

Raising the stakes for schools...

Today's contingent budgets

Since New York's tax levy "cap" law went into effect, public schools have been facing a new reality when it comes to contingent budgets. No longer is there a spending cap on contingent budgets. Instead, there is now a **0 percent cap on the tax levy increase**. In other words, a district that adopts a contingent budget would have to levy the same amount of taxes as in the current year or less—without any adjustments for state pension rate increases, contractual obligations or any other costs, mandated or not.

However, other aspects of the contingent budget rules have stayed the same. If voters defeat their school district budget in May, a district has two options: resubmit the same proposal or a revised one for a revote, or adopt a contingent budget. If residents vote down the budget a second time, the district **MUST** adopt a contingent budget.

Adopting a contingent budget prohibits a district from spending any money in certain areas, including community use of school facilities (unless all costs are reimbursed to the district); new equipment purchases; non-essential maintenance; capital expenditures (except in emergencies); salary increases for non-instructional, non-unionized employees; and certain field trips and student supplies. Contingency rules also cap the growth of the administrative component of the budget. These requirements existed prior to the tax levy cap and remain in effect.

Proposal above "tax levy limit" requires supermajority approval

The state's tax levy cap places restrictions on how school districts may increase their tax levies. It requires each district to calculate its own "tax levy limit," which determines the

maximum allowable tax levy (including permissible exclusions) that a school district can propose and need the approval of only a simple majority of voters (50 percent plus 1).

A district may, however, present voters with a budget proposal that carries a tax levy that exceeds its tax levy limit (plus exclusions). In such a case, budget passage requires approval by a supermajority of voters (60 percent or more). If a district fails to obtain a supermajority for a proposal that exceeds the tax levy limit, the same rules for a budget defeat, described above, apply.

Zero percent increase in contingency is the real "cap"

While districts still have a chance at a revote if a proposed budget fails on the first try, the "zero percent cap" on contingent budget tax levies raises the stakes for school leaders as they work to craft budget proposals that their communities will support.

In May 2014, only 23 out of 676 school districts throughout New York proposed to override their maximum allowable levy limit.

Of those districts, 14 were successful in obtaining a supermajority approval.

SOURCE: New York State Association of School Business Officials, Albany, NY 12207, June 2014, www.nysasbo.org

What is a tax levy?

The tax levy is the total amount of taxes a school district raises to help fund its budget, after accounting for all other revenue sources.

The tax levy is the basis for determining the tax rates for each municipality within a school district. Tax rates are also affected by changes in town assessments and state equalization rates.

