



@ricktimbs
@SSFC_NYS



The Tax Cap- Issues and Implications
Superintendent Development Program
Mid-State Team

Dr. Rick Timbs

President / CEO

R. G. Timbs, Inc.

February 26, 2020

A Real Example of a Tax Cap History and How the Tax Cap Works

Tax Cap Calculation		Tax Cap Calculation		Tax Cap Calculation	
Tax Cap Calculation		Tax Cap Calculation		Tax Cap Calculation	
Tax Cap Calculation		Tax Cap Calculation		Tax Cap Calculation	
Tax Cap Calculation		Tax Cap Calculation		Tax Cap Calculation	
Tax Cap Calculation		Tax Cap Calculation		Tax Cap Calculation	
<u>2013-2014</u>		<u>2014-2015</u>		<u>2015-2016</u>	
x Tax Levy - 2012-13	\$34,275,247	Tax Levy - 2013-14	\$34,496,322	Tax Levy - 2014-15	\$35,013,765
x Tax Base Growth Factor	1.0027	x Tax Base Growth Factor	1.0030	x Tax Base Growth Factor	1.0026
+ F Net	\$34,367,790	+ F Net	\$34,599,811	+ F Net	\$35,104,801
- C + PILOTs 2012-13-Actual	\$40,198	+ PILOTs 2013-14-Actual	\$41,567	+ PILOTs 2014-15-Actual	\$41,374
- Capital Levy 2012-13	-\$766,572	- Capital Levy 2013-14	-\$715,472	- Capital Levy 2014-15	-\$649,230
All Net	33,641,416	All Net	33,925,906	All Net	34,496,945
Allow. Growth Factor (CPI)	1.020000	Allow. Growth Factor (CPI)	1.014600	Allow. Growth Factor (CPI)	1.016200
- E	\$34,314,244	- E	\$34,421,224	- E	\$35,055,795
- Est. PILOTs 2013-14	-\$41,567	- Est. PILOTs 2014-15	-\$41,374	- Est. PILOTs 2015-16	-\$21,725
+ C Levy Before Adjustments	\$34,272,677	+ C Levy Before Adjustments	\$34,379,850	+ C Levy Before Adjustments	\$35,034,070
+ Capital Levy 2013-14+TRS	\$1,212,879	+ Capital Levy 2014-15	\$649,230	+ Capital Levy 2015-16	\$608,780
Levy Limit 2013-14	\$35,485,556	Levy Limit 2014-15	\$35,029,080	Levy Limit 2015-16	\$35,642,850
Change	3.5311%	Change	1.5444%	Change	1.7967%
Potential Yield In Levy	\$1,210,309	Potential Yield In Levy	\$532,758	Potential Yield In Levy	\$629,085
Actual Levy	\$34,496,322	Actual Levy	\$35,013,765	Actual Levy	\$35,640,511
Actual % Increase	0.6450%	Actual % Increase	1.5000%	Actual % Increase	1.7900%
Tax Cap Official Form	\$34,496,322	Tax Cap Official Form	\$35,013,765	Tax Cap Official Form	\$35,640,511
Difference	\$989,234	Difference	\$15,315	Difference	\$2,339
Left On the Table	(\$989,234)	Left On the Table	(\$15,315)	Left On the Table	(\$2,339)
Compounded Loss	(\$989,234)	Compounded Loss	(\$1,004,550)	Compounded Loss	(\$1,006,889)



Tax Cap Calculation 2013-2014		Tax Cap Calculation 2014-2015		Tax Cap Calculation 2015-2016		Tax Cap Calculation - Estimate 2016-2017		Tax Cap Calculation - Estimate 2017-2018	
Tax Levy - 2012-13	\$34,275,247	Tax Levy - 2013-14	\$34,496,322	Tax Levy - 2014-15	\$35,013,765	Tax Levy - 2015-16	\$35,640,511	Tax Levy - 2016-17	\$35,640,511
x Tax Base Growth Factor	1.0027	x Tax Base Growth Factor	1.0030	x Tax Base Growth Factor	1.0026	x Tax Base Growth Factor	1.0073	x Tax Base Growth Factor	1.0090
Net	\$34,367,790	Net	\$34,599,811	Net	\$35,104,801	Net	\$35,900,687	Net	\$35,961,276
+ PILOTs 2012-13-Actual	\$40,198	+ PILOTs 2013-14-Actual	\$41,567	+ PILOTs 2014-15-Actual	\$41,374	+ PILOTs 2015-16-Actual	\$21,725	+ PILOTs 2016-17	\$15,150
- Capital Levy 2012-13	-\$766,572	- Capital Levy 2013-14	-\$715,472	- Capital Levy 2014-15	-\$649,230	- Capital Levy 2015-16	-\$608,780	- Capital Levy 2016-17	-\$596,682
Net	\$33,641,416	Net	\$33,925,906	Net	\$34,496,945	Net	\$35,313,632	Net	\$35,379,744
Allow. Growth Factor (CPI)	1.020000	Allow. Growth Factor (CPI)	1.014600	Allow. Growth Factor (CPI)	1.016200	Allow. Growth Factor (CPI)	1.001200	Allow. Growth Factor (CPI)	1.012600
	\$34,314,244		\$34,421,224		\$35,055,795		\$35,356,008		\$35,825,528
- Est. PILOTs 2013-14	-\$41,567	- Est. PILOTs 2014-15	-\$41,374	- Est. PILOTs 2015-16	-\$21,725	- Est. PILOTs 2016-17	-\$15,150	- Est. PILOTs 2017-18	\$0
Levy Before Adjustments	\$34,272,677	Levy Before Adjustments	\$34,379,850	Levy Before Adjustments	\$35,034,070	Levy Before Adjustments	\$35,340,858	Levy Before Adjustments	\$35,825,528
+ Capital Levy 2013-14+TRS	\$1,212,879	+ Capital Levy 2014-15	\$649,230	+ Capital Levy 2015-16	\$608,780	+ Capital Levy 2016-17	\$596,682	+ Capital Levy 2017-18	\$776,640
Levy Limit 2013-14	\$35,485,556	Levy Limit 2014-15	\$35,029,080	Levy Limit 2015-16	\$35,642,850	Levy Limit 2016-17	\$35,937,540	Levy Limit 2017-18	\$36,602,168
Change	3.5311%	Change	1.5444%	Change	1.7967%	Change	0.8334%	Change	2.6982%
Potential Yield In Levy	\$1,210,309	Potential Yield In Levy	\$532,758	Potential Yield In Levy	\$629,085	Potential Yield In Levy	\$297,029	Potential Yield In Levy	\$961,657
Actual Levy	\$34,496,322	Actual Levy	\$35,013,765	Actual Levy	\$35,640,511	Actual Levy	\$35,640,511	Actual Levy	\$35,158,236
Actual % Increase	0.6450%	Actual % Increase	1.5000%	Actual % Increase	1.7900%	Actual % Increase	0.0000%	Actual % Increase	-1.3532%
Tax Cap Official Form	\$34,496,322	Tax Cap Official Form	\$35,013,765	Tax Cap Official Form	\$35,640,511	Tax Cap Official Form	\$35,640,511	Tax Cap Official Form	\$35,158,236
Difference	\$989,234	Difference	\$15,315	Difference	\$2,339	Difference	\$297,029	Difference	\$1,443,932
Left On the Table	(\$989,234)	Left On the Table	(\$15,315)	Left On the Table	(\$2,339)	Left On the Table	(\$297,029)	Left On the Table	(\$1,443,932)
Compounded Loss	(\$989,234)	Compounded Loss	(\$1,004,550)	Compounded Loss	(\$1,006,889)	Compounded Loss	(\$1,303,918)	Compounded Loss	(\$2,747,850)

What appears to happen when the *Entire Amount within the Tax Cap* is NOT Collected?

Tax Cap Calculation - Estimate 2018-2019	
Tax Levy - 2017-18	\$35,158,236
x Tax Base Growth Factor	1.0108
Net	\$35,537,945
+ PILOTs 2017-18	\$0
- Capital Levy 2017-18	-\$776,640
Net	\$34,761,305
Allow. Growth Factor (CPI)	1.020000
	\$35,456,531
- Est. PILOTs 2018-19	\$0
Levy Before Adjustments	\$35,456,531
+ Capital Levy 2018-19	\$540,898
Levy Limit 2018-19	\$35,997,429
Change	2.3869%
Potential Yield In Levy	\$839,193
Actual Levy	\$35,791,084
Actual % Increase	1.8000%
Tax Cap Official Form	\$35,791,084
Difference	\$206,345
Left On the Table	(\$206,345)
Compounded Loss	(\$2,954,195)

Tax Cap Calculation - Estimate 2019-2020	
Tax Levy - 2018-19	\$35,791,084
x Tax Base Growth Factor	1.0128
Net	\$36,249,210
+ PILOTs 2018-19	\$0
- Capital Levy 2018-19	-\$540,898
Net	\$35,708,313
Allow. Growth Factor (CPI)	1.020000
	\$36,422,479
- Est. PILOTs 2019-20	\$0
Levy Before Adjustments	\$36,422,479
+ Capital Levy 2019-20	\$596,118
Levy Limit 2019-20	\$37,018,597
Change	3.4297%
Potential Yield In Levy	\$1,227,513
Actual Levy	\$36,768,479
Actual % Increase	2.7308%
Tax Cap Official Form	\$36,768,479
Difference	\$250,118
Left On the Table	(\$250,118)
Compounded Loss	(\$3,204,314)



Tax Cap Calculation 2013-2014	Tax Cap Calculation 2014-2015	Tax Cap Calculation 2015-2016	Tax Cap Calculation - Estimate 2016-2017	Tax Cap Calculation - Estimate 2017-2018	Tax Cap Calculation - Estimate 2018-2019
Left On the Table (\$989,234)	Left On the Table (\$15,315)	Left On the Table (\$2,339)	Left On the Table (\$297,029)	Left On the Table (\$1,443,932)	Left On the Table (\$206,344)
Compounded Loss (\$989,234)	Compounded Loss (\$1,004,550)	Compounded Loss (\$1,006,889)	Compounded Loss (\$1,303,918)	Compounded Loss (\$2,747,850)	Compounded Loss (\$2,954,194)
Non Compounded Only Difference	Non-Compounded Only Difference	Non-Compounded Only Difference	Non-Compounded Only Difference	Non-Compounded Only Difference	Non-Compounded Only Difference
Annual Loss from 2013-14 (989,234)	Annual Loss from 2013-14 (989,234)	Annual Loss from 2013-14 (989,234)	Annual Loss from 2013-14 (989,234)	Annual Loss from 2013-14 (989,234)	Annual Loss from 2013-14 (989,234)
Annual Loss from 2014-15	Annual Loss from 2014-15 (15,315)	Annual Loss from 2014-15 (15,315)	Annual Loss from 2014-15 (15,315)	Annual Loss from 2014-15 (15,315)	Annual Loss from 2014-15 (15,315)
Annual Loss from 2015-16	Annual Loss from 2015-16	Annual Loss from 2015-16 (2,339)	Annual Loss from 2015-16 (2,339)	Annual Loss from 2015-16 (2,339)	Annual Loss from 2015-16 (2,339)
Annual Loss from 2016-17	Annual Loss from 2016-17	Annual Loss from 2016-17	Annual Loss from 2016-17 (297,029)	Annual Loss from 2016-17 (297,029)	Annual Loss from 2016-17 (297,029)
Annual Loss from 2017-18	Annual Loss from 2017-18	Annual Loss from 2017-18	Annual Loss from 2017-18	Annual Loss from 2017-18 (1,443,932)	Annual Loss from 2017-18 (1,443,932)
Annual Lost from 2018-19	Annual Lost from 2018-19	Annual Lost from 2018-19	Annual Lost from 2018-19	Annual Lost from 2018-19	Annual Lost from 2018-19 (206,344)
Total (989,234)	Total (1,004,550)	Total (1,006,889)	Total (1,303,918)	Total (2,747,850)	Total (2,954,194)

Tax Cap Calculation - Estimate 2019-2020	
Tax Levy - 2018-19	\$35,791,084
x Tax Base Growth Factor	1.0128
Net	\$36,249,210
+ PILOTs 2018-19	\$0
- Capital Levy 2018-19	-\$540,897
Net	35,708,314
Allow. Growth Factor (CPI)-Est.	1.020000
	\$36,422,480
- Est. PILOTs 2019-20	\$0
Levy Before Adjustments	\$36,422,480
+ Capital Levy 2019-20	\$596,118
Levy Limit 2019-20	\$37,018,598
Change	3.4297%
Potential Yield In Levy	\$1,227,514
Actual Levy	\$36,768,479
Actual % Increase	2.7308%
Tax Cap Official Form	\$36,768,479
Difference	\$250,119
Left On the Table	(\$250,119)
Compounded Loss	(\$3,204,314)

Non-Compounded Only Difference	
Annual Loss from 2013-14	(989,234)
Annual Loss from 2014-15	(15,315)
Annual Loss from 2015-16	(2,339)
Annual Loss from 2016-17	(297,029)
Annual Loss from 2017-18	(1,443,932)
Annual Lost from 2018-19	(206,344)
Annual Lost from 2019-20	(250,119)
Total	(3,204,314)
Non-Compounded Only Difference	
Grand Total	(13,210,950)

Non-Compounded Only Difference	
Grand Total	(10,006,636)

What Really happens
when the *Entire Amount*
within the Tax Cap
is NOT Collected?

Use of Debt Service Fund

Debt Service Fund	\$1,005,114	\$755,114	\$505,114	\$255,114	\$5,114	\$0											
		-\$250,000	-\$250,000	-\$250,000	-\$250,000	-\$5,114											
		June 2019	June 2020	June 2021	June 2022	June 2023	June 2024	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031	June 2032	June 2033	
		\$937,114	\$869,114	\$801,114	\$733,114	\$665,114	\$597,114	\$529,114	\$461,114	\$393,114	\$325,114	\$257,114	\$189,114	\$121,114	\$53,114	\$0	
		-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$68,000	-\$53,114

Related Financial Issues – Long Term Preparation is the Key to Success Politics and Economics Converge

Generally the cost per student will continue to increase

- Increased budgets coupled with decreased student enrollment

Long-range budgets will find pensions, health insurance & employment contracts more costly

- Taylor law issues, right sizing issues and statewide cost trends

The Tax Cap will become more problematic

- Tax Base Growth in the region is practically nil.
- Inflation of over 2% will limit a portion of the tax cap calculation to 2%
- Inflation of over 2% will result in increased pressure on budgets (costs)

The use of fund balances/reserves to balance the budget will increase

- Some reserves are more “liquid” than others.
- Some reserves have very restricted uses

Related Financial Issues

Long Term Preparation is the Key to Success

The amount of unspent appropriations and revenues will tighten

- Revenue and expenditure projections will leave little room for unforeseen circumstances
- The ability to expand reserves or cash fund balances will be more difficult

The struggle for increased academic achievement will have financial allocation competition

- Mental health services, special education, labor competition, cost of labor and equipment cause reallocation of funds- result -economies of scale issues, efficiency considerations

Political Isolation- The political realities of NYS Politics

- Majority Party control of Legislative Houses
- The Need to “work across the aisle”

Questions?