

Understanding the New Tax Levy Cap

How it applies to school districts



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Community Forum
January 18, 2012



The Property Tax Levy Cap (Chapter 97 of the Laws of 2011)

- The Property Tax Levy Cap is a new law that limits the amount of money a public school district can raise through the tax levy.
 - A **Tax Levy** is the total dollars that a school collects from property owners within the district in order to balance its budget. The tax levy is determined after accounting for all other sources of revenue, including state aid
- The public still votes on the tax levy limit
 - Simple Majority (>50%) if the tax levy does not exceed the cap
 - Super Majority, 60% voter approval (i.e. 3 out of 5 voters) to go over (override) the cap



The Property Tax Levy Cap

- The revenue that can be raised through the Property Tax Levy Cap is now the basis for the development of the School Budget
- Tax Levy and State Aid are the major source of revenues
- If a particular revenue source decreases from the prior year the district has no ability to make up the loss on the revenue side
- Sources of district Revenue:
 - Tax Levy
 - State Aid
 - Tuition
 - Sales Tax
 - Fund Balance
 - Interest Earnings
 - Other Miscellaneous Revenues



The Property Tax Levy Cap

- The Property Tax Levy Cap IS NOT a 2% Cap
- The Property Tax Levy Cap limit for the 2012-13 school year is based on this current year's tax levy
 - Adjusted by growth in the local tax base and allowable exclusions
- The maximum allowable tax levy is determined by what is lower: 2% or the rate of inflation (CPI)
- There are still many unanswered questions since this is the first time doing this.
- The actual Maximum Allowable tax levy calculation is an 8 step process
- The "actual" tax levy change can be higher or lower than 2% depending on the result of this process



The Property Tax Levy Cap is NOT the only variable in determining Tax Rates

- Increases in school tax bills are determined by several factors:
 - Maximum Allowable School Tax levy
 - Assessed Property Values
 - Equalization Rates
- Public Schools have NO control over assessed property values or equalization rates



The Property Tax Levy Cap

- Budget Impact Items
- Unfunded/Under funded Mandates
- Cost Drivers
 - Health Insurance costs
 - Pension costs
 - Special Education costs
- Reduced state aid over time

- The Board of Education and the Administration are working diligently to prepare a budget following the tax levy cap regulation that supports the needs of our students while balancing the tax impact to our community.