



Understanding School
Finance:

Property Tax Cap



School Revenue



- Local revenue supports nearly 32% of school district spending – Mainly property taxes
- New York State supports about 67% (with STAR)
- The remainder is supported by the federal government



History



- The tax cap was included as part of a large end of session legislative agreement in June 2011 – Education Law Section 2023-a
- First took effect with the 2012-13 school year – Applied to the May 2012 budget vote
- Does not apply to fiscally dependent school districts (NYC, Rochester, Buffalo, Syracuse, Yonkers)
- Currently in effect through the 2020-21 school year

Tax Cap Formula

Prior Year Tax Levy (x)

Tax Base Growth Factor (+)

PILOTs Received in Prior Year (-)

Prior Year Exclusions (Capital, Court Orders/Judgments) (x)

Allowable Levy Growth Factor (-)

PILOTs Receivable in Coming Year (+)

Available Carryover (=)

“Tax Levy Limit” (+)

Coming Year Exclusions (Capital, Court Orders/Judgments, Pension)

(=)

“Tax Cap”



Prior Year Tax Levy

“Ascertain the total amount of taxes levied for the prior school year.”

- This is the total amount of property taxes levied by the district
 - Inclusive of STAR



Tax Base Growth Factor

“The quantity change factor shall show the percentage by which the full value of the taxable real property in the school district has changed due to physical or quantity change between the second final assessment roll or rolls preceding the final assessment roll or rolls upon which taxes are to be levied, and the final assessment roll or rolls immediately preceding the final assessment roll or rolls upon which taxes are to be levied.”

- ▶ Tax Base Growth Factor = 1 + Quantity Change Factor
- ▶ Year-to-year increase in taxable real property due to physical or quantity change (new construction, brick and mortar growth)
- ▶ Can never be less than 1.0
 - Means it can only increase the tax cap or have no impact, never decrease it



PILOTs Received in Prior Year

“Add any payments in lieu of taxes that were receivable in the prior school year.”

- This is the total amount of PILOT revenue receivable by the district in the prior school year
- Because the district submits this information by March 1st of the current school, they may not have received all PILOT payments they are expecting for the full year
 - Districts should use the best information they have at the time (PILOT agreements, budgeted amounts, etc.)



Prior Year Exclusions

“...taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of, or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law.”

- ▶ Capital tax levy - represents the local share (net building aid and some transportation aid) for school district capital – Mainly debt service
- ▶ Court orders/judgments must exceed 5% of district's budget
 - Does not include tax certioraries

Allowable Levy Growth Factor

"Allowable levy growth factor" shall be the lesser of: (i) one and two one hundredths; or (ii) the sum of one plus the inflation factor; provided, however, that in no case shall the levy growth factor be less than one."

- 2012-13: 2.00% (CPI - 3.16%)
- 2013-14: 2.00% (CPI - 2.07%)
- 2014-15: 1.46%
- 2015-16: 1.62%
- 2016-17: 0.12%
- 2017-18: 1.26%
- 2018-19: 2.00% (CPI - 2.13%)



PILOTs Receivable in Coming Year

“Subtract any payments in lieu of taxes receivable in the coming fiscal year.”

- This is the total amount of PILOT revenue the district expects to receive in the coming school year
- Will require a district to provide an estimate
 - Districts should use the best information they have at the time (PILOT agreements, schedules, etc.)



Available Carryover

"Available carryover" means the amount by which the tax levy for the prior school year was below the applicable tax levy limit for such school year, if any, but no more than an amount that equals one and one-half percent of the tax levy limit for such school year."

- Only if the district's total tax levy was less than the tax levy limit (the amount before exclusions)
- Most districts do not generate any carryover



Tax Levy Limit

"Tax levy limit" means the amount of taxes a school district is authorized to levy pursuant to this section, provided, however, that the tax levy limit shall not include the following...

- Amount before exclusions
- Relevant to the state, not as relevant to school districts and taxpayers



Coming Year Exclusions



“tax levy necessary for expenditures resulting from court orders or judgments against the school district...”

“in years in which the system average actuarial contribution rate of the New York state and local employees' retirement system...increases by more than two percentage points from the previous year...”

“in years in which the normal contribution rate of the New York state teachers' retirement system...increases by more than two percentage points from the previous year...”

“capital tax levy”

- When the TRS or ERS contribution rate increases by more than two percentage points
- Capital tax levy requires districts to estimate



Tax Cap

- No definition in law
 - “Tax levy limit” plus exclusions
- “Maximum allowable levy”
- Less relevant to the state, more relevant to the district and taxpayers
- Highest total amount of taxes a district can propose as part of its budget while still requiring only a simple majority (50% + 1) for approval

Prior Year Tax Levy - **\$8,366,964 (x)**

Tax Base Growth Factor - **1.0 (+)**

PILOTs Received in Prior Year - **\$68,282 (-)**

Prior Year Exclusions (Capital, Court Orders/Judgments) - **0 (x)**

Allowable Levy Growth Factor - **2% or \$8,603,951 (-)**

PILOTs Receivable in Coming Year - **\$40,217 (+)**

Available Carryover - **0 (=)**

“Tax Levy Limit” - **\$8,563,734 (+)**

Coming Year Exclusions (Capital, Court Orders/Judgments, Pension)

\$35,338 (=)

“Tax Cap” **\$8,599,072 or 2.77%**