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Breaking down the tax levy cap law: key points

Although the new law is constantly referred to as a “2 percent tax cap,” it does not in fact restrict any proposed tax levy increase to two percent.

New voter authorizations required because of “tax cap” legislation Understanding New York’s tax levy cap law

In June, the New York State Legislature passed a property tax levy cap that will take effect this coming budget season and affect district planning for the 2012-13 school year.

“Confusion abounds and we want to be sure that our residents understand how the new law will affect them and their schools,” said Daniel Connor, superintendent.

For instance, although the new law is constantly referred to as a “2 percent tax cap,” it does not in fact restrict any proposed tax levy increase to two percent.

The law does, however, require at least 60 percent voter approval for a school budget if a portion of the proposed levy increase exceeds a certain amount. That amount, called the “tax levy limit,” will be based on a formula outlined in the law and will vary by district. (See page 3)

WHAT’S THE DIFFERENCE BETWEEN “TAX LEVY LIMIT” AND “MAXIMUM ALLOWABLE LEVY?”

To understand the “tax levy limit,” you must first understand a tax levy. A tax levy is the total amount of property taxes a school must collect to balance its budget, after accounting for all other revenue sources including state aid.

The “tax levy limit” is an important part of the new property tax cap legislation. The “tax levy limit” is the highest allowable tax levy – before exemptions – that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (more than 50 percent) is required. Any amount proposed above this limit will require budget approval by a super majority (60 percent or more) of voters.

Essentially, the “tax levy limit” sets a threshold

requiring districts to obtain a higher level of community support for a proposed tax levy above a certain amount.

So what is the “maximum allowable levy?” The new legislation does not place a limit on any taxes a school district would levy to pay for expenditures related to specific “exempt” items, including some court orders, some pension costs and local capital expenditures. These items are then added to the “tax levy limit” to arrive at the maximum allowable levy.

Simply put, the “tax levy limit” + coming school year exemptions = “maximum allowable levy.”

Here’s another way to look at it:

Tax Levy Limit – A calculated tax levy amount (according to a state formula) that sets the threshold needed for 60 percent voter approval. Despite its name, it does not set a limit on the tax levy that a school district can propose.

Maximum Allowable Levy – The final dollar figure created by adding a district’s applicable exemptions to its “tax levy limit” is known as the “maximum allowable tax levy.” As a result, a district may actually propose a budget with a tax levy that is higher than its “tax levy limit” and still be within its “cap” under the law.

THE TAX CAP – AN EIGHT-PART FORMULA

Though much-publicized, the “lesser of 2 percent or the rate of inflation (CPI)” is only one

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► Kurtis Kotes appointed principal of Goshen High School

On December 12, Kurtis Kotes began his first day as principal of Goshen High School. Kotes is replacing longtime principal Robert Litz, who retired in June and had served as principal since 1995. Interim Principal James Polunci served as the school's leader while the district searched for a permanent principal for the high school.

Kotes received a Bachelor of Arts in Government and History from SUNY Albany, followed by a Masters in Secondary Education from Mount Saint Mary College. He then received administrative certification from the Massachusetts College of Liberal Arts.

However, teaching wasn't Kotes' first choice in careers – although it only took him a short time to figure out his true calling.

"I always knew that I wanted the opportunity to serve in education," said Kotes. "I worked in the state assembly for a year, and it was there that I realized my true desire to be in the classroom, working with students one-on-one."

Kotes began his educational career as a social studies teacher at Arlington High School and then became assistant principal of Cornwall High School – a position he held since October 2006.

Kotes acted as the building-wide testing coordinator, where he worked to ensure data accuracy. He also co-chaired a committee to review and revise Cornwall's district-wide Academic Intervention Services plan to meet state standards and also helped oversee curriculum, instruction and planning sessions held regularly by school faculty.

"When I first began my administration certification, my eyes opened to the fact that as an administrator, you have the opportunity to help shape curriculum," said Kotes. "It's very exciting. My goal is to give our students the best opportunities in order to allow them to showcase their success."

"During my interview process for Goshen High School, I learned that the district is strong in all areas. My plan is to use my experiences to make it even better," he added. "As I begin my term as principal, I'd like to see how the building functions and improve on it as a whole." ■



Five things to know about Kurtis Kotes, principal of Goshen High School

1. In high school, his favorite subject was social studies.
2. His favorite food? He's a steak man – medium rare, please!
3. In his spare time, he enjoys competing on the golf course with his wife, who is a golf professional.
4. He's a sports fan – his favorite teams are the Cincinnati Reds and the Miami Dolphins.
5. When he was a student, his dream job was to enter into politics.

► New law requires eight-step calculation to determine tax levy limit, maximum allowable levy

Continued from page 1

factor in a school district’s “tax levy limit” and “maximum allowable limit.” In fact, there are eight different steps to the calculation as dictated by the legislation. Those steps take into account payments in lieu of taxes (PILOTS), the tax levy and approved exemptions for the current school year, and growth in the tax base.

Individual school districts will each have a unique “tax levy limit,” which must be submitted to the state by March 1 each year.

As previously stated, some expenses, such as certain pension costs, court judgments and local capital expenses are exempt from the “tax levy limit.” These exemption items are then added to the “tax levy limit” to arrive at the “maximum allowable levy.” Because of the addition of these exemptions, school districts may actually propose a budget with a tax levy that is higher than its “tax levy limit” – but still be within its “cap” under the law.

SIMPLY PUT: “TAX LEVY LIMIT” DETERMINES VOTING THRESHOLD

“The new law is not so much a tax cap, but a voter authorization level,” said Robert Miller, assistant superintendent for business. “The law does not cap the tax increase; rather, it sets a new threshold for voter approval based upon a determined tax levy increase.”

WHAT ARE THE BOARD OF EDUCATION’S OPTIONS?

The Board of Education has two options for the budget vote. The first option is to propose a budget requiring a tax levy before exemptions at or below the “tax levy limit” prescribed by law. This requires a simple majority of 50% + 1 voter approval.

Option 2 is to propose a budget requiring a tax levy before exemptions above the “tax levy limit.” This requires a “super majority” of 60% voter approval. This requires a statement on the ballot indicating the required tax levy before exemptions exceeds the “tax levy limit.”

Just because a school district can legally exceed its “tax levy limit” does not mean that it will, though. Several factors must first be considered, including whether students’ educational needs can be met within the “tax levy limit” and the likelihood of voter support for a budget that exceeds the “tax levy limit.”

That potential support, or lack thereof, is important because the new legislation has changed what happens if a budget proposal is defeated twice in a single year. As of next year, a district that adopts a contingency budget can levy a tax no greater than that of the prior budget year – a 0 percent increase. ■

“Tax levy limit” and “maximum allowable levy:” a complicated formula

The following formula demonstrates how a school district would calculate its “tax levy limit,” as well as the “maximum allowable levy:”

$$\begin{array}{r}
 \text{Prior year tax levy} \\
 \times \\
 \text{Tax base growth factor, if any} \\
 + \\
 \text{Payments in lieu of taxes (PILOTS) receivable during prior year} \\
 - \\
 \text{Taxes levied for exemptions during prior year (applicable portion} \\
 \text{of capital levy and court orders)} \\
 = \\
 \text{Adjusted Prior Year Tax Levy} \\
 \times \\
 \text{Allowable levy growth factor (lesser of 2\% or CPI)} \\
 - \\
 \text{Payments in lieu of taxes (PILOTS) receivable in the coming year} \\
 + \\
 \text{Available carryover, if any} \\
 = \\
 \text{“TAX LEVY LIMIT”} \\
 + \\
 \text{Coming school year exemptions} \\
 \text{(applicable portion of capital levy and court orders, ERS and TRS)} \\
 = \\
 \text{“MAXIMUM ALLOWABLE LEVY”}
 \end{array}$$

For more information about the tax levy cap law, visit www.goshenschoolsny.org.

2011-12
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► 10 Fast Facts about New York's Property Tax Levy Cap

1. The "2 percent tax cap" does NOT limit a tax levy increase to 2 percent. It does mean, however, that any increase above a certain amount requires 60 percent of voters to approve the school budget. That certain amount is called the "tax levy limit" and will vary by school district.
2. The "tax levy limit" is determined by a complex, eight-step formula that includes factors such as the growth in the local tax base (if there is any), the previous year's tax levy, and the current and future years' payments in lieu of taxes (PILOTS).
3. The rate of inflation or 2 percent, whichever is lower, is just one part of the "tax levy limit" calculation. That is where the phrase "2 percent tax cap" comes from.
4. If Goshen's proposed budget meets or stays below the "tax levy limit" (before exemptions), more than 50 percent of voters (a simple majority) need to vote "yes" to pass the budget.
5. After a school district calculates its "tax levy limit," it then adds exemptions into that amount. These exemptions allow the district to propose a tax levy greater than the amount set by the "limit" without requiring 60 percent of the voters to pass the budget.
6. These exemptions – or factors that "don't count" against the cap – include voter-approved local capital expenditures; increases in the state-mandated employer contribution rates for teacher and employee pensions that exceed two percentage points; and court orders/judgments resulting in any amount that exceeds 5 percent of a district's current levy.
7. If Goshen proposes a budget that includes a tax levy above its "tax levy limit," you will see a statement on the ballot by law.
8. The new law applies to the tax levy, not to tax rates OR individual tax bills. What will happen to your tax bill – how much it may go up or down – cannot be predicted until a number of other factors are determined later in the year, such as local assessments which are set by the assessor and equalization rates which are set by the state. Both of these impact the amount of each tax bill.
9. If the proposed budget is not approved, the district may submit the same budget proposal or a revised budget proposal for another vote, or go directly to a contingency budget. If a second vote is not approved, the district must adopt a contingency budget. However, under the new law, a district that adopts a contingency budget cannot increase its tax levy from that of the prior year by any amount – a ZERO percent increase.
10. As in previous years, district residents will vote on the district budget on the third Tuesday in May, or Tuesday, May 15, 2012.