

An Update to the Property Tax Levy Limit and Multiyear Financial Planning as an Effective Strategy

Presented
by
Yvonne Martinez and Elizabeth Davis
LGSA Research



Office of the State Comptroller
Thomas P. DiNapoli

State & Local Government Accountability
Andrew A. SanFilippo
Executive Deputy Comptroller

Local Government & School Accountability
Steven J. Hancox
Deputy Comptroller

Plan for Today's Webinar

- Setting the Stage
 - Brief refresher (legislation, nuances)
- Lessons Learned: Year 1 Compliance Reviews
- Preview of Year 2 Changes
- Break
- Multiyear Financial Planning
- Questions and Answers



Levy Limit Refresher: Legislation

- Tax cap limits total levy set by local governments
 - **Not a limit on** assessed value, tax rate or tax bills
- 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, whichever is less, unless they officially override the tax levy limitation
- Override = local law (or resolution) passed with 60% approval of the local government's governing board prior to budget adoption



Levy Limit Refresher: Legislation

- If actual levy exceeds the levy limit, and no override was passed, the excess must be placed in a reserve

- This excess amount, plus any interest, must be used to offset the levy in next fiscal year



Levy Limit Refresher: Nuances

- It's not always 2%.....
- Exclusions and adjustments can drive variations
 - Net effect of PILOTs
 - Exclusions
 - Tax base growth factor
- Even if levy increases by 2%, the impact on individual tax bills varies
 - Mix of properties on tax rolls



Levy Limit Refresher: Year 1 Calculation

Prior Year Tax Levy
x Tax base growth factor (Tax & Finance)
+ PILOTs receivable prior fiscal year
x Allowable levy growth factor (lower of 2% or inflation)
- PILOTs receivable in coming fiscal year
+ Adjustments for transfer of function (as determined by OSC)
+ Exclusions (tort and pension)
= **Total allowable levy within tax levy limit**



Reporting Requirements

- Local governments must calculate tax levy limit and report the data elements to the State
 - Must use OSC's form to report
 - User IDs and PINs to access and submit forms are sent to every local government
- A local government must submit its report prior to budget adoption even if an override is enacted



Reporting Compliance (7/16/12)

Type	Total Entitles	Tax Levy Limits Submitted		Planning to Override	
		Number	Percent	Number	Percent
County	57	57	100%	12	21%
City	61	59	97%	12	20%
Town	932	867	93%	178	21%
Village	551	503	91%	184	37%
Fire District	874	812	93%	126	16%



Reported Levies and Limit Increases

Type	Average Levy Limit Increase	Average Proposed Levy Increase
County	3.3%	1.0%
City	3.3%	2.3%
Town	3.0%	10.3%
Village	3.0%	3.5%
Fire District*	2.5%	N/A

* Very Few Units Reported Proposed Levy



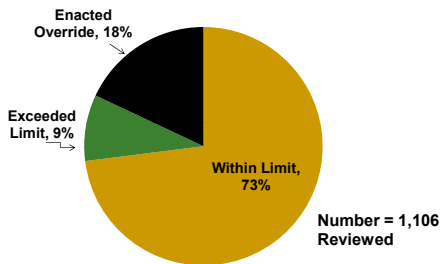
OSC Compliance Reviews:

To minimize impact on taxpayers and local budgets, OSC conducted statewide reviews of 1,106 local governments and school districts:

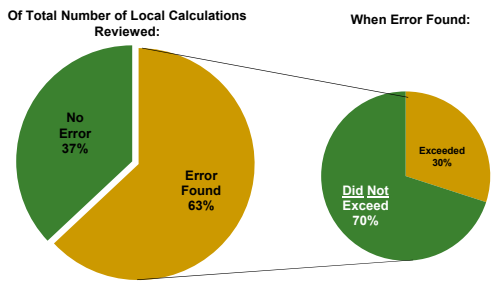
- 498 towns (of 932)
- 280 fire districts (of 874)
- 107 school districts (of 697)
- 13 counties (of 57)
- 19 cities (of 61)
- 189 villages (of 551)



OSC Compliance Reviews - Findings



OSC Compliance Review – Error Rate



Common Errors and How to Avoid Making Them

- Prior year / coming year property tax levy (What's in there?)
- Tax base growth factor
- Exclusion for pension contribution
- PILOTs receivable



Levy Errors – Special Districts

- A special district levy is separately subject to the levy limit only if the district has separate independent elected or appointed board **and** can levy a tax or require a municipality to levy a tax on its behalf
- All other special district levies must be included within the municipal levy limit



Levy Errors – Special Districts (cont'd)

Counties and municipalities often misclassified which special districts had to report separately:

- Leaving out levies for “dependent” districts, such as most water, sewer, and lighting districts
- Leaving in levies for fire districts and “independent” special districts, such as libraries with voter-approved levies (so-called “414 resolutions”)
- Some towns included the levy for county-run special districts



Levy Errors – Special Assessments vs. User Charges and Fees

- Services such as water, sewer, and refuse collection may be funded through:
 - Special assessments: based on benefit to property and *subject to the levy limit*
 - Special ad valorem levies: Based on value of property and *subject to the levy limit*
 - User fees (contractual charges): generally based on consumption and **not subject to the levy limit**
- Be careful in determining how you classify such charges.
 - Have your attorney contact OSC's Legal Division if you have difficulty making the distinction



Levy Errors: Charge Backs

- Counties often provide services which they charge back to municipalities
 - They can bill municipalities for those services
 - They can choose to add the amount of the charge to *the county's* levy within that municipality
 - Some counties incorrectly add the billed amount to the *town* levy instead
- There can be variability from year to year and from place to place within a county



Levy Errors – Charge Backs (cont'd)

The charge back follows the levy limit of the local government that causes the tax to be imposed:

- County **bills** *municipality* which raises taxes to pay it: charge is subject to the *municipal tax levy limit*
- County **levies** for charge within that municipality under county's taxing authority: charge is subject to the *county tax levy limit*
 - Even where county inaccurately adds amount to municipal levy, the charge is subject to the *county tax levy limit*



Levy Errors – Sales Tax Offset

- In certain cases, a town's allocation of sales tax is used to offset county taxes levied upon real property within the town (e.g., where a town does not elect to be paid directly)
- Where all or a portion of a town's sales tax allocation is applied to reduce county taxes, such amount should not be included in the county's levy



Levy Errors – Omitted Taxes

- "Omitted Taxes" refers generally to parcels wholly omitted from the assessment roll or tax roll, or taxable real property entered on the roll as wholly exempt
- Omitted real property is added to the assessment roll of the current year and must be taxed at the tax rate for the preceding year



Levy Errors – Omitted Taxes (cont'd)

- The amount of taxes to be levied against omitted property must be deducted from the aggregate amount of taxes to be levied for the current year
- The total amount of taxes to be levied, including omitted taxes:
 - Must not exceed the amount required by the budget; and
 - Is subject to the tax levy limit



Tax Base Growth Factor Errors

- Known Issues
 - Computed by Tax and Finance; lagged
 - Not supplied for every special district, fire district or library serving multiple jurisdictions
 - Cannot submit form if left blank or less than 1.000
- Errors Identified
 - Self-computed numbers
 - Wrong number selected from T&F list
 - Often left as 1.000 when didn't need to be



Pension Exclusion Errors

- Not following guidance - making up calculation
- Using wrong projected salary base
 - Wrong source (old estimates, own calculations)
 - County sheriff in PFRS instead of ERS
- Using wrong exclusion percentage
 - Using higher 2011-12 exclusion if December payer
 - This is only an issue for calendar year local governments



Reminder: Use EPR Online Salary Base

Employer Name
99999 ERS - 2013 Projection

Use the salary base in the column marked "Projected Salaries"

Line	Plan ID	Options	Salary Estimates 04/01/2013-03/31/2013	Projection Factor	Projected Salaries 04/01/2013-03/31/2013**	2013 Plan Rate % Plan Options	Regular Pensions Contribution	UTL	
1	701	413	\$320,830	x 0.82	\$263,081	23.4%	\$65,771	\$1,932	
2	701	413	\$309,513	x 0.92	\$284,752	23.2%	\$64,924	\$1,130	
3	A14	411	\$1,115,394	x 0.07	\$1,001,932	18.0%	\$186,011	\$4,328	
4	A15	412	\$10,939,903	x 0.99	\$10,830,603	18.6%	\$1,998,370	\$4,722	
5	A15	413	\$327,001	x 1.45	\$474,151	15.1%	\$69,720	\$1,897	
Sub Totals:								\$2,295,696	\$30,128

*** 2011 Actual Salaries Double entered
Estimate of 2013 Regular Pension Contribution, Including GTL: **\$2,345,834**

	Due February 1, 2013 Payments	divide By Factor	Pre Pay December 15, 2012 Payments
on Payment:	\$68,362		\$67,946
on Payment:	\$16,327		\$16,228
2011 Ch. 57, Laws of 2010 Amortization Payment	\$20,531		\$20,406
Total Adjustments	\$105,220	1.006117 =	\$104,580

Calendar year units that usually pay in February. May use the salary base in the column marked "Salary Estimates"

PILOT Errors

- Working definition: estimated expected collections. Should match budget, but:
 - Budget estimates often poor
 - Amounts for tax cap form should be defensible, tying back to PILOT agreements / schedules
- Be careful: changes can easily affect the limit
- Municipalities need to work closely with county to get more / accurate data



What Errors Put Local Governments Over the Limit?

1. Not calculating the limit
2. Miscalculating the pension exclusion
3. Including / not including proper elements in levy



Future Implications

- Cost shifting between municipalities
 - Counties converting to billing vs. levying for charge backs
- Changing financing methods for services
 - Municipalities moving from benefit assessments to user fees



Formula Changes for Next Year

- Treatment of exclusions
 - Must subtract any 2012 tort exclusion from 2012 base levy
 - No similar adjustment for pension exclusion
- Available carryover
 - If levy for prior fiscal year was below limit, can carryover up to 1.5% of prior fiscal year tax levy limit into coming fiscal year
 - Cannot carryover unused exclusions
- Offset for prior year overage in reserve



Calculation for FYs Beginning in 2013

- Prior fiscal year levy
- Reserve amount (including interest earned)
 - x Tax base growth factor (Tax & Finance)
 - + PILOTs receivable, prior fiscal year (2012-13)
 - Tort exclusion amount prior fiscal year (2012-13)
 - x Allowable levy growth factor (lower of 2% or inflation)
 - PILOTs receivable, coming fiscal year (2013-14)
 - + Available carryover
 - + Adjustments for transfer of function (as determined by OSC)
 - + Exclusions (tort and pension)
- = Total allowable levy within the tax levy limit
-



Resources: OSC's Home Page...



Tax Cap Year 2: Outreach

- New additions to our FAQs
 - Reserve/carryover (in addition to accounting bulletin)
 - More to come
- Webinar series
- Local government association workshop events
- Ongoing website improvements
- Online form



Levy Limit Resources and Contact Information

- OSC Property Tax Website:
www.osc.state.ny.us/localgov/realprop/index.htm
- OSC Property Tax Hotline:
(518) 473-0006
Email: LGSAMonitoring@osc.state.ny.us
- Retirement System (Salary Projection Data)
Email: RTEmpSer@osc.state.ny.us
- Department of Taxation and Finance
www.tax.ny.gov/research/property/cap.htm



Multiyear Financial Planning as a Strategy for Living Within the Tax Cap



Goals for This Segment

- Define multiyear financial planning
- Show how planning can help your local government
- Leave you ready to complete your own plan
 - Review elements of a good plan
 - Show where you can get information and data
 - Fill out a sample plan



What is a Multiyear Financial Plan?

- At its most basic, a multiyear financial plan:
 - Projects revenues and expenditures several years out based on current policy
 - Calculates the "bottom line": required property tax increases or resulting budget deficits
- Slightly more sophisticated plans project:
 - Multiple scenarios based on costs and savings from policy adjustments
 - Specific gap-closing actions, if necessary



How Can Planning Help?

- Focusing on the long term helps preserve fiscal stability
 - Discourages one-shots
 - Helps avoid sudden tax increases or service cuts
- Improves communication with governing boards and taxpayers about difficult decisions (aka tax cap)
 - How can we prioritize cuts to minimize service disruption?
 - Do we want/need to override?



A Good Plan is:

- Comprehensive
 - Includes all major operating funds
 - Shows the "bottom line" (surplus/deficit, reserves and fund balances)
 - Depicts history as well as projections
- Realistic
 - Assumptions reflect actual expectations
- Living
 - Generates discussion
 - Updated regularly



Types of Plans

- Line item
 - Follows annual budget line items
 - Labor intensive, but gives insight into particular spending programs
- Aggregated
 - Looks at the "big picture":
 - Breaks out major sources of revenue
 - Aggregates expenditures by object or function
 - Uses existing OSC template
 - Updated as needed



Office of the State **COMPTROLLER** New York State Comptroller Thomas P. DiNapoli

Our Office Resources About Us

Select "Local Government and School Accountability" from drop down list.

Real Property Tax Cap

Local Governments, School Districts and other taxing entities can find information here as they begin to develop their budgets under the new tax cap.

Learn more

Quick Links

- Real Property Tax Cap Information
- Search for Lost Money
- Find Retirement System Info
- See Where Your Tax Dollars Go
- State & Local Government Audits
- Protect Your Money

News from the Comptroller

Forensic Audit Reveals Metro-North Employees Were No Shows
Metro-North Railroad employees that were supposed to monitor train conditions and crew performance were not on the job when they were scheduled to work and performed poorly when they were, according to an audit released by New York State Comptroller Thomas P. DiNapoli.

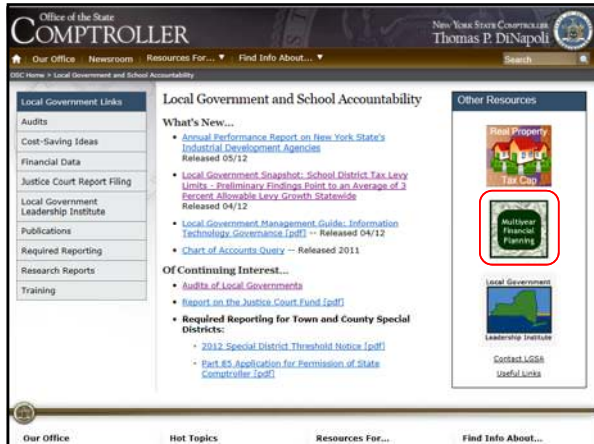
DiNapoli: State Agencies' Late Approvals of Contracts with Not-For-Profits Rose to 80 Percent Last Year
State agencies were late more than 80 percent of the time in approving contracts subject to the Prompt Contracting Law with not-for-profit (NFP) providers last year, according to a report released by State Comptroller Thomas P. DiNapoli.

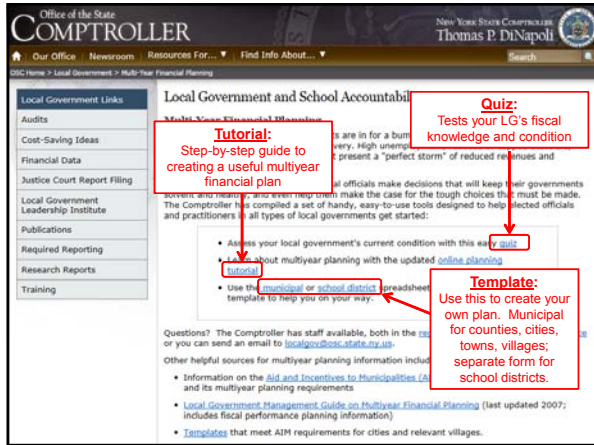
DiNapoli: Leadership Event to Assist Local Governments
New York State Comptroller Thomas P. DiNapoli's Local Government Leadership Institute brought together officials from all levels of local government to discuss key regional issues and examine potential solutions to the current challenges in government.

Featured Video

This Public Pension System Works
Comptroller DiNapoli sets the record straight about New York's pension system, making it clear that all public pension systems are not equal.

This Public Pension System Works





Let's Get Started...

15 Minute Break
(Please Send Us Your Questions)



Q & A Segment



Thank You



Division of Local Government and
School Accountability
localtraining@osc.state.ny.us