

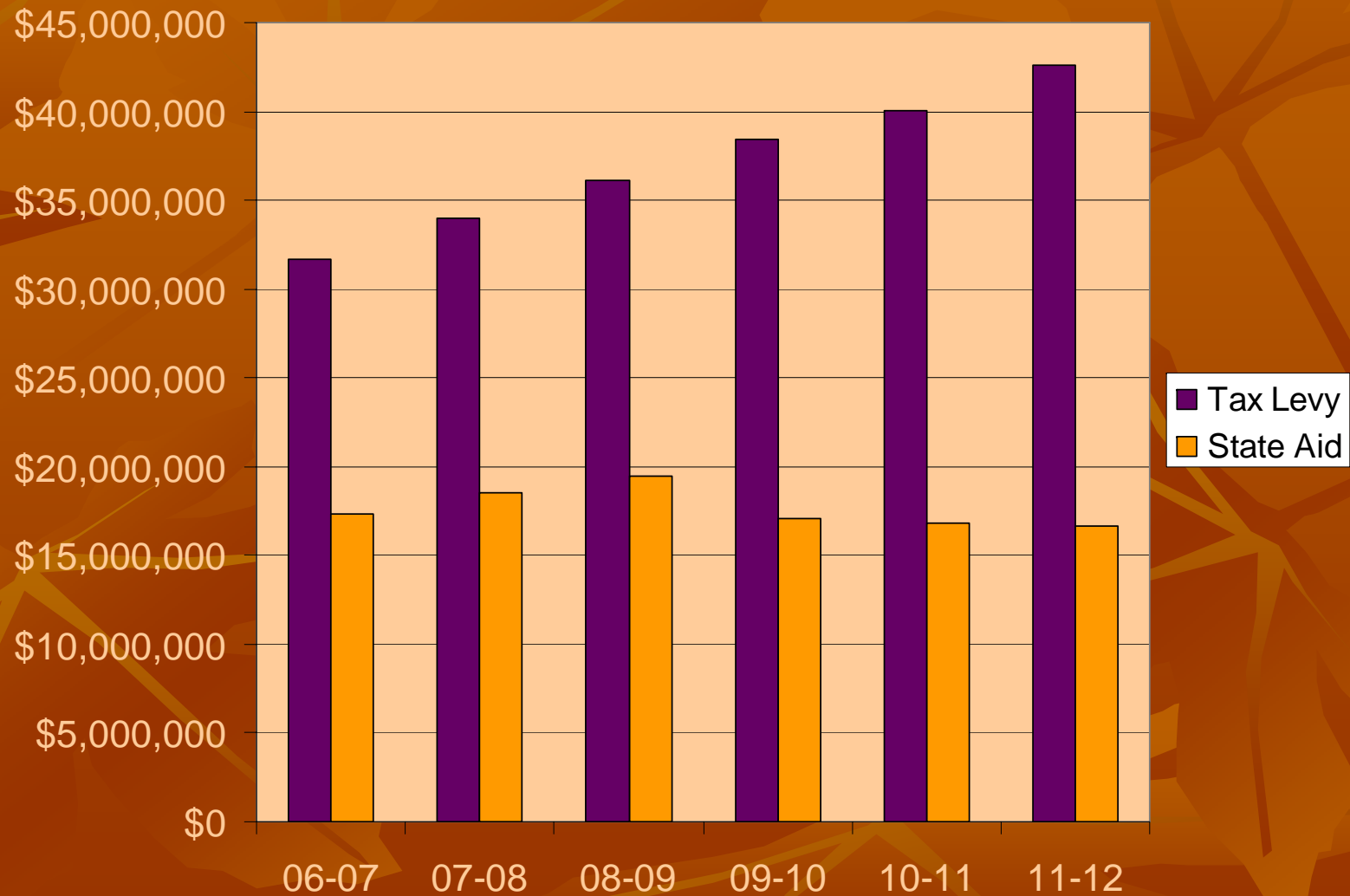
**REAL PROPERTY TAX
LEVY LIMIT
("TAX CAP" LAW)**

Implications for 2012 and Beyond

Tax Levy Limit (Cap) vs. Tax Rate

- *Tax Cap* on the levy refers to a year-to-year increase in the tax levy
- *Tax Rate* refers to the annual increase homeowners pay as determined by assessed values of homes, exemptions and total levy
- **A 2% LEVY LIMITATION DOES NOT MEAN THE TAX RATE INCREASE WILL BE 2%**
 - Assessed values and exemptions will determine the tax rate increase (these numbers are provided by the Assessor's Office and are not available until August)

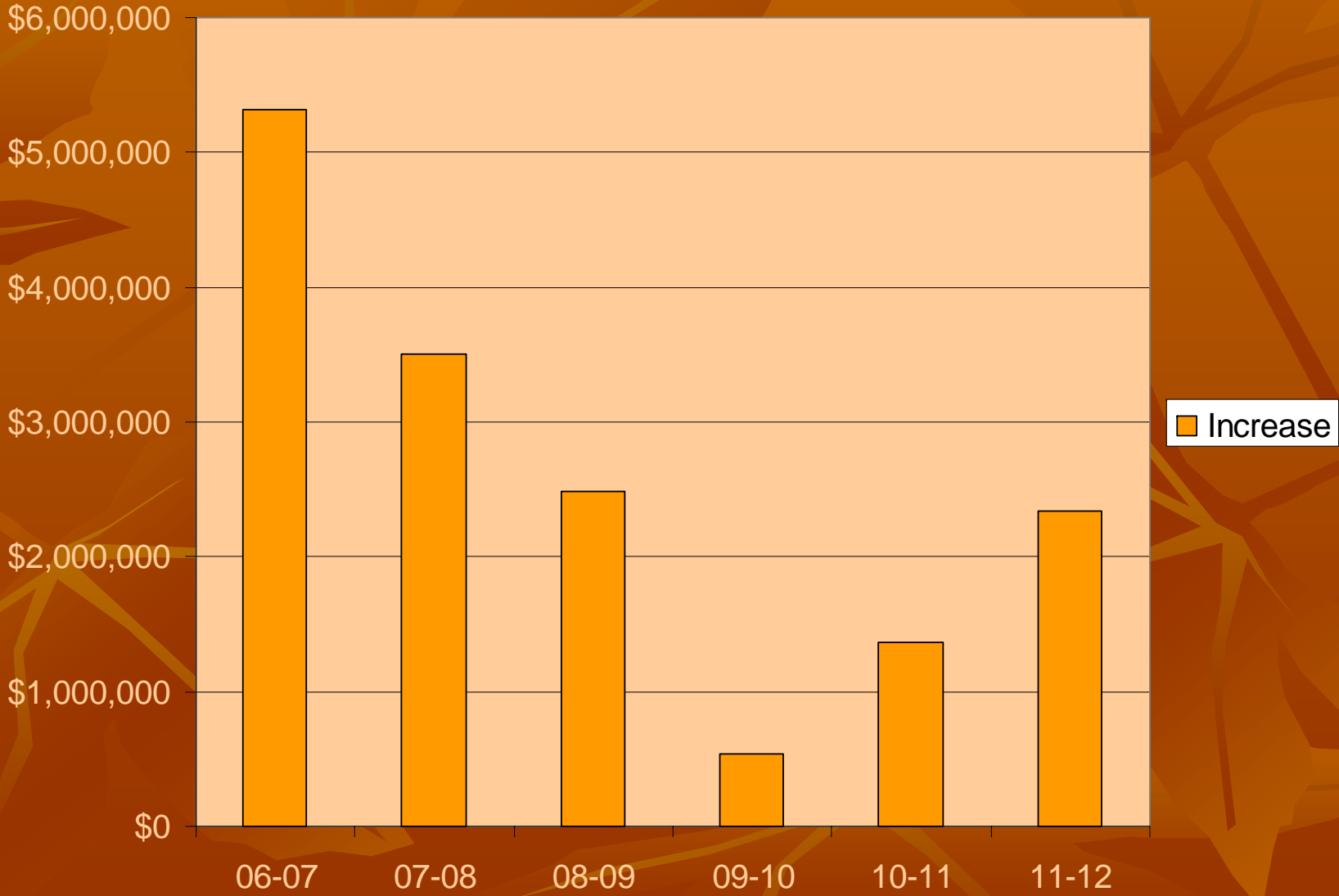
Property Tax Levy vs. State Aid



Reductions: Historical Perspective

- From 2007 to 2011
 - Increase in Salaries and Benefits of \$5.2 million
 - Increase in PPS/Special Education of \$2.8 million
 - Decrease in State Aid of \$1.9 million
 - Total of \$9.9 million
- In the same time period, the budget has increased by \$6.7 million, a net loss of \$3.2 million

Budget Increases: 2006-2011



Projections: 2012-13

- Expenditures
 - Salaries: \$933,740 (payroll increase)
 - Benefits (Pension, Health, Social Security, etc.): \$1.7 million
 - TOTAL: \$2.7 million
- Revenue
 - Projection of flat state aid \$16.6 million
 - Absence of Federal Aid (ARRA funds)
 - Cap on Tax Levy \$991,785
- Deficit: \$2.7 million minus \$991,785 = \$1.7 million

What does a Property Tax Levy Limit (Cap) Mean for Islip Schools?

- 2011-2012 tax levy (including STAR reimbursement) is approximately \$49,859,294 (73% of revenue)
- Levy cap at 2% would allow for a maximum increase of \$991,785 or a 2% budget increase
- Perspective – last budget increase was 3.53% or \$2,343,285
- With salary and benefit increases and no anticipated increase in state aid, the District will be faced with deficits between \$1.7 and \$2.7 million every year under the cap

Implications of a Property Tax Levy Limit (Cap)

- Property Tax Levy Limit (Cap) to take effect in 2012-13 and will remain in effect through at least 2016-17. It remains in effect only so long as regulation and control of residential rents and evictions (i.e., rent control) laws are in place.
- Sixty percent super majority by voters is required to override the cap (the District's passing rates for its last three budgets were 73%, 72%, and 73% respectively).
- Cap requires a simple majority.
- If the resubmitted/revised budget proposal is not approved by the required margin, the Board of Education must adopt a budget that requires a **tax levy no greater than that of the prior year (0% increase in the tax levy) and the budget would be subject to contingent budget requirements.**

Implications of a Property Tax Levy Limit Cap

- Deficits exacerbated by increases in uncontrollable costs, i.e., pension, health insurance, continued and new unfunded mandates.
- Over the course of four to five years the District could find it cannot meet its educational or fiduciary 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 employees. The question is whether such savings can keep pace with deficits.
- Lifting of unfunded mandates in time to save money – a promise by legislature, but unlikely.
- Disconnect among the public's understanding of a tax cap and its impact on services.
- Declines in state aid are greater than the allowable increases in the tax levy resulting in a further financial burden on the community.

Does the public still vote on a budget?

- **YES – at the School District Annual Meeting and Election (third Tuesday in May)**
- *If the proposed tax levy does not exceed the tax levy limit, more than 50% of the votes on the proposed budget must be in the affirmative.*
- *If the proposed tax levy exceeds the tax levy limit, 60% of the votes on the proposed budget must be in the affirmative.*
- In such a proposal, the ballot shall include the following substantially similar statement:

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