



What You Need to Know about the Tax Levy Cap

1. What is the tax levy cap?

The tax levy cap is a law that places strong restrictions on how school districts can raise revenues. At its basic level, the tax levy cap legislation makes it very difficult for school districts to increase the total amount to be raised through property taxes by more than 2% or the rate of inflation (whichever is lower) over the amount raised through property taxes in the previous year.

If the budget fails to be passed, a **0%** tax levy increase will be required. That is why the “2% tax cap” cited in the media should more accurately be called a “Zero percent tax levy cap.”

2. Does that mean the tax rate should not increase by more than 2%?

No, the tax rate is governed by changes in entire school district’s property assessment, which can be influenced by such factors as market conditions, tax grievances that are upheld and changes to properties. Remember that changes in total assessed valuation do not change how much tax revenue the school district needs to receive. Whatever amount the tax levy is, that is precisely the amount that will be collected from taxpayers. Tax rates are therefore adjusted to ensure that the district receives no more and no less than the amount that was levied.

3. Does the tax levy cap mean that taxes on my home will not increase by more than 2%?

No, the taxes levied on an individual property can vary for a number of reasons including improvements made to your home, the value of your property relative to other properties in the school district and changes in base proportions, which is the degree to which single family homes, coops or condos are asked to shoulder the total property tax burden for the school district. **These factors are not within the school district’s control.**

4. Is the 2% (or rate of inflation) levy cap absolute? Are there any expenses that can be excluded and still stay within the tax levy cap limit?

Yes, there is a very complex eight-step formula mandated by the State Comptroller (see www.osc.state.ny.us/localgov/realprop/pdf/formula.pdf) that governs the determination of the tax levy cap, called the “tax levy limit.” Expenses that can be excluded include very high pension cost increases, very costly court decisions that go against the school district, interest on bonds and actual growth in property in the school district (not changes in property values).



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5. Can the school district have a budget that exceeds the tax levy cap?

Yes, but only at least 60% of the voters approve the budget. If the 60% “supermajority” is not obtained, the permitted tax levy increase will be **0%**, **in other words, no greater than the year before. In addition, the allowances for excessive pension costs, bond interest etc. will no longer apply.** The elimination of the allowances will require additional budget reductions beyond those that would be needed if these expenditures remained acceptable. In essence, the “supermajority” provision weights each “No” vote as worth 1.2 votes, while “Yes” votes count a 1 vote.

6. What happens if the budget proposal is defeated on May 15th?

If any budget is defeated, whether it is above or below the 60% “supermajority” threshold, the Board of Education will face a difficult decision point. It can:

- a. Adopt the budget with a **0% percent tax levy increase.**
- b. Place the same budget or a revised budget before the voters again in June.

If the proposed budget in May or June exceeds the tax levy cap threshold (the “maximum allowable tax levy”), at least 60% of the voters must approve it. A budget at or under the cap must be approved by a majority of voters. In any event, **the failure to achieve the required passing rate in June will mean that the tax levy increase will automatically be set at 0%, and the allowances for excessive pension costs, bond interest, etc. will no longer apply.** Districts that do not receive approval from the voters for their budgets are required to develop “contingent budgets” that strictly limit the types of activities, programs, services and purchases that may be funded.

7. With the new laws and regulations in place, will the Garden City Public Schools’ property tax levy increase be the same as the County’s or the Village’s?

No. Although the law applies to all municipalities, each level of government will be affected somewhat differently due to the exemptions, the specific nature of the programs and services it provides and the other source of revenue available to it. (Garden City Public Schools, for example, cannot initiate special added fees for textbooks or transportation, if it needs to raise additional funds to make up for shortfalls in state aid or property taxes.)



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8. How does the “supermajority” provision work at the Village level?

A “Yes” vote by 5 of the 8 Village of Garden City Trustees would constitute a “supermajority.”

9. Besides the property tax, what are the other sources of revenue for Garden City Public Schools?

Garden City Public Schools receives relatively little New York State aid, only 4.40% of total revenues. In addition, the school district receives some federal grants. Both state aid and federal grants have declined during the past years, with state aid dropping by an anticipated 28% since 2008. The school district receives interests on its deposits and some fees as well, but these constitute less than 2% of revenues. The overwhelming percentage of revenue, almost 90%, comes from property taxes.

10. Other states have some form of tax cap. How is New York’s different?

Governor Cuomo and the State Legislature passed a measure that they touted as the most stringent tax cap in the nation. Massachusetts was supposed to be the model for New York’s tax cap law but:

- Massachusetts set the cap at 2.5%, not 2%, and any increases under 2.5% did not require a vote.
- Increases above 2.5% could be approved by a simple majority, not a “supermajority.” In fact, many of the high quality school districts in Massachusetts have voted for overrides.
- Massachusetts offset the loss of property tax revenue with increased state aid. There were more liberal carry-over provisions as well.
- Enrollment declines also helped offset losses of revenue.
- The long term impact of tax caps can be seen in the decline of California’s educational system.
- The New York cap makes no allowances for enrollment increases, or an increase in inflation above 2%.
- New York’s tax cap is being implemented at a time of significant increases in pension and health care costs, the phase-in of mandated new assessments and curricula, and newly mandated personnel evaluation system that will have associated costs.
- If the tax cap had been in effect for the past 5 years, Garden City would have approximately \$20 million dollars less available for expenditures.



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Hypothetical ‘Capped’ Garden City Public Schools Budget
(in millions)

Year	06-07	07-08	08-09	09-10	10-11	11-12
- Budget	\$85.37	\$90.44	\$94.51	\$95.22	\$97.99	\$101.12
- Tax Levy	\$76.67	\$79.81	\$83.71	\$85.02	\$88.58	\$90.65
- 2% Cap		\$78.21	\$79.77	\$81.37	\$82.99	\$84.65
- Reduction		\$(1.60)	\$(3.93)	\$(3.66)	\$(5.59)	\$(6.00)
- <i>1 Year</i>		\$(1.60)	\$(5.54)	\$(9.19)	\$(14.78)	\$(20.78)
- <i>Cumulative</i>		\$(1.60)	\$(5.54)	\$(9.19)	\$(14.78)	\$(20.78)

- Had the tax levy cap been in effect over the last five years, over \$20,000,000 less in available resources would have been available to be used for school district programs!

11. What challenges will the tax levy cap present in developing the 2012-13 budget?

- Difficulty in explaining how the special allowances can result in permitted tax levy increase above 2%.
- The 2% maximum figure is already rooted in public consciousness. Even if the allowable tax levy limit for Garden City is greater than 2%, it may appear to many that the tax increase is at the very least, excessive, and at worst, contrary to rules and regulations.
- “Tax levy cap” will be confused with “my tax bill.”
- The prospect of a 0% tax levy increase is not well understood by many, but some will see it as an opportunity to force major changes in school programs.
- The tax levy cap is not a one-year issue. The school district must anticipate that there will be minimal growth in revenues for years to come. Reserves cannot be exhausted and “one shot” changes will not be helpful for the long-term. As a result, the school district must develop budgets that balance short-term with long-term needs.
- We will not know the final state aid figure until we are well into (or perhaps past) the budget design process. To ensure that there is no shortfall in revenues, therefore, a conservative state aid figure will have to be used, and state aid is the only significant source of revenue for the district besides property taxes.
- Although the Governor has promised additional state aid for education for the coming year, there is little likelihood that Garden City will see much of an increase, as it has been indicated that most increases will be targeted toward “high needs” school districts.
- The County has shifted responsibility for tax certiorari payments to school districts, which will drain additional dollars from the school district budget.



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12. How is the school district designing the 2012-13 budget in light of the difficult fiscal climate and the limitations imposed by the tax levy cap?
- The Board of Education supports tax relief.
 - The Board has consistently sought to develop prudent budgets that reflect an appreciation of the need to limit increases in property taxes. Despite dramatic increases in pension and health care costs and the imposition of numerous unfunded mandates, last year's tax increase was the second lowest in 10 years.
 - Garden City's per pupil costs are the lowest among its comparator districts.
 - Garden City's tax rate ranks 48th out of Nassau County's 56 school districts.
 - The tax levy cap does not offer meaningful solutions to address the biggest cost drivers in school district budgets.
 - The school district recognizes that it plays an integral part in maintaining Garden City's position as a community of choice for residents and prospective home buyers.
 - The Board of Education recognizes its responsibility to strike the best balance between what is best for students—both now and in the future—and what the community can afford.
 - The Board of Education and administration seek to protect to the greatest extent possible the aspects of our school district that “make Garden City, Garden City.” It is well aware that parents want their young children to have the same advantages that others have traditionally enjoyed.
 - The school district is involved in many regional and statewide efforts to control costs. These range from participation in shared services and purchasing consortia to advancing proposals in Albany. The New York State School Boards Association, of which Garden City is a member, has offered a comprehensive set of suggestions for reducing costs that includes regionalization of school transportation, changes to the Taylor Law governing school labor-management relations, extending the power of purchasing cooperatives and redesigning the pension system.

The school district greatly appreciates the opportunity provided by PTA to engage in a discussion of this critically important topic.