New rules for budget votes
raise the stakes for schools

WHAT IS A TAX LEVY?

The tax levy is the total amount of taxes a school district raises to help fund its budget, after accounting for all other revenue sources. The tax levy is the basis for determining the tax rates for each municipality within a school district. Tax rates are also impacted by changes in town assessments and state equalization rates.

BUDGET APPROVALS, BY THE NUMBERS

Statewide since 2006, voters have approved an average of 93 percent of school budgets on the annual school budget vote day in May of each year. As illustrated in the chart below, in each of those years, the percentage of budgets approved by a supermajority of voters (60% or more) was significantly lower.

With New York's new tax levy cap law in effect, the rules for contingent budgets have changed. No longer is there a spending cap on contingent budgets. Instead, there is now a ***0 percent cap on the tax levy increase.*** In other words, a district would have to levy the same amount of taxes as in the current year or less—without any adjustments for state pension rate increases, contractual obligations or any other costs, mandated or not.

Other aspects of the contingent budget rules have stayed the same. If voters defeat their school district budget on May 15, a district has two options: resubmit the same proposal or a revised one for a revote on June 19; or adopt a contingent budget. If residents vote down a resubmitted budget, the district MUST adopt a contingent budget.

Adopting a contingent budget prohibits a district from spending any money in certain areas, including community use of school facilities (unless all costs are reimbursed to the district), new equipment purchases, non-essential maintenance, capital expenditures (except in emergencies), salary increases for non-instructional, nonunionized employees, and certain field trips and student supplies. Contingency rules also cap the growth of the administrative component of the budget. These requirements existed prior to the tax levy cap and remain in effect.

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Proposal above "tax levy limit" requires supermajority approval

The state's tax levy cap places new restrictions on how school districts may increase their tax levies. It requires each district to calculate its own "tax levy limit," which determines the maximum allowable tax levy (including permissible exclusions) that a school district can propose for which only the approval of a simple majority of voters (more than 50 percent) is required.

A district may, however, present voters with a budget proposal that carries a tax levy which exceeds its tax levy limit (including exclusions). In such a case, budget passage requires approval by a supermajority of voters (60 percent or more). If a district fails to obtain a supermajority for a proposal that exceeds the tax levy limit, the same rules for a budget defeat, described above, apply.

Zero percent increase in contingency is the real "cap"

While districts still have a chance at a revote if a proposed budget fails on the first try, the new "zero percent cap" on contingent budget tax levies raises the stakes for school leaders as they work to craft budget proposals that their communities will support.

And with politicians and the media often erroneously referring to the new law as a "2 percent tax cap," the reality is that any proposed school tax levy increase will likely be compared to this perceived levy limit, adding to the pressures schools face to keep tax increases in check despite escalating costs, stagnant state aid and rising expectations to build and sustain world-class schools.

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.capitalregionboces.org/taxlevycap* and *www.questar.org/taxcap*. Published April 2012.

QUESTAR III BOCES Capital Region