2016-2017 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Financial Services – Budget

REQUEST NO.: 265

REQUESTED BY: Adler

DATE REQUESTED: 9/2/16

DATE POSTED: 9/9/16

REQUEST: Please provide the percentage by which the FY17 proposed tax rate and projected tax rates in the subsequent four years exceed the effective rate in each year.

RESPONSE:

Calculating the rollback rate is not simply a matter of adding 8% to the effective property tax rate. The rollback rate represents the sum of two tax rate components: the debt service rate and the rollback O&M rate and the 8% restriction only applies to the O&M rate component. To calculate the debt service rate, taxing entities determine the amount required to service their debt and divide this amount by their taxable property value in the current year. To calculate their rollback O&M rate, taxing entities first calculate the rate that would generate the same amount of O&M revenue from properties taxed in both the current and prior years (net of certain adjustments). This can be termed the effective O&M rate. Adding 8% to this effective O&M rate generates the rollback O&M rate, which is then added to the debt service rate to generate the total rollback rate. The table below compares the effective O&M rate in FY17-FY21 with the proposed O&M rate and the O&M rates forecasted to be necessary to meet base expenditure projections for FY18-FY21.

	FY17	FY18*	FY19	FY20	FY21
Proposed/Projected O&M Rate	0.3392	0.3359	0.3232	0.3079	0.2979
Effective O&M Tax Rate	0.3148	0.3111	0.3142	0.3010	0.2869
% above Effective O&M Rate	7.8%	8.0%	2.9%	2.3%	3.8%

*Please note that in FY18, the rollback rate does not generate revenue sufficient to meet projected baseline expenditures; at the rollback rate, there is a gap of $1 million. In order to close this gap, it would require an O&M rate of $0.3366, which would exceed the effective O&M tax rate by 8.2%. Because a given year's rollback rate is dependent on revenue generated in the prior year, adopting a higher-than-rollback rate in FY18 would also increase the effective O&M rate in FY19.