



*Sayville Public Schools*

*Report on 2012-13 Roll-Over Budget and  
Implications of a Property Tax Cap*

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To begin the 2012-13 budget process, we prepared a “*roll-over*” budget (also known as a pro-forma budget), with some minor changes based on current information. We will also take a look at fiscal implications of the new 2% property levy cap, and the impact it will have on the budget development process.

To begin the analysis, we computed “*Pro-forma 2012-2013 Expenditure and Revenue Budgets.*”



*Based on key expenditure assumptions, the District’s 2012-2013 pro-forma budget is \$85,294,587. This represents a \$3,515,187 spending increase of 4.30% over the current school year. Please See Appendix I*



*Based on the key revenue assumptions and a pro-forma expenditure budget of \$85,294,587, the projected property tax levy would increase by \$2,095,047, or 3.82%. Please See Appendix II*

As with any forecasts or projections, certain assumptions must be made. The following assumptions were based on actual information/factors currently known and/or projections based on trends:

<b>Key Expenditure Assumptions:</b>	<b>Overall Percentage Increase</b>
<p><b>Salaries:</b> The teachers' actual 2012-2013 salary percentage increase was used as a baseline for all District-wide salary projections. For all current staff, we assumed a <b>0% rate increase</b> and applicable step movements (if appropriate) in accordance with current bargaining contracts. Therefore, based on current staffing levels, the overall increase in salaries for the 2012-2013 pro-forma budget would increase by 2.90%.</p>	<b>2.90%</b>
<p><b>Fringe Benefits:</b> <b>ERS Rate:</b> The actual composite rate provided by ERS will increase to 18.9% from 16.3%, resulting in a rate increase of 2.6%. <b>TRS Rate:</b> For 2012-13, TRS indicated the projected rates to be between 11.5% and 12.5%. For purposes of this pro-forma budget, we used a projected rate of 12%, which results in a rate increase of .9%. <b>Social Security:</b> Effective 1/1/12, the SS taxable wage base will increase by 3.09% to \$110,100. <b>Health Insurance:</b> Projected at 10% increase. <b>Life/Dental/Unemployment/Disability:</b> Projected at an overall rate <i>decrease</i> of 5.25%.</p>	<b>4.10%</b>
<p><b>Debt Service:</b> Projection based on actual debt service currently in place for the 2012-2013 school year, includes the first year debt service for the District-wide Energy Performance Projects of \$633,074. These costs should be offset by guaranteed energy savings.</p>	<b>9.22%</b>
<p><b>Contractual Expenses:</b> This area is probably the most difficult to project. Many items under contractual expenses include Special Ed and Building and Grounds costs, which are subject to bidding and/or quoting requirements. However, by analyzing previous expenditure trends, we anticipate this category to minimally increase by approximately 3.5%. This includes anticipated reductions in energy costs pursuant to our EPC.</p>	<b>3.50%</b>
<p><b>BOCES (Excluding Transportation):</b> We anticipate maintaining the same level of BOCES services as contracted in the current school year. Typically, we see BOCES expenses increasing on average by 3% to 5%.</p>	<b>4.00%</b>
<p><b>Transportation:</b> The District contracts all of its students' transportation needs. Transportation contracts are either bid, quoted (RFP), or the contractor reserves the right to renew existing contracts at the May 31 CPI. For the current (2011-12) school year, our contracts with Suffolk Transportation renewed at the May 31<sup>st</sup> CPI, which was 2.9%. CPI is trending upward – as of September 30<sup>th</sup>, CPI was 3.8%. We anticipate this trend to continue throughout the year.</p>	<b>4.25%</b>

<b>Key Expenditure Assumptions:</b>	<b>Overall Percentage Increase</b>
<p><b><u>Transfer to Special Aided Funds:</u></b>            These funds provide for the Special Ed Summer School Program. Currently the State reimburses 80% of summer school costs. The District is responsible for the remaining 20%. For our 2012-2013 projection, we are anticipating that the State will in fact continue to fund at the 80% level.</p>	<b>-17%</b>
<p><b><u>Transfer to Capital Funds:</u></b>            A provision of \$500,000 will be made in the 2012-13 budget to fund Phase II of the Garfield Avenue project. These additional funds are necessary due to the construction delays, causing increased material and related project costs. Funds will be made available through Fund Balance monies, thus having no impact on the tax rate.</p>	<b>100%</b>
<p><b><u>Supplies, Textbook, Workbooks and Equipment:</u></b>            We have assumed that, for the 2012-2013 school year, these budget areas will be frozen at the current levels.</p>	<b>0.00%</b>

<b>Key Revenue Assumptions</b>	
<p><b><u>State Aid:</u></b>            For purposes of analyzing the pro-forma revenue budget, we anticipate the addition of the following State aid amount as a result of setting the 2011-12 tax rate, and the planned generation of additional Fund Balance for this purpose:</p> <p>At this time, and based on the continued State deficit, we are not anticipating any additional state aid above current 2011-12 levels.</p>	<b>+ \$385,000</b>
<p><b><u>Other Income:</u></b>            For purposes of this projection, we basically assumed the same level of other income items, with minor adjustments for known changes in the Rental and Investment Income categories.</p>	<b>\$2,485,026</b>
<p><b><u>Appropriated Fund Balance/Use of Reserves:</u></b>            For purposes of this projection, we are anticipating an increased level of fund balance monies based on the excess over the 4% allowed.</p>	<b>\$4,127,000</b>
<p><b><u>Assessed Valuations and Base Allocations</u></b>            For computing the projected tax rate on the pro-forma budget, we used the current 2011-12 Assessed Valuations and Base Allocations.</p>	

## **Key Elements of the Real Property Tax Levy Limit ( Tax Cap) Law**

- ✓ **The new Tax Cap Law is under Chapter 97 of the Laws of 2011, enacted June 24, 2011,**
- ✓ **Establishes a Tax Levy Limit on all local governments and most school districts (excluding NYC),**
- ✓ **Starts with fiscal years beginning in 2012, and expires June 15, 2016 unless rent control is extended,**
- ✓ **Tax Cap Limits *total levy* set by local governments, not assessed value or tax rate,**
- ✓ **Local governments may not adopt a budget that requires a tax levy that exceeds the prior year's levy by more than 2 percent, or the rate of inflation (for Schools: CPI-U December 31), whichever is *less*,**
- ✓ **The inflation factor is never a reduction, even if there is deflation,**
- ✓ **Override: the law allows local school districts to override the annual levy cap,**
- ✓ **An override is good for that fiscal year only,**
- ✓ **An override must be approved by at least 60% of budget voters – (requires the budget to pass by 60%),**
- ✓ **A budget that does *NOT* exceed the cap must pass with a simple majority (50% or more),**
- ✓ **If budget fails twice, contingency budget may not include a levy higher than prior year's levy ( 0% tax levy increase),**

## Key Elements of the Real Property Tax Levy Limit ( Tax Cap) Law

- ✓ **There are Adjustments allowed to the Levy Limit:**
  - **Tax Base Growth Factor** – determined by Department of Taxation & Finance. This adjusts for “brick and mortar” development that increases a school district’s full taxable property,
  - **Available Carryover** – if a school district levies less than the levy limit, up to **1.5%** percent of that year’s tax levy limit may be added to the levy limit for the next fiscal year. There is no ‘available carryover’ in the first fiscal year under the cap,
  - **Exclusions allowed:**
    - **Pensions contributions due to increases in the statewide contribution (ERS) or normal contribution (TRS) rates over 2 percentage points,**
    - **Expenditures resulting from court orders or judgments arising out of tort actions that exceed 5% of the total tax levied in the prior fiscal year,**
    - **The local portion of *capital expenditures*.**
  
- ✓ **If the actual levy exceeds the levy limit, a school district must establish a Reserve and place excess into the reserve. Excess amount, plus interest, must be used to offset levy in the next fiscal year.**

## **Implications of the 2% Property Tax Levy Cap on the Presented 2012-2013 Pro-Forma Budget**

***DISCLAIMER: The following Property Tax Cap Calculations are incomplete and were prepared based on only the known information to date. The Comptroller's Office, SED and Department of Taxation and Finance are still working on interpreting and defining various aspects of the Tax Cap Legislation. Therefore, information on the Tax Base Growth Factor and the Local Portion of Capital Expenditure Calculations were not available at the time this report was prepared. (Please See Property Tax Limit Worksheet in Appendix III).***

However, for informational purposes based on the available information for the 2% property tax levy cap calculation, the following represents the implications of the Tax Levy Cap on the presented 2012-2013 Pro-Forma Budget:

Current 2011-2012 Property Tax Levy:	<u>\$54,820,720</u>
Total Adjusted Tax Levy Limit Cap: (See Tax Levy Cap Worksheet)	\$56,118,496 (2.37%)
Tax Levy for 2012-13 Pro-forma Budget:	- <u>\$56,915,767</u>
Under/(Excess) Levy Over Cap Formula:	(\$797,271)
<b><i>The excess amount of \$797,271 over the 'Total Adjusted Tax Levy Cap' would need to be reduced from the Budget or additional revenues received to meet the requirements of the Tax Cap Legislation. Alternatively, if NO adjustments were made, the Budget would be required to pass by 60% of the voters.</i></b>	

## Observations:

- ❖ This is the beginning of the 2012-13 budget development process. This pro-forma budget has been prepared to initiate a discussion, between the Board, Administration and the community. As we develop Draft I of the 2012-13 budget and continue through the regular budget development process, each of the pro-forma budget projections may change.
- ❖ This roll-over, pro-forma budget does *NOT* include any salary percentage increases, only applicable costs for step movement in accordance with each of our collective bargaining contracts.
- ❖ The prepared roll-over budget, with No percentage salary increases, exceeds the Tax Cap.
- ❖ Additional budgetary increases will '*increase*' the amount/excess over the Tax Cap and require 60% approval from the community. Conversely, additional revenues would have the effect of '*decreasing*' the excess over the Tax Cap.
- ❖ This pro-forma budget uses a significant amount of Fund Balance and Reserves - \$4.1 million. This represents the excess Fund Balance over the 4% allowed. In subsequent years these funds may not be available, thus requiring cost reductions and/or the receipt of additional revenues to achieve the maximum calculated Tax Levy Cap. Of course the Board always has the 60% community approval option.
- ❖ The State has not yet been finalized various components of the 2% Tax Levy Cap formula. Once finalized, the projected excess over the Levy Cap should be reduced.
- ❖ The calculated 2% Property Tax Cap is on the '*Tax Levy*', not the '*Tax Rate*'.
- ❖ Based on the Adjustments and Exemptions allowed by law, a District's Tax Levy can exceed 2%. This concept will confuse taxpayers. For example, base on the above roll-over budget, the maximum calculated cap (not finalized) is 2.37%.
- ❖ NYS is currently projecting a continued \$2.5 billion deficit. Even though there is approximately \$800 million of additional funds for education in 2012-13, there is real uncertainty whether the Governor will allow these funds to be distributed to schools. Therefore, we are anticipating our State Aid Funds will remain flat for 2012-13.



# Appendixes

## SAYVILLE PUBLIC SCHOOLS PRO-FORMA 2012 - 2013 BUDGET SUMMARY

	2011-12		2012-13		INCREASE/ (DECREASE)	
	CURRENT BUDGET	PRO-FORMA BUDGET	PRO-FORMA BUDGET	PRO-FORMA BUDGET		
Salaries	40,065,317	41,227,211	1,161,894	2.90%		
Fringe Benefits	19,019,986	19,798,970	778,984	4.10%		
Total Salary & Benefits:	<u>59,085,303</u>	<u>61,026,181</u>	<u>1,940,878</u>	<u>3.28%</u>		
Debt Service	5,452,154	5,954,742	502,588	9.22%		
Contractual Expenditures (4000 object codes)	5,823,714	6,027,550	203,836	3.50%		
BOCES (excluding transportation)	6,343,087	6,596,810	253,723	4.00%		
Supplies	1,288,038	1,288,038	0	0.00%		
Textbooks/Workbooks	231,117	231,117	0	0.00%		
Transportation	3,274,399	3,413,561	139,162	4.25%		
Transfers to:						
Capital Fund	0	500,000	500,000	0.00%		
Special Aided Fund	150,000	125,000	(25,000)	-16.67%		
Equipment	131,588	131,588	0	0.00%		
<b>TOTAL GENERAL FUND BDGT:</b>	<u><u>81,779,400</u></u>	<u><u>85,294,587</u></u>	<u><u>3,515,187</u></u>	<u><u>4.30%</u></u>		

**SAYVILLE PUBLIC SCHOOLS**  
**PRO-FORMA AND TAX RATE SCHEDULE FOR 2012-13**

**APPENDIX II**

	<u>2011-12</u>	<u>2012-13</u>	<u>Difference</u>	<u>Percent</u>
STATE AID	21,241,638	21,626,638	385,000	1.81%
MTA Tax	139,559	140,156	597	0.43%
<b>OTHER INCOME:</b>				
Adult Education	135,000	135,000	0	0.00%
Summer School	5,000	5,000	0	0.00%
Trips	0	0	0	0.00%
Admissions	10,000	10,000	0	0.00%
Use of Pool	98,078	98,078	0	0.00%
Custodial Services	20,000	20,000	0	0.00%
Health Services	125,000	125,000	0	0.00%
Interest Income	95,000	50,000	(45,000)	-47.37%
Rentals/Organizations/Individuals/Gov't	34,000	34,000	0	0.00%
Rentals/BOCES	337,035	347,146	10,111	3.00%
Rentals/Old Jr. High	325,832	334,077	8,245	2.53%
Rentals/Public Library	1,038,313	1,044,625	6,312	0.61%
Sale of Materials	100	100	0	0.00%
Insurance Recoveries	2,000	2,000	0	0.00%
Medicaid Reimbursement - SSEHP Part D	150,000	150,000	0	0.00%
Fines & Forfeitures	4,000	4,000	0	0.00%
Refunds - BOCES/Prior Year/Other	10,000	10,000	0	0.00%
Misc Income	60,000	60,000	0	0.00%
Tuition - Other Districts/Staff	56,000	56,000	0	0.00%
Commissions	0	0	0	0.00%
<b>TOTAL OTHER INCOME</b>	<b>2,505,358</b>	<b>2,485,026</b>	<b>(20,332)</b>	<b>-0.81%</b>
<b>TOTAL OTHER INCOME/ STATE AID / MTA TAX</b>	<b>23,886,555</b>	<b>24,251,820</b>	<b>365,265</b>	<b>1.53%</b>
APPROP. FUND BALANCE	2,500,000	3,500,000	1,000,000	40.00%
APPROP. FUND BALANCE - Garfield Phase II	0	500,000	500,000	100.00%
APPROP. RESERVE FOR ERS	330,000	52,000	(278,000)	0.00%
APPROP. RESERVE FOR UNEMPLOYMENT	150,000	75,000	(75,000)	0.00%
APPROP. RESERVE FOR DEBT SERVICE	92,125	0	(92,125)	-100.00%
	<b>3,072,125</b>	<b>4,127,000</b>	<b>1,054,875</b>	
<b>PROPERTY TAXES*</b>	<b>54,820,720</b>	<b>56,915,767 *</b>	<b>2,095,047</b>	<b>3.82%</b>
<b>TOTAL REVENUE/BUDGET</b>	<b>81,779,400</b>	<b>85,294,587</b>	<b>3,515,187</b>	<b>4.30%</b>

	<b>2010/11</b>	<b>2011/12</b>	<b>Difference</b>	<b>Percent</b>
<b>Tax Rate Per \$100</b>	<b>17.320</b>	<b>17.981</b>	<b>0.662</b>	<b>3.82%</b>
<b>Home Assessed @ 40,000</b>	<b>6,928</b>	<b>7,193</b>	<b>265</b>	<b>3.82%</b>

\*Property Taxes also include revenue from STAR repayments.

SAYVILLE PUBLIC SCHOOLS  
2012-13 Property Tax Limit Worksheet

**Tax Levy Limit (Cap) Before Adjustments and Exclusions**

Prior Year Tax Levy: 54,820,720

Tax Base Growth Factor: X 1.00  $\leftarrow$  Actual data will not be available NYS Dept Tax & Finance until 2/15/12!

54,820,720

Prior Year PILOT Payments: + 0

Current Year PILOT Payments: - 0

54,820,720

} Sayville does not currently receive any PILOT Payments

Allowable Levy Growth Factor: 1.02  $\leftarrow$  Projected at 2%.

**Total Tax Levy Before Adjustments/Exclusions: 55,917,134**

**Exclusions:**

Tax levy necessary for expenditures arising out of tort orders/judgements over 5% FYE 2011 tax levy: 0

Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial or normal contributions rate in excess of 2 percentage points:

Employers Retirement System: + 51,876

Teachers Retirement System: + 149,486

Local portion of capital expenditures: 22222222

**TOTAL ADJUSTED TAX LEVY LIMIT: 56,118,496**

$\leftarrow$  The Office of the State Comptroller & State Ed are still trying to figure out the intent of the legislation for this specific exclusion category.

## Pension Exclusion Calculator

Salary Base for bill to be paid in 2012:\*

State and Local Employee Retirement System (ERS)

Police and Fire Retirement System (PFRS)

Teachers Retirement System (TRS)

Excludable Percentage:

State and Local Employee Retirement System (ERS)

Police and Fire Retirement System (PFRS)

Teachers Retirement System (TRS)

Pension Exclusion:

ERS

PFRS

TRS

	8,645,923
	30,507,334

Available from the Retirement System through a secure online application. For access to the Retirement System Employer Projection and Rates (EPR) Application, email RTEmpSer@osc.state.ny.us or call Beth Wicks at 518-474-9236 or Patricia Engel at 518-486-3921.  
 Fall 2012 TRS payments will be based on actual July 1, 2011 - June 30, 2012 salary base. The TRS system does not provide projections of this base.

	0.60%
	0.49%

See "System Avg Annual Contrib Rates" Tab for data.

	51,876
	-
	149,486

**\* NOTE to Calendar Year LGS:** Please use the salary base applicable to the bill you will pay in calendar 2012. If, like most entities, you will pay your 2012-13 bill in December 2012, use the salary base projections for SFY 2012-13, available in the online application mentioned above. If, like a few, you will be paying your 2011-12 pension bill in February 2012, you would use the SFY 2011-12 estimated salary base you received on your **August 2011 Estimated Bill**.