Understanding Your District's Proposed Budget Under the New Tax Levy Legislation

Q How does the tax levy cap work?

A In June 2011, the New York State Legislature enacted a property tax "cap" that seeks to limit the annual increase in the tax levies of local governments and school districts. All school districts in the state with the exception of NYC schools and the districts of Buffalo, Rochester, Syracuse and Yonkers (which are covered under their municipality's caps) are subjected to the tax levy legislation. The legislation provides school districts with a state-determined formula to calculate a tax levy limit that determines the number of votes needed to pass a school budget. Each district will have a different calculated tax levy limit. If a district proposes a tax levy increase at or below the calculated limit, the district needs a simple majority of 50 percent plus 1 to pass the budget. If the district proposes a budget with a tax levy higher than the calculated limit, the district needs a supermajority (at least 60 percent) to pass the budget.

Q Why isn't it a "2 percent tax cap"?

A Although the new law has been referred to as a "2 percent tax cap," it does not restrict any proposed tax levy increase to 2 percent, nor does it prohibit individuals' property taxes from increasing by more than 2 percent. The law applies to the school district tax levy, not tax rates or individual tax bills. It doesn't place any restrictions on how tax bills are calculated. The "2 percent cap" name comes from one of the eight steps in the state-dictated formula that caps inflation for a school district to the Consumer Price Index or 2 percent, whichever is less.

Q How will the levy legislation affect my taxes?

A The new law will not limit your tax bill to 2 percent. The legislation applies to the district's tax levy, not to tax rates or individual tax bills. What will happen to your tax bill — how much it may go up or down — cannot be predicted until a number of other factors are determined later in the year, such as equalization, assessment rates and STAR exemptions.

Q How does a contingent budget differ under the tax cap?

A Under the new tax levy legislation, when a district adopts a contingent budget, the tax levy limit cannot be increased for any reason; it is set at zero percent. There are no exclusions allowed under a contingent budget. The administrative cap — which limits the allowable increase in the administrative component of the budget — is still in effect.

Q Are there any exclusions to the cap?

A Yes. According to the law, a district can exempt the following exclusions:

- If the annual employer pension contribution rate grows by more than two percentage points, the additional cost attributable to this excess rate increase may be excluded.
- Adjustments can be made for court orders or judgments against the district that arise out of tort actions if those court orders or judgments exceed 5 percent of the total current year's levy. Tax certioraris and breach-of-contract actions are not included in the cap.
- The local tax levy associated with budgeted expenses resulting from voter-approved capital projects, such as construction or improvement of school facilities or equipment and transportation dept service, is excluded from the cap.

Q What happens if a school budget is voted down?

A If residents vote down a district's proposed school budget, the district can either: (1) Put the same budget up for a revote, (2) Put a revised budget up for vote or, (3) Adopt a contingent budget. If a district's budget is voted down a second time, the district must adopt a contingent budget.

Q How will I know if my district is proposing a tax levy increase above the tax levy limit?

A By law, any school district that proposes a budget that requires a tax levy above its "tax levy limit" must include a statement on the ballot indicating this to voters.

Q Why does the budget notice look different this year?

A Districts are required to mail a budget notice to all residents after their budget hearing but no later than six days before the budget vote. This year, this budget notice has been redesigned to reflect the tax levy limit formula. New items on the budget notice that you will receive include:

- School Tax Levy Limit – This is the number the district calculates using the state formula before exclusions are included.
- Proposed School Year Tax Levy (without permissible exclusions to the School Tax Levy Limit) - This is the tax levy associated with the budget the district is proposing minus an allowable exclusions.
- Total Permissible Exclusions - This is the total amount of the exclusions the school is allowed under the legislation.
- Proposed School Year Tax Levy (including permissible exclusions to the School Tax Levy Limit) – This is the total tax levy associated with the budget that the district is proposing.

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