

## **APPENDIX G**

### **2007-08 TAX LEVY CAP**

Appendix G was developed to provide supplemental guidance on the new school district tax levy cap for 2007-08 pursuant to the pending tax levy cap legislation A-1. The pending legislation requires a school district to adopt a budget with an increase in its adjusted general fund tax levy that does not exceed the tax levy growth limitation. Pending A-1 is effective for fiscal years 2007-08 through 2011-12 and supersedes sections of CEIFA related to budget caps and spending growth limitation adjustments.

The school district tax levy cap is only applicable to regular (local and regional) school districts and sets a general fund tax levy cap of four percent growth over the prior year, plus allowable adjustments. The general fund tax levy to support county vocational and special service school districts are also capped, but governed by county tax levy cap under the pending legislation.

For 2007-08, some of the required cap calculations will not be included in the DOEnet budget software application but will be calculated using worksheets in the excel workbook entitled "Tax Levy Cap Worksheets". Districts should also reference the applicable sections of the budget guidelines for further details.

The excel workbook includes a summary sheet of the detailed cap calculations entitled "Tax Levy Cap Calculation" and two detailed cap adjustment worksheets for tuition and health care costs, both of which are linked to the summary sheet. Adjustment calculations for special education, capital outlay, and new school costs are included in the DOEnet software, because the calculations in pending A-1 have not changed. Districts are required to enter the requested amount, if applicable, from the DOEnet software into the excel Tax Levy Cap Calculation report. The adjustment for a reduction in state aid, if applicable, will be calculated and distributed to school districts with their state aid package. The tax levy cap report summarizes the maximum amount permitted to budget on revenue line 150, budgeted general fund tax levy.

These reports, and the supporting documentation for the amounts entered, must be submitted to the County Superintendent along with the district budget reports generated by the budget software. Samples for the reports not included in the DOEnet software are included below. Districts should also reference the applicable sections of the budget guidelines for further details.

This appendix includes three sections:

- I. Summary of Tax Levy Cap Calculation, including Adjustments
- II. Instructions for Completing Excel Worksheets and Sample Reports
- III. Calculation of District Specific Base Tax Levy Cap

## **I. Calculation of Tax Levy Limitation**

General fund tax levy growth is capped at four percent over the sum of the prior year levy plus increases in enrollment. These amounts will be calculated by the Department, and provided to the districts through the county offices on a report entitled “Adjusted Prebudget Year Tax Levy and Enrollment Adjustment”. (See section III of this appendix for discussion on the “Adjusted Prebudget Year Tax Levy and Enrollment Adjustment” report.) This base general fund tax levy may then be increased by two automatic cap adjustments, and four Commissioner cap adjustments, as described below.

### **A. Automatic Cap Adjustments:**

There are two automatic adjustments provided in 2007-08 under the pending A-1 legislation that can be added to the base general fund tax levy cap. They are as follows:

#### **1) Adjustment for health care costs:**

Districts may increase the general fund tax levy cap for increases in budget year health care costs that exceed four percent over the prebudget year costs. The district must complete the “increase in health care costs” worksheet in the excel workbook to obtain this adjustment. The adjustment for increase cannot exceed the average increase in the state health benefits program of 6.9% determined by the Division of Pensions. The state health benefits percentage does not include dental costs in the calculation; therefore the dental expense portion of the health care costs should be deducted by districts from the calculation of total health care costs.

#### **2) Adjustment for reduction in total state formula aid:**

Districts may increase the general fund tax levy cap for decreases in total state formula aid from 2006-07 to 2007-08. The amount of the adjustment, if any, will be calculated by the Department and provided to the districts through the county offices with the state aid packages. Note that this adjustment is a reduction in total state formula aid, not in specific state aid amounts.

### **B. Commissioner Cap Adjustments:**

Districts may also apply to the Commissioner for four additional general fund tax levy cap adjustments. The County Superintendent will review and approve the Commissioner adjustments as part of the budget approval process. Accounts affected by the Commissioner adjustments will be restricted during the budget year, and no transfers out of the accounts will be allowed unless approved by the County Superintendent. No budgeted deposits to capital reserve, maintenance

reserve, or emergency reserve will be allowed if a district has received a Commissioner cap adjustment.

1) **Increases in special education costs over \$40,000 per pupil:**

The allowable adjustment will equal the increase in the sum of the per pupil amounts in excess of \$40,000 for the budget year less the sum of the per pupil amounts in excess of \$40,000 for the prebudget year indexed by four percent. This calculation is included in the DOEnet budget software and is the same as the calculation provided in the 2006-07 district budget. It requires data entry of the individual students into the CEIFA calcs data entry screens in the budget software. If a district completed the special education adjustment forms in 2006-07, then the 2006-07 items will preload into the 2006-07 forms in the budget software. Note that no contingencies are allowed in the calculation of this cap adjustment. All items included in the calculation must be for specific students. Refer to section II of the budget guidelines for more details concerning this adjustment.

2) **Increases in regular education tuition:**

The allowable adjustment will equal any increase in regular education tuition for the budget year charged in a formal sending/receiving relationship or charged by a county vocational district over four percent. The district will need to complete the form in the excel workbook for this adjustment. Note that no contingencies are allowed in the calculation of this cap adjustment. All items included in the calculation must be for specific students.

3) **Increases in capital outlay:**

The allowable adjustment will equal any increase in capital outlay, less any withdrawals from the capital reserve account and any capital outlay items included in the new school costs cap adjustment, over the prebudget year in excess of four percent. This calculation is included in the DOEnet budget software and is the same as the calculation provided in the 2006-07 district budget. Restrictions on use of capital outlay as outlined in N.J.A.C. 6A:23-8.8(a) are still applicable in budget year 2007-08. Refer to section II of the budget guidelines for more details concerning this adjustment.

4) **Increases in costs for opening a new school facility in the budget year:**

The allowable adjustment will equal any incremental costs for opening a new school facility in the budget year. This calculation is included in the DOEnet budget software and is the same as the calculation provided in the 2006-07 district budget. Refer to section II of the budget guidelines for more details concerning this adjustment.

## **II. Instructions for the individual worksheets in the Excel Workbook**

For 2007-08, the below tax levy cap calculations will be calculated using worksheets in the excel workbook entitled "Tax Levy Cap Worksheets." These reports, and the supporting documentation for the amounts entered, must be submitted to the County Superintendent along with the district budget reports generated by the budget software.

Cells which require data entry are highlighted in yellow on the worksheets. All amounts should be entered as positive numbers.

### **A. Tax Levy Cap summary report**

#### Cell A7

Enter the County Name

#### Cell A8

Enter the District Name

#### Line A (cell B14)

Enter the amount from Line Q of the "Adjusted Prebudget Year Tax Levy and Enrollment Adjustment" report, provided by the Department to the districts through the county offices. This represents the amount of the 2006-07 adjusted tax levy, added to the 2007-08 enrollment adjustment, and inflated by four percent.

#### Line B (cell B16)

Enter the total amount from the "Adjustment for Reduction in State Formula Aid" report, if any, provided in the state aid package. This represents the adjustment for the amount of the reduction in total state formula aid from 2006-07 to 2007-08.

#### Line C (cell B18)

This amount is calculated by entries on the "Increase in Health Care Costs" tab in this file. See instructions below for the "Increase in Health Care Costs" tab.

#### Line D (cell B21)

Enter the amount from line K of the "Adjustment for Special Education Costs" report from the district budget software.

#### Line E (cell B22)

This amount is calculated by entries on the "Increase in Tuition" tab in this file. See instructions below for the "Increase in Tuition" tab.

Line F (cell B23)

Enter the amount from line I of the "Adjustment for Capital Outlay Expenditures Worksheet" report from the district budget software.

Line G (cell B24)

Enter the amount from line C of the "New School Facilities Detailed Costs" report from the district budget software.

Line H (cell B27)

This line is the sum of lines A through G. The school district budget statement submitted to the County Superintendent for review cannot include a tax levy (on Line 150 of the advertised revenues) greater than the amount on line H. If additional tax levy funds are to be requested, they must be included in a separate proposal to the voters and cannot be included in the base budget.

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CEIFA Calcs

County District
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**Tax Levy Cap Calculation**

Prebudget year adjusted tax levy, including weighted increases for enrollment, inflated by 4%		(A)
Adjustment for reduction in total state formula aid from the prebudget year, issued with state aid notices		(B)
Adjustment for increase in health care costs	-	(C)
Requests to the Commissioner for adjustments to cap:		
Increase in Special Education costs over \$40,000 per pupil		(D)
Increase in Tuition	-	(E)
Increase in Capital Outlay		(F)
New School Costs		(G)
 Tax Levy Cap = sum (A) through (G)	\$ -	(H)

Note:

The 2007-08 tax levy recorded on line 150 of the budgeted revenues cannot exceed the amount on line H above. See the instructions for this line in Appendix G to the Budget Guidelines.

**B. Increase in Health Care Costs**

Cell A7

The County Name entered on the "Tax Levy Cap" worksheet will display in this cell.

Cell A8

The District Name entered on the "Tax Levy Cap" worksheet will display in this cell.

Line A (cell D14)

Enter the amount of 2007-08 health benefits costs. This amount is calculated as:

- 1) The line entitled "Health Benefits" for object 270 in 2007-08 on the "Employee Benefit Summary Comparison Report" from the budget software,

*Less:*

- 2) The amount of dental expenses included in the health benefits line.

Line B (cell D17)

Enter the amount of 2006-07 health benefits costs as recorded in the 2006-07 original budget. This amount is calculated as:

- 1) The line entitled "Health Benefits" for object 270 on the "Employee Benefit Summary Comparison Report" in the original budget report from the 2006-07 budget software,

*Less:*

- 2) The amount of dental expenses included in the health benefits line.

Line C (cell D19)

This amount is calculated by the worksheet. It represents the 2006-07 health care costs on line B inflated by four percent.

Line D (cell E21)

This amount is calculated by the worksheet. It represents the increase in 2007-08 health care costs over the inflated 2006-07 health care costs (line A less line C).

Line E (cell D23)

This amount is provided on the worksheet. It represents the average percentage increase in the State Health Benefits Program as provided to the Department by the Division of Pensions and Benefits and is based on medical and prescription costs. It does not include dental expenses in its calculation.

Line F (cell E25)

This amount is calculated by the worksheet. It represents the amount of increase in the 2006-07 health care costs as calculated by the percentage of

increase in the State Health Benefits Program costs. Adjustments for increases in health care costs are limited to this amount.

Line G (cell E27)

This amount is calculated by the worksheet. It represents the maximum amount of the adjustment for health care costs. The maximum amount of the adjustment is calculated as the lesser of the increase of the 2007-08 health care costs over the inflated 2006-07 health care costs, or the product of the total health care costs in 2006-07 multiplied by the average percentage in the State Health Benefits Program (the lesser of Line D or Line F).

Line H (cell E29)

Enter the amount of the adjustment on Line G that is being requested for use in the 2007-08 budget.

Line I (cell E31)

This amount is calculated by the worksheet. It represents the adjustment for health care costs that will be added into the tax levy cap calculation. The amount is calculated as the lesser of the maximum adjustment or the requested adjustment (the lesser of line G or line H). This amount will automatically show on line C of the "tax levy cap" worksheet based on the entries on this worksheet.

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CEIFA Calcs

County  
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**Adjustment for Increase in Health Care Costs**

Total 2007-08 Health Care Costs:			
Health Benefits	Object 270, less dental		(A)
Total 2006-07 Health Care Costs – <b>Original Budget</b> :			
Health Benefits	Object 270, less dental		(B)
Inflate 2006-07 Health Care Costs by 4%	(B) x 1.04	-	(C)
Increase in Health Care Costs	(A) - (C)	\$ -	(D)
Enter SHBP percentage increase		6.90%	(E)
2006-07 Health Care Costs multiplied by average percentage increase in SHBP	(B) x (E)		- (F)
Maximum Adjustment for Health Care Costs	Lesser of (D) or (F)		- (G)
Amount Requested		-	(H)
Adjustment for Increase in Health Care Costs	Lesser of (G) or (H)	\$ -	(I)

The district has submitted the required documentation that supports the data keyed.

\_\_\_\_\_  
 County Superintendent

\_\_\_\_\_  
 Date

**C. Increase in Regular Education Tuition Expenses**

Cell A7

The County Name entered on the "Tax Levy Cap" worksheet will display in this cell.

Cell A8

The District Name entered on the "Tax Levy Cap" worksheet will display in this cell.

Cells D13 and D14

Enter the amounts of 2007-08 tuition appropriations from the budget software report entitled "Detailed Appropriations" for lines 6270 and 6290.

Line A (cell E15)

This amount is calculated by the worksheet. It is the total of the amounts entered for 2007-08 tuition appropriations in cells D13 and D14.

Cells D18 and D19

Enter the amounts of 2006-07 tuition appropriations as recorded in the 2006-07 original budget report entitled "Detailed Appropriations" for lines 6270 and 6290.

Line B (cell E20)

This amount is calculated by the worksheet. It is the total of the amounts entered for 2006-07 tuition appropriations in cells D18 and D19.

Line C (cell E22)

This amount is calculated by the worksheet. It represents the 2006-07 tuition costs on line B inflated by four percent.

Line D (cell E24)

This amount is calculated by the worksheet. It represents the increase in 2007-08 tuition costs over the inflated 2006-07 tuition costs (line A less line C).

Line E (cell E26)

Enter the amount of the adjustment on Line D that is being requested for use in the 2007-08 budget.

Line F (cell E28)

This amount is calculated by the worksheet. It represents the adjustment for tuition costs that will be added into the tax levy cap calculation. The amount is calculated as the lesser of the maximum adjustment or the requested adjustment (the lesser of line D or line E). This amount will automatically show on line E of the "tax levy cap" worksheet based on the entries on this worksheet.

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**Adjustment for Increase in Tuition**

2007-08 Tuition Expenses			
06270	Tuition to Other LEAs Within the State-Regular	11-000-100-561	
06290	Tuition to County Voc. School Dist.-Regular	11-000-100-563	
	Subtotal 2007-08		_____ (A)
2006-07 Tuition Expenses – <b>Original Budget</b>			
06270	Tuition to Other LEAs Within the State-Regular	11-000-100-561	
06290	Tuition to County Voc. School Dist.-Regular	11-000-100-563	
	Subtotal 2006-07 – <b>Original Budget</b>		_____ (B)
2006-07 Tuition Expenses inflated by 4%		(B) x 1.04	_____ (C)
Maximum Adjustment for Increase in Tuition		(A) - (C)	_____ (D)
Amount Requested			_____ (E)
Adjustment for Increase in Tuition		Lesser of (D) or (E)	_____ (F)

The budgeted tuition amounts have been verified and the district request for a Commissioner cap adjustment for increase in tuition is recommended.

\_\_\_\_\_  
 County Superintendent

\_\_\_\_\_  
 Date

### **III. Descriptions of handouts provided by the Department**

#### **A. Adjusted Prebudget Year Tax Levy and Enrollment Adjustment**

The Department has provided a worksheet calculating the amount of the prebudget year tax levy and enrollment adjustment as defined in the pending tax levy cap legislation A-1. This section describes the calculations included on that report.

##### Line A

This amount is the general fund tax levy included on revenue line 150 of the final 2006-07 budget submitted to the Department.

##### Line B

This amount is the capital outlay adjustment requested by districts in their 2006-07 budget submitted to the Department.

##### Line C

This amount is calculated as Line A less Line B. It represents the adjusted prebudget year tax levy.

##### Line D

This number is the projected 2006-07 weighted enrollment as calculated by the Department and provided to districts. It is reported on the Supporting Documentation Item 0 report in the budget software as “Projected 2006-07 WENR – DOE”. It is the same number as appears on line G below.

##### Line E

This amount represents the 2006-07 per pupil adjusted tax levy. It is calculated by dividing the adjusted 2006-07 tax levy on line C by the 2006-07 DOE projected weighted enrollment for the district on line D. It will be used to calculate the enrollment adjustment on line O below.

##### Line F

This number is the projected 2007-08 weighted enrollment as calculated by the Department and provided to districts. It is reported on the Supporting Documentation Item 0 report in the budget software as “Projected 2007-08 WENR – DOE”.

##### Line G

This number is the projected 2006-07 weighted enrollment as calculated by the Department and provided to districts. It is reported on the Supporting Documentation Item 0 report in the budget software as “Projected 2006-07 WENR – DOE”. It is the same number as line D above.

Line H

This number is the increase in the district’s DOE projected weighted enrollment from 2006-07 to 2007-08. It is calculated by subtracting line G from line F. If the enrollment has decreased, then zero will show on this line.

Line I

This number is the percentage increase in the district’s DOE projected weighted enrollment from 2006-07 to 2007-08. It is calculated by dividing line H by line G.

Lines J, K, L, M

These lines take the increase in the district’s DOE projected weighted enrollment and show how many students cause the percentage increase to be within the specific ranges, so that weights can be applied to them. Pursuant to Pending A-1, the enrollment increases are weighted based on the following scale:

0.5 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 1.0% but not more than 2.5%

0.75 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 2.5% but not more than 4%

1.0 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 4%

The worksheet takes the number of students on line H and in the Students column spreads them across the categories described above. For example:

Line F	2,157
Line G	2,070
Line H	87
Line I	4.20%
	Students
Line J	21 (=1% of 2,070)
Line K	31 (= 1.5% (2.5% less 1.0%) of 2,070)
Line L	31 (= 1.5% (4.0% less 2.5%) of 2,070)
Line M	<u>4 (= .2% (4.20% less 4.0%) of 2,070)</u>
Subtotal	87

The Weight column shows the weights as described above. The result on lines J, K, L, and M are the numbers in the Students column multiplied by the numbers in the Weight column.

Line N

This number is the sum of the numbers on lines J, K, L and M. It represents the increase in enrollment as weighted by the requirements of pending A-1

Line O

This amount is the enrollment adjustment for the district. It is calculated by multiplying the weighted increase in enrollment from line N by the per pupil adjusted tax levy on line E. This will be added to the adjusted tax levy and inflated by four percent.

Line P

This amount is the prebudget year adjusted tax levy from line C plus the enrollment adjustment from line O. Pursuant to the pending A-1 legislation, this amount will be inflated by four percent to arrive at the base tax levy cap.

Line Q

This amount represents the prebudget year adjusted tax levy plus the enrollment adjustment as weighted per Pending A-1, inflated by four percent. This is the base tax levy cap. Districts should enter this amount on line A of the "Tax Levy Cap Calculation" report.

**Adjusted Prebudget Year Tax Levy and Enrollment Adjustment**

**County**

**District**

**Per Pupil 2006-07 Tax Levy:**

2006-07 Tax Levy	<i>06-07 revenue line 150</i>	_____	(A)
Less 2006-07 Capital Outlay Cap Adjustment	<i>06-07 Capital Outlay Adj report</i>	_____	(B)
Subtotal	<i>Line A - Line B</i>	_____	(C)
Projected 2006-07 WENR - DOE	<i>from SD 0</i>	_____	(D)
Per Pupil 2006-07 Tax Levy	<i>Line C / Line D</i>	_____	(E)

**Enrollment Factor:**

Projected 2007-08 WENR - DOE	<i>from SD 0</i>	_____	(F)
Projected 2006-07 WENR - DOE	<i>from SD 0</i>	_____	(G)
Increase in enrollment	<i>Line F - Line G</i>	_____	(H)
Percent Increase in Enrollment	<i>Line H / Line G</i>	_____	(I)

Number of Students in each category, weighted:	<i>Students</i>	<i>Weight</i>	
Less than or equal to 1%	_____	<i>0.00</i>	(J)
Greater than 1% and less than or equal to 2.5%	_____	<i>0.50</i>	(K)
Greater than 2.5% and less than or equal to 4%	_____	<i>0.75</i>	(L)
Greater than 4%	_____	<i>1.00</i>	(M)
Subtotal	_____		

Weighted increase in number of students *Line J + K + L + M* \_\_\_\_\_ (N)

Enrollment Adjustment *Line E x Line N* \_\_\_\_\_ (O)

Prebudget year adjusted tax levy, including weighted increases for enrollment *Line C + Line O* \_\_\_\_\_ (P)

Prebudget year adjusted tax levy, including weighted increases for enrollment, inflated by 4% *Line P x 1.04* \_\_\_\_\_ (Q)

Note: The amount on Line Q should be entered into the "Tax Levy Cap Worksheets" excel file, on the "Tax Levy Cap" form, line A.