

## **Breaking down the tax cap law - key points**

- The tax cap law does NOT cap an individual's school tax bill. The law applies solely to the school tax levy. Increases in individual tax bills are often different from increases in the tax levy due to a variety of factors outside a school district's control, and this will continue to be true.
- The new law has been referred to as a "2 percent tax cap," but the law itself does not limit how much the tax levy can actually increase under a proposed budget. The law does, however, require at least 60 percent voter approval for a school budget if the proposed levy increase exceeds a certain amount.
- That amount, called the "tax levy limit," will be calculated by each district according to a formula outlined in the law. However, by law, the "tax levy limit" does not include any taxes we would levy to pay for expenditures related to certain "exempt" items, including some court orders, some pension costs and local capital expenditures. When you add the exemptions back in, the maximum allowable levy could be greater than the "tax levy limit."
- There will still be a community vote on the budget. Our goal will be to find the right balance between what our community can support and the cost of providing every student with the highest quality education.
- A proposed budget that carries a tax levy (before exemptions) at or below the levy "limit" will require approval by a simple majority. If the tax levy (before exemptions) is above the levy "limit," a supermajority (60 percent or more of voters) is what is needed for approval.
- Although we have the option to exceed the "tax levy limit," we are well aware that any proposed school tax levy increase will be benchmarked against our levy "limit," adding to the pressures we are under to control taxes even in the face of escalating costs and expectations for teaching and learning.
- Obtaining our community's support for our budget proposal—whatever level of voter approval is required—is more critical than ever, given the law's new contingent budget restrictions. If a district fails to gain voter approval and must adopt a contingent budget, then the levy increase is truly "capped." Under a contingent budget, there can be NO increase in the tax levy. At this time, it is unclear whether the exemptions would still apply.