXIMUM ALLOWABLE TAX LEVY

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% +1) is required.



This publication was developed cooperatively by the Capital Region BOCES Communications Service and Questar III's State Aid Planning and Communication Services. For more information on New York's property tax levy cap, visit [www.capitalregionbooces.org/taxlevycap](http://www.capitalregionbooces.org/taxlevycap) and <http://sap.questar.org/taxlevycap.php>. Published 1/2012.



<http://sap.questar.org/publications/taxcap/TLLformula.pdf>



To date, definitive guidance from the State is still pending.



The information presented on the following slides represents our best estimate for the budget figures at this time.





# How does the formula work for Pittsford?

Prior Year Levy	\$ 84,971,450	2011-12 Actual
	x	
Times: Tax Base Growth Factor	1.0080	From Comptroller expansion & development
	+	
Add: Prior Year PILOTs	\$ 1,287,041	2011-12 Actual
	-	
Less: Prior Year Capital Levy	<u>\$ (4,229,419)</u>	Local Portion (Debt Service Less Bldg Aid)
	=	
Equals: Prior Year Adj Levy	\$ 82,708,844	Adjusted to Base for Growth
	x	
Times: Allowable Growth Factor	2.00% lesser of CPI or 2%	
	-	
Less: Estimated New Year PILOTs	<u>\$ (580,149)</u>	Est from Assessors - May
	+	
Add: Prior Year Carryover	\$ -	If not all cap used (n/a 2012-13)
	=	
Equals: TAX LEVY LIMIT	<u>\$ 83,782,871</u>	<u>\$ (1,188,579) -1.40%</u>
	+	To be filed with Comptroller March 1
Plus: <u>EXCLUSIONS</u>		
Court Orders & Judgments	\$ -	
New Year Capital Levy	\$ 4,152,270	Local Portion (Debt Less Bldg Aid) already voter approved
Pension Growth > 2 pts	<u>\$ 80,948</u>	Employee & Teacher Retire System mandated payments
Add: Total EXCLUSIONS	<u>\$ 4,233,218</u>	
	=	
Maximum Allowable Tax Levy	\$ 88,016,089	\$ 3,044,639 3.58%
		Maximum for simple majority vote
		Greater would require 60% approval





# Simplified Property Tax Cap Composition

<b>Prior Year Levy</b>	<b>\$ 84,971,450</b>	<b>2011-12 Approved</b>
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## Transfer of Governance – controlled by the formula

PILOT's net	\$ 732,633	0.86% <i>From Legislation &amp; COMIDA</i>
Tax Base Growth	\$ 679,772	0.80% <i>From Comptroller</i>
Exclusions net	<u>\$ 3,799</u>	<u>0.00%</u> <i>From Comptroller</i>

## Total Transfer of Governance

<b>\$ 1,416,203</b>	<b>1.67%</b>
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## Tax Levy Growth from Proposed 2012-13 Budget

<b>\$ 1,628,436</b>	<b>1.92%</b> <i>Portion under District control</i>
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<b>Maximum Levy Cap \$ 88,016,089</b>	<b>3.58%</b> <i>Max for Simple Majority Vote</i>
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# Levy Impact on Budget and Reductions

## Status Quo Budget

**Status Quo Budget** – rolls forward current programs and staffing and adjusts expenses to reflect current contracts, state aid and other revenue estimates. For 2012-2013 the Status Quo Budget is estimated to be 3.02% more than current year, requiring a Tax Levy increase of 5.62% which would require a 60% supermajority voter approval. \$1.7 million in reductions would be required to remain within the calculated Property Tax Cap and a simple majority vote (50% +1)

Based on Status Quo Budget 3.02% Increase

	Contingent		Comm Expect			Tax Cap				Status Quo		
Levy %	0.0%	1.0%	2.0%	2.5%	3.0%	3.58%	4.0%	4.5%	5.0%	5.5%	5.62%	6.0%
Levy	84,971,450	85,821,165	86,670,879	87,095,736	87,520,594	88,016,089	88,370,308	88,795,165	89,220,023	89,644,880	89,745,911	90,069,737
Budget %	-1.3%	-0.5%	0.3%	0.6%	1.0%	1.5%	1.8%	2.2%	2.5%	2.9%	3.0%	3.3%
Budget	110,172,167	111,021,882	111,871,596	112,296,453	112,721,311	113,216,806	113,571,025	113,995,882	114,420,740	114,845,597	114,946,628	115,270,454
Budget to Budget	(1,418,559)	(568,845)	280,870	705,727	1,130,585	1,626,080	1,980,299	2,405,156	2,830,014	3,254,871	3,355,902	3,679,728
Cuts from Status Quo	(4,774,421)	(3,924,707)	(3,074,992)	(2,650,135)	(2,225,278)	(1,729,782)	(1,375,563)	(950,706)	(525,849)	(100,991)	40	323,866

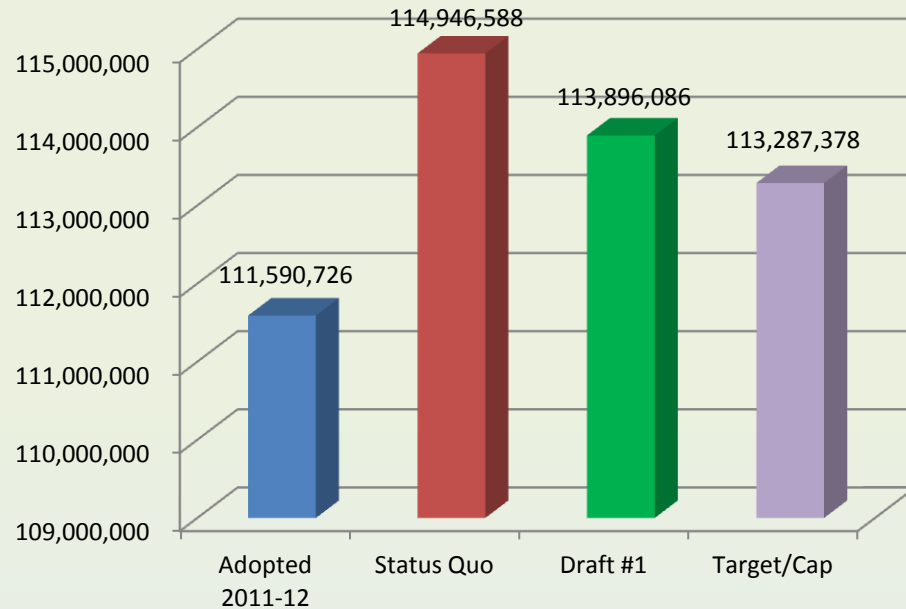


# What are we doing to bridge the \$1.7 million gap?

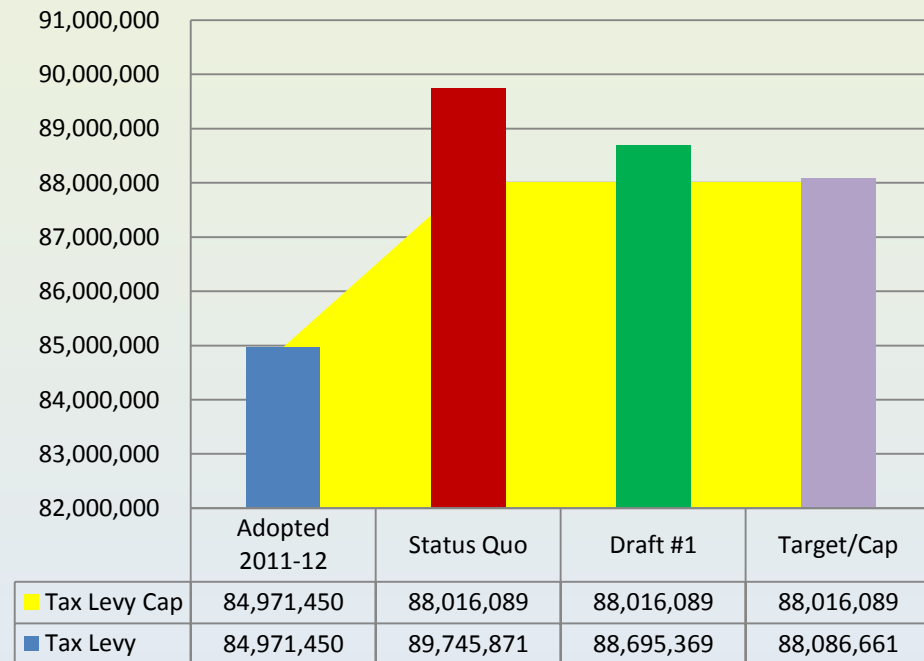
- **Status Quo Budget** **\$114,946,588 +3.01%**
- **Reductions & Savings**
  - Salaries - \$144,197
    - Retire Attrition
  - Mandatory 10% - \$346,305
    - Discretionary reductions
    - All departments but Athletics
  - Employee Benefits - \$560,000
    - Negotiated savings
    - Reduce planned fund balance
- **Total Reductions** **\$ - 1,050,502**
- **Current Draft Budget** **\$113,896,086 +2.07%**
- **Additional reductions needed to make cap \$679,280 -0.61%**

# Budget & Levy Development Progression

## Total Budget



## Tax Levy For Each Budget Compared to Cap



# Levy Impact on Budget and Reductions

## Draft #1 Budget

**Draft #1** – reduces the Status Quo budget by more than \$1 million for retirement attrition savings, 10% reduction in discretionary codes, savings attained through previous year reductions and related reduction of anticipated year-end surpluses. The 2012-2013 Draft #1 Budget is estimated to be 2.07% more than current year, requiring a Tax Levy increase of 4.38% which would require a 60% supermajority voter approval. \$680,000 in reductions would be required to remain within the calculated Property Tax Cap and a simple majority vote (50% +1)

Based on Draft #1 Budget 2.07% Increase (status quo less \$1.1m reductions)

	Contingent		Comm Expect			Tax Cap			Draft #1			Status Quo	
Levy %	0.0%	1.0%	2.0%	2.5%	3.0%	3.6%	4.0%	4.4%	4.9%	5.4%	5.6%	6.0%	
Levy	84,971,450	85,821,165	86,670,879	87,095,736	87,520,594	88,016,089	88,370,308	88,695,369	89,120,226	89,545,083	89,745,911	90,069,737	
Budget %	-1.3%	-0.5%	0.3%	0.6%	1.0%	1.5%	1.8%	2.1%	2.4%	2.8%	3.0%	3.3%	
Budget	110,172,167	111,021,882	111,871,596	112,296,453	112,721,311	113,216,806	113,571,025	113,896,086	114,320,943	114,745,800	114,946,628	115,270,454	
Budget to Budget	(1,418,559)	(568,845)	280,870	705,727	1,130,585	1,626,080	1,980,299	2,305,360	2,730,217	3,155,074	3,355,902	3,679,728	
Cuts from Proposed	(3,723,919)	(2,874,205)	(2,024,490)	(1,599,633)	(1,174,776)	(679,280)	(325,061)	(0)	424,857	849,714	1,050,542	1,374,368	



# The Challenge In A Nutshell

- Net Loss of Revenue (\$1,418,559) -5.53%
  - PILOT's (\$ 706,892)
  - State Aid (\$ 153,654)
  - Jobs Fund (\$ 831,007)
  - Total Loss (\$1,691,553)
  - Misc Other +\$ 272,994

***– Means the Tax Levy must increase 1.67% to cover the revenue loss, even before looking at the budget***

- Est. Levy Incr. from Cap \$3,044,639 +3.58%
- Net available for budget **\$1,626,080 +1.46%**
- Average quick calculation budget increase **\$3,570,000 +3.2%**

# Work Session To Do's

- February 16 – District Planning Team (DPT)
- February 28 – Board Work Session
  - BOE to determine Proposed Tax Levy
  - Superintendent will present the budget or necessary reduction to meet the Proposed Tax Levy
- March 1 – Report required data to Comptroller
- March 19 – Board Work Session
  - Stay abreast of and implement changes
  - State/federal funding
  - Additional propositions
- March 22 - District Planning Team (DPT)
- April 17 – Board adopts Superintendent's Budget
- May 7 – Public Budget Hearing
- May 15 – Budget vote and Board election