



2012 – 2013

Budget Outlook

Potential Impact of Tax Cap

November 16, 2011



Tax Levy Basics

- The school property tax levy represents the amount of funding a school district needs to raise through property taxes to balance its budget.
- The Property Tax levy is calculated as follows:

$$\begin{aligned} & \text{Projected School Spending} \\ & \quad (-) \text{ minus state aid} \\ & \quad (-) \text{ minus other revenues} \\ & \quad \underline{(-) \text{ minus prior year's fund balance}} \\ & \quad = \text{Property Tax Levy} \end{aligned}$$



State Aid

- For 2010-2011 we lost \$3.5 million;
- For 2011-2012 we lost \$3.1 million.

Each loss of approx. \$800,000 in state aid equals 1% increase in tax levy.

For 2012-2013 Governor Cuomo indicated that districts will receive an increase of 4% in state aid. After reductions contained in the current formula, experts believe it will be more like 2%. State aid in 2011-2012 was \$43.6 million. A 2% increase = \$872,000.



Percent of School Funding

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Property Taxes	57%	60%	62%
State Aid	37%	34%	31%
Other Revenues	6%	6%	7%



The Lindenhurst Story

For 2009 - 2010, we changed transportation guidelines. The result was \$750,000 in annual savings.

For 2010 - 2011, we cut 37 teaching positions, froze 1 administrative position, and combined 2 administrative positions. Other non-instructional positions were also eliminated.



The Lindenhurst Story (continued)

For 2011-2012:

- We closed E.W. Bower Elementary School for approximately \$1.5 million in annual savings.
- We made staffing cuts (including Bower) 14 teachers, 1 administrator, 4 custodians, 1.5 clericals, and 10 aides.
- In Athletics, we cut Junior Varsity 9/Junior Varsity 2 athletic teams, combined Varsity and Junior Varsity bowling and golf teams, and eliminated several assistant coaching positions.



Property Tax Cap: A Change in the Conversation

- As a result of the Property Tax Cap, the tax levy increase is limited to the lesser of 2% or Consumer Price Index (CPI) growth.
- Some expense increases are excluded from the cap:
 - Some pension cost increases (anything over a 2% increase in rate)
 - Certain large legal expenses (tort actions)
 - The local share of capital expenditures.



Tax Cap Alternatives - Supermajority

- If the proposed tax levy exceeds the tax levy limit, 60% or more of the votes on the proposed budget must be “Yes.”
- The ballot shall include a statement similar to the following:

“Adoption of this budget requires a tax levy increase of _____, which exceeds the statutory tax levy increase limit of _____ for this school fiscal year and therefore exceeds the state tax cap and must be approved by 60% of the qualified voters present and voting.”



Example of Supermajority

4180 voters in 2011

60% would have required at least
2508 yes votes and 1672 no votes.

In May 2011, vote was
2154 yes, 2026 no.



Tax Cap Alternatives

2% of the tax levy or CPI
(whichever is less):

2011-2012 Tax Levy: \$86,809,726

2% Cap: \$1,736,195

This still requires a vote
with a 50% majority.



We must meet Employee contractual obligations:

Triborough Amendment:

When contracts for unionized public employees run out and new ones aren't in place, employers cannot alter the terms and conditions of employment.



Example of Effect of Triborough Amendment:

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Step	MA-10	MA-11	MA-12
Salary	\$76,811	\$79,552	\$82,292
Raise		\$2,741	\$2,740
% Increase		3.6%	3.4%

Examples such as this would hold for any employee unit with steps (TAL, clericals, nurses, custodians)



Contractual Increases

Estimated contractual increases including salaries, benefits, TRS, ERS, and Education Job Fund (loss of \$1,566,651):
\$4,567,843

Projected Increase for Rollover Budget	\$4,567,843
Tax Cap Allowance (2% Tax Cap)	<u>- \$1,736,195</u>
Budget DEFICIT for 2012-2013	\$2,831,648

(Assumes state aid is flat)

This translates to
eliminating approximately
30-35 instructional positions.



Other Areas of Concern:

- Increased Energy Costs
- Increased Transportation Costs
 - Revisions in bus routes will produce savings
- Increased Special Education costs
 - Bringing back students from BOCES and outside agencies will produce savings.



Contingency

The “old days” - Contingency limited expenditures (CPI x approved expenditures of previous year = maximum allowable increase in expenditures.)

- In 2011-2012 the tax levy was 6.89%, the contingency tax levy would have been 6.3%
- In 2012-2013: If budget proposition is defeated twice, the allowable tax levy increase is zero.



District Differences in the Effect of the Tax Cap

- Differences in wealth
- Differences in available resources
- Differences in the ability to obtain a supermajority
- Differences in levels of student achievement



Some Programs at Risk:

- | | |
|--|--|
| <ul style="list-style-type: none">• Full Day Kindergarten• Elementary Music• Fine Arts Electives• Dance• Alternative Learning Center• Gifted and Talented - Orion | <ul style="list-style-type: none">• JROTC• Introductory World Languages• Home Economics• Technology Electives• Media |
|--|--|

Reduction of High School and Middle School student schedules from 9 periods to 8 periods will cause decline in electives.

Further Class Size Increases



Athletics:

7 th Grade Teams	\$ 83,064
8 th Grade Teams	\$ 83,866
Combined Teams	<u>\$129,617</u>
Middle School (total)	\$296,547
Junior Varsity Teams	\$176,441
Varsity Teams	\$566,869
Total =	\$1,039,857



Implications of Property Tax Cap

The tax cap will remain in effect until at least 2016 – 2017 (5 years). Over the course of five years, the district could find it cannot meet its educational or financial obligations as we run through our fund balance and reserves.

The challenge is finding other cost savings measures in delivering instruction, managing operations, and through negotiations with our six bargaining units.

Can such savings keep pace with deficits?