



What We Have Learned About the Property Tax Cap

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Across New York State, school business administrators are preparing their submissions of the 2018-19 property tax cap calculation for the March 1 deadline. Hundreds of computations are being carefully reviewed for accuracy to ensure sufficient funds will be available to support upcoming budgets. According to New York State law, school districts are allowed to increase their property tax levies by the lesser of two percent or the rate of inflation. With the annual change in the Consumer Price Index (CPI) for urban consumers expected to exceed two percent, the cap is projected to reach the highest it has in four years. Yet the reality is that increases in school district expenses far outpace consumer inflation due to high cost areas such as health insurance, pension contributions, and energy costs. To overcome the difficulties this creates, business administrators need to be cautious and strategic when making decisions that will impact their tax cap calculation, especially since this year's decisions will affect the calculation in the coming years.

Coming Year Capital Exclusion

School districts may adjust their property tax levy above the levy limit for certain costs resulting from local capital expenditures. This includes expenses such as those resulting from financing or constructing school district facilities. Boosting up the maximum allowable tax levy by the capital

exclusion can be valuable if a district is willing to levy close to or up to their limit, but additional consequences should be considered. Though this factor may help expand the current year tax levy limit, be aware of the impact it will have on future calculations, as this factor becomes a subtraction in the following year. This is especially important in situations where districts decide to levy below the maximum because they still must subtract the entire capital exclusion in the following year's calculation. Business administrators are encouraged to develop a multi-year tax cap projection of three to five years. This is illustrated in Figure 1.

When computing the capital exclusion, capital expenses must be offset by state aid and other related revenue sources, including reserves, to capture the total local cost. For this reason, school officials should monitor the district's expiring debt as well as expected revenues. They can do this by first establishing and observing debt schedules to indicate when debt will fall off in the coming years. As debt expires, and depending on any changes in revenues, future year capital exclusions may be lower, as portrayed in the example in Figure 1. To level the debt and the resulting tax levy requested, districts should review and revise, if necessary, bus replacement and capital planning schedules.

It is also important to monitor the revenues associated with the capital exclusion. For instance, districts should consider

FIGURE 1. A MULTI-YEAR TAX CAP PROJECTION

		5-YEAR TAX CAP CALCULATION				
		2018-19	2019-20	2020-21	2021-22	2022-23
Prior Year Tax Levy		8,000,000	8,190,098	8,205,010	8,215,000	8,251,660
Reserve Offset from Prior Year	+	-	-	-	-	-
Reserve Amount Including Interest	-	-	-	-	-	-
		8,000,000	8,190,098	8,205,010	8,215,000	8,251,660
Tax Base Growth Factor	x	1.0035	1.0035	1.0035	1.0035	1.0035
		8,028,000	8,218,763	8,233,728	8,243,753	8,280,541
Prior Year PILOTS	+	-	-	-	-	-
		8,028,000	8,218,763	8,233,728	8,243,753	8,280,541
Prior Year Exemptions:						
Torts and Judgements	-	-	-	-	-	-
Local Capital Levy Share	-	125,000	200,000	151,000	98,000	42,852
Adjusted Prior Year Tax Levy		7,903,000	8,018,763	8,082,728	8,145,753	8,237,689
Allowable Levy Growth Factor (2% or CPI)	x	1.02	1.013	1.013	1.013	1.013
		8,061,060	8,123,007	8,187,803	8,251,647	8,344,779
Projected PILOTS	-	-	-	-	-	-
Available Carryover	+	-	-	-	-	-
Tax Levy Limit		8,061,060	8,123,007	8,187,803	8,251,647	8,344,779
Current Year Exemptions						
Torts and Judgements	+	-	-	-	-	-
ERS Exemption	+	-	-	-	-	-
TRS Exemption	+	-	-	-	-	-
Local Capital Levy Share	+	200,000	151,000	98,000	42,852	-
Maximum Allowable Tax Levy		8,261,060	8,274,007	8,285,803	8,294,499	8,344,779
Allowable Dollar Increase		261,060	83,909	80,793	79,499	93,119
Allowable % Increase		3.26%	1.02%	0.98%	0.97%	1.13%
ACTUAL LEVY		8,190,098	8,205,010	8,215,000	8,251,660	8,258,000
		2.38%	0.18%	0.12%	0.45%	0.08%

When performing a forecasted calculation, be conservative with your choice of certain factors. In the example shown, there is no growth projected for the tax base growth factor and the CPI used for determining the allowable growth factor is based off of a five-year average of the CPI.

establishing a Building Aid forecast of three to five years. This is illustrated in Figure 2. District-specific amortized debt service information can be found on the Prospective Project Report. Current year Building Aid ratios are located on district Building Aid Output Reports. Each of these reports is available on NYSED's State Aid website.

Building Aid projections not only assist in calculating the multi-year tax cap projection, but can also be used to realize instances where debt service and Building Aid do not align with each other. In this situation, districts may want to

consider using available debt service fund money. Another way to level the revenue side of the exclusion and avoid large swings from year-to-year is to plan for capital outlay exception projects annually. These capital outlay exception projects are school construction projects with a total project cost of no more than \$100,000 fully aided in the year following the expense. Consulting with a fiscal advisor is recommended for projecting this information.

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FIGURE 2. BUILDING AID FORECAST

AMORTIZED DEBT SERVICE						
Project #	Bld Type	2018-19	2019-20	2020-21	2021-22	2022-23
0003-210	BLD4	255,103	255,103	255,103	255,103	255,103
0003-211	BLD4	48,526	48,526	48,526	48,526	48,526
0004-110	BLD10	256,014				
0004-111	BLD3	928,582	928,582	928,582	928,582	928,582
0006-001	BLD10	98,566				
0006-002	BLD4	208,336	208,336	208,336	208,336	208,336
0006-003	BLD4	352,889	352,889	352,889	352,889	352,889
0006-004	BLD4	54,774	54,774	54,774	54,774	54,774
0007-010	BLD3	950,448	950,448	950,448	950,448	950,448

BUILDING AID RATIOS					
Bld Type	2018-19	2019-20	2020-21	2021-22	2022-23
BLD	0.845	0.845	0.845	0.845	0.845
BLD10	0.900	0.900	0.900	0.900	0.900
BLD3	0.845	0.845	0.845	0.845	0.845
BLD4	0.845	0.845	0.845	0.845	0.845

BUILDING AID RATIOS						
Project #	Bld Type	2018-19	2019-20	2020-21	2021-22	2022-23
0003-210	BLD4	215,562	215,562	215,562	215,562	215,562
0003-211	BLD4	41,004	41,004	41,004	41,004	41,004
0004-110	BLD10	230,413	0	0	0	0
0004-111	BLD3	784,652	784,652	784,652	784,652	784,652
0006-001	BLD10	88,709	0	0	0	0
0006-002	BLD4	176,044	176,044	176,044	176,044	176,044
0006-003	BLD4	298,191	298,191	298,191	298,191	298,191
0006-004	BLD4	46,284	46,284	46,284	46,284	46,284
0007-010	BLD3	803,129	803,129	803,129	803,129	803,129

TOTAL AID/BLD					
Bld Type	2018-19	2019-20	2020-21	2021-22	2022-23
BLD	0	0	0	0	0
BLD10	319,122	0	0	0	0
BLD3	1,587,780	1,587,780	1,587,780	1,587,780	1,587,780
BLD4	777,086	777,086	777,086	777,086	777,086
Total	2,683,988	2,364,866	2,364,866	2,364,866	2,364,866

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Additional Tips

- **Keep thorough documentation.** It is always a good idea to keep detailed documentation, especially in the event of an audit by the Comptroller's Office. Have the information organized and easily accessible.
- **Respond to OSC requests.** If OSC contacts the district regarding the tax cap calculation (or for any other reason), be sure to answer them and provide requested information in a timely fashion.
- **Make necessary changes when needed.** Whenever you become aware of a significant change that may impact the district's submitted tax cap calculation (i.e. deciding not to purchase buses in the upcoming year), log into the OSC portal and submit the changes immediately. Factors used in the levy calculation should be reflective of what the district actually expects to occur and should be based on good faith estimates. Districts should make changes as they become aware of them up to the issuance of the tax warrant.
- **Levy (almost) to the max.** Multi-year tax cap projections can also help illustrate how the actual tax levied can impact future calculations. As shown in Figure 1, levying below the maximum allowable levy reduces the starting point in each subsequent year, positioning the district at a disadvantage. Be aware of how levying below the maximum will affect forthcoming levies. Consider providing leeway for unforeseen levies such as omitted taxes.
- **Educate your public.** The property tax cap is complicated and varies per school district. Yet because it is a crucial component of school budgets, it is critical that school districts educate their local communities

in understanding it. Focus on the basics, be transparent and be available to answer questions.

Tax Cap Update

In December, the Governor vetoed two important bills (below) that would exempt certain BOCES capital expenditures from limitations upon local school district tax levies as well as reconsider the treatment of PILOTs in the tax cap formula.

This was a disappointing decision for school districts, especially since neither bill would have required any substantive changes to the tax cap law, but would rather have provided more consistency within the calculation. One of the amendments would have included BOCES capital expenditures in the capital exclusion while the other would have factored in additions to the school district tax base which generate payments in lieu of taxes (PILOTs) in a manner similar to other properties. Despite these disappointments, NYSASBO will continue to advocate for action to resolve flaws in the tax cap calculation.

BOCES Capital Project Exclusion (S.4283 Murphy / A.5965 Galef) – This legislation would include a school district's share of a BOCES capital project in the district's tax cap exclusion calculation.

PILOTs Inclusion in Tax Base Growth Factor (S.2122A O'Mara / A.1841A Morelle) – This legislation would include PILOTs in the calculation of a school district's tax base growth factor. ◀

Download these tables as spreadsheets to use in your district from the Resource Library at connect.nysasbo.org

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