

# Three Village Schools 2012-13 Budget

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February 14, 2012

# Revenue

## Three basic types of revenue for schools

- Property taxes
- State aid
- Fund balance/reserves

For the 2011-12 year, we also had \$1.2 million in Federal Jobs Fund money. This program ends with the 2011-12 year, causing us to begin the 2012-13 budget process with a \$1.2 million revenue deficit.

# State Aid

- The Governor's proposal reduces our aid by \$853,000. This reduction causes the "cap" on our tax levy to increase.
- The final state aid amount will not be known until the NYS budget is completed. Even then, it is still an estimate of next year's aid.

# State Aid

State aid as % of budget:

2000-01	32%
2004-05	25%
2008-09	23%
2011-12	21%

State aid will be approximately 19% of the 2012-13 budget.

# Fund Balance/Reserves

Comes from budgeted funds that are unspent at the end of a school year.

- We currently utilize four reserve funds
  - Reserve for workers compensation
  - Reserve for unemployment insurance
  - Reserve for employee benefit accrued liability
  - Reserve for retirement contributions

# Fund Balance/Reserves

## Unreserved Fund Balance

- Appropriated
  - Amount that is being used as a revenue in the budget, thereby decreasing the tax levy.
- Unappropriated
  - Funds that are set aside for emergency use. Limited to 4% of the budget.

The terms “appropriated”, “applied” and “designated” all mean the same thing.

# Fund Balance/Reserves

- As of June 30, 2011, we had approximately \$18 million in reserves and fund balance.
- We are using \$6.3 million as revenue in the 2011-12 budget.
- We anticipate ending the 2011-12 year with an operating surplus of approximately \$2.5 million.
- This reduces our total fund balance (including reserves) by \$3.8 million. At this rate, we would exhaust all of our fund balance and reserves in five years. This should be considered when determining the amount of reserves and fund balance to be used.
- As of June 30, 2012, fund balance & reserves will decrease to approximately \$14.2 million.

# Property Taxes

- The difference between the budgeted expenditures and revenues (including state aid and fund balance) is the tax levy.
- Tax rates are set by the Towns of Brookhaven and Smithtown afterwards, once they determine the assessed values, and the NYS Office of Real Property Services establishes the equalization rate.

# Tax Levy Limit

- The legislation enacted by the NYS Legislature has been commonly referred to as the “two percent tax cap”.
  - It is not a cap
  - It is not two percent

# Tax Levy Limit

- The tax “cap” is actually a threshold, which determines the percentage of voter approval required for the budget to pass.
  - At or below the cap requires 50% +1
  - Above the cap requires 60%
- NYS Comptroller has developed the formula to determine the “cap”

# Tax Cap Formula for SY 2012-13

## Base Formula

$$\left[ \left( \begin{array}{l} \text{Prior} \\ \text{school} \\ \text{year} \\ \text{tax} \\ \text{levy} \end{array} \times \begin{array}{l} \text{Tax} \\ \text{base} \\ \text{growth} \\ \text{factor} \end{array} \right) + \begin{array}{l} \text{PILOTs} \\ \text{receivable in} \\ \text{the prior} \\ \text{school year} \end{array} - \begin{array}{l} \text{Capital tax} \\ \text{levy from} \\ \text{prior school} \\ \text{year} \end{array} \right] \times \begin{array}{l} \text{Allowable} \\ \text{levy} \\ \text{growth} \\ \text{factor} \end{array} - \begin{array}{l} \text{PILOTs} \\ \text{receivable in the} \\ \text{coming school} \\ \text{year} \end{array} = \begin{array}{l} \text{Tax Levy} \\ \text{Limit} \\ \text{Before} \\ \text{Exclusions} \end{array}$$

## + Exclusions

$$\begin{array}{l} \text{Tax Levy} \\ \text{Limit} \\ \text{Before} \\ \text{Exclusions} \end{array} + \begin{array}{l} \text{Tax levy necessary for} \\ \text{expenditures from} \\ \text{court} \\ \text{orders/judgments} \\ \text{arising out of tort} \\ \text{actions for any} \\ \text{amount in excess of} \\ \text{5\% of the total taxes} \\ \text{levied in the prior} \\ \text{school year} \end{array} + \begin{array}{l} \text{Capital tax} \\ \text{levy (to be} \\ \text{defined by} \\ \text{State} \\ \text{Education} \\ \text{Department)} \end{array} + \begin{array}{l} \text{Levy necessary to pay for} \\ \text{additional pension cost} \\ \text{due to increases in the} \\ \text{normal (TRS) or system} \\ \text{average actuarial (ERS)} \\ \text{contribution rate of} \\ \text{pension funds over 2} \\ \text{percentage points} \end{array} = \begin{array}{l} \text{Tax Levy Limit} \\ \text{With Exclusions} \\ \text{(If Applicable)*} \end{array}$$

\*If school districts propose to exceed this, they must get 60% voter approval for an override.

# Maximum Allowable Tax Levy

- The “cap” on our tax levy increase for 2012-13 is approximately 3%, due in large part to our reduction in state aid.

# Recap

- Federal Jobs Fund
  - We received \$600,000 in 2010-11 and \$1,200,000 in 2011-12. These funds cannot be used past 2011-12.
  - We begin the 2012-13 budget process with a \$1,200,000 revenue deficit.

# Recap

- State Aid
  - In Governor's proposal, we are seeing an \$853,000 reduction
  - Final NYS budget may increase aid, but we can't count on it until it is done

# Recap

- Fund Balance/Reserves
  - We are using \$6.3 million in 2011-12 budget.
  - We should give careful consideration in determining the amount that is to be used to balance the budget.

# Recap

- Property Taxes
  - The “cap” on our tax levy increase is approximately 3%
  - If the proposed budget carries a tax levy increase greater than that, 60% voter approval is required for budget to pass
  - If the proposed budget fails twice (whether above or below the cap), the tax levy cannot be increased at all!