

Q & A about the new tax levy “cap” and how it affects Stillwater

Q. Does the new tax levy “cap” law mean school tax levy increases are limited to 2 percent?

A. No, the law does not prohibit tax levy increases greater than 2 percent. Despite how it’s been described by some politicians and the media, the legislation signed into law in June requires every district to calculate its own “tax levy limit.” Two percent (or the rate of inflation, if less) is just one of eight factors in this calculation.

The law also establishes a higher threshold of voter approval for a budget to pass if a district’s proposed tax levy increase (before exclusions outlined in the law) exceeds its individual “tax levy limit.”

Q. Does the tax levy cap take into account that some expenses are currently outside a district’s control?

A. Yes. Taxes that school districts levy to pay for certain expenses are excluded from the tax levy limit calculation. In other words, after a school district calculates its “tax levy limit,” it then adds these exclusions to that amount, allowing the district to propose a tax levy greater than the amount set by the “limit” without triggering the need for approval by 60 percent of voters. These exclusions include:

- Voter-approved local capital expenditures.
- Increases in the state-mandated employer contribution rates for teacher and employee pensions that exceed two percentage points.
- Court orders/judgments resulting from tort actions of any amount that exceeds five percent of a district’s current levy. Tax certioraris, however, are not exempt.

Far from being “loopholes,” these exclusions seem to indicate an acknowledgement among lawmakers that schools have no ability to simply limit cost increases in these areas to the rate of inflation. As a result, a district’s maximum allowable tax levy (after the levies for these exclusions are added in) could be greater than its published “tax levy limit” and yet still be considered, under the law, within that limit.

Q. What will the property tax levy cap law mean for MY tax bill?

A. That remains to be seen. First, the new law applies to the tax levy, not to tax rates or individual tax bills. Second, it does not impose a universal 2 percent cap on taxes—or any other specific amount. The law does require a greater number of voters to approve a budget that exceeds a school district’s individual tax levy limit, as calculated by a complex formula. And third, there are several factors that dictate how an individual’s school tax bill is calculated after a school district sets the final tax levy—none of which are within the district’s control. (This calculation process did not change under New York’s property tax cap law.)

Tax bills continue to be calculated by using a property’s assessed value (as determined by the local town assessor) and the tax rate—or the amount paid in taxes per \$1,000 of assessed value. Tax rates are not solely determined by the tax levy approved by voters; they are often adjusted by the state using equalization rates, designed to equally distribute the tax burden across municipalities within a district. Tax bills can also be affected by STAR or other exemptions for which individual taxpayers may qualify.

Q. How does the GlobalFoundries PILOT affect the district's budget?

A. In the long run, the GlobalFoundries PILOT is beneficial for Stillwater CSD, because unlike state aid, guarantees an amount of revenue for the district for each year under the terms of the agreement.

However, because of the way the tax levy limit calculation works, the increase in the PILOT payment amount for next year will actually cause the district's calculated tax levy limit to be LOWER than its current levy, creating an even bigger budget gap that the district needs to close.

Q. What is Stillwater's tax levy limit?

A. The State Education Dept. continues to issue guidance to schools regarding the new law, but our estimates at this time indicate that Stillwater's tax levy limit will be about \$600,000 less than our current-year levy—a **decrease of 7.4 percent**.

Even with the exclusions (allowed by the law) added in, **Stillwater's maximum allowable tax levy approval would be more than 4 percent less than its current levy.** To exceed this amount, more than 60 percent of voters would need to approve the proposed budget.

Q. How does this affect the development of Stillwater's budget for the 2012-13 school year?

A. Given rising costs and state aid that is not keeping pace, the district faces a budget gap of \$2 million at our tax levy threshold. Cutting this much spending from the budget would mean significant cuts to staffing and programs, and/or use of fund balance and/or debt service transfer.

This is why the district is considering to exceed its tax levy limit, which would require budget approval by a supermajority of voters (more than 60 percent). While cuts would still need to be made, they would not be as severe.

Stillwater still needs to fulfill its mission of educating students and preparing them for the future they face. And we know that our community shares these high expectations for educating all of its students. Given the impact that \$2 million in cuts would have to our programs and services, It would be irresponsible for the district not to explore the option of proposing a budget with a proposed tax levy amount that is above the statutory "limit," thus triggering the need for 60 percent voter approval.

Q. What efforts does Stillwater make to save money by sharing costs with other schools or the town?

A. Stillwater already shares many services/resources with BOCES and other school districts. This includes cooperative bidding for products and supplies, electricity, transportation, and health insurance. The district also contracts with Energy Education, Inc. to save in energy costs. District officials continue to look for additional cost-saving cooperative efforts.

Q. When and where do I vote on the 2012-13 school budget?

A. Residents can vote on the school district budget on Tuesday, May 15, 2012. Polls will be open from 12 noon to 9 p.m. in the new Stillwater High School gym foyer. (NOTE: This is a change in location from previous years).

**2nd School Budget
Community Forum**

**Tuesday, March 6, 2012
6:30 p.m., MS Cafeteria**

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