

# Revenue Challenges and the Road Ahead



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# History



## Boost Due in Glenwood.

Glenwood school trustees anticipate a \$45,000,000 assessment next year, when the expanded facilities of the Long Island Lighting Co. are completed and placed on the tax rolls. No school district of its size in New York State, and conceivably the nation, is better fixed to provide its own educational facilities than Glenwood Landing because of the big taxpayer on the waterfront.



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Since 1953, LILCO (Now LIPA) properties paid community and school taxes to the North Shore Central School District.

1953

LILCO/LIPA taxes paid a considerable portion of school taxes.

As the power plant began to be used less, some properties were taken off the tax rolls and became PILOTS (payments in lieu of taxes).

Up until now, North Shore has received a combination of taxes and PILOT payments but the overall payment from LIPA has been slowly decreasing.

LIPA has negotiated with Nassau County a relief of existing tax payments in several areas across Long Island as power plants generate less electric and technology changes.

2010

Discussions about this in North Shore began in 2010 and the Board has worked hard with counsel to delay hardships caused by further reductions.

In 2015, the District secures a \$5.5 million grant from Carl Marcellino and Chuck Lavine.

2015

2022

In June 2022, the District received confirmation of a settlement between LIPA and Nassau County in which all existing tax payments will be taken off the tax rolls and converted into a "Direct Assessment."

# Mountains of Clarity



- What is a direct assessment?
  - A non-tax payment that is fixed or reduces over time.
- Is a direct assessment collected like taxes?
  - It is collected on the same calendar as tax payments.
- Is the direct assessment included in the tax levy?
  - No. It is not included in the tax levy.



# Mountains of Clarity



- Does the tax levy need to be changed?
  - Yes. The tax levy must be reduced by the net effect of the Direct Assessments.
- How should we record our tax levy?
  - According to the Assessor's Office, the tax levy should only include those taxes that will be used to calculate the tax rate and not the amount of Direct Assessments.



# Mountains of Clarity



- How much revenue is shifting in the 2022-23 school year as a result of the Nassau County/LIPA Settlement?
  - The total shift in revenue from both taxes and Payments in Lieu of Taxes (PILOT) is \$3,127,717.45.
- How is the revenue shift determined?
  - The revenue shift is the difference between what would have been collected from LIPA in the form of Taxes/PILOT in the 2022-23 budget and the amount that will now be collected as a Direct Assessment.



The shift in revenues from both LIPA Tax Revenue and LIPA PILOT Revenue to Direct Assessment Payments

LIPA TAX REVENUE	Budgeted 2022-23	Direct Assessment	Total Revenue Shift
2035301485	10,278,931.82	8,263,611.00	2,015,320.82
2030301480	49,678.19	39,938.00	9,740.19
2030301485	191,053.01	153,595.00	37,458.01
3030001015	62,485.44	50,234.00	12,251.44
3035001021A	354,506.12	285,001.00	69,505.12
3030001019	53,178.54	42,752.00	10,426.54
3030001020	323,248.02	259,871.00	63,377.02
3030001040	4,087.66	3,287.00	800.66
3035001020A	29,366.98	23,609.00	5,757.98
<b>Total Tax Revenue</b>	<b>11,346,535.78</b>	<b>9,121,898.00</b>	<b>2,224,637.78</b>
<b>LIPA PILOT</b>			
2030301486A	379,508.61	306,413.00	73,095.61
2030301480A	1,837,067.83	1,483,239.00	353,828.83
3030001015A	145,523.88	117,247.00	28,276.88
3030001020A	2,325,848.35	1,877,970.00	447,878.35
<b>Total PILOT Revenue</b>	<b>4,687,948.67</b>	<b>3,784,869.00</b>	<b>903,079.67</b>
<b>Total</b>	<b>16,034,484.45</b>	<b>12,906,767.00</b>	<b>3,127,717.45</b>



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# Mountains of Cost



- How will the revenue shift be funded in 2022-23?
  - The shift in revenue resulting from the Nassau County/LIPA Settlement agreement will be shared among the remaining taxpayers in each of the four classes.
- Who determines the amount to be paid by each property class?
  - The amount to be paid by each class is determined by adjusted base proportions. This is a calculation prepared by the County and provided to the District in mid September.



# Mountains of Cost



- What is the impact that the revenue shift will have on future tax years?
  - Since the revenue shift serves to lower the tax levy, the base tax levy that will be used in the calculation of future tax caps will also be lower. The application of the allowable tax levy increase on a lower levy will result in a permanent reduction in revenue from real property taxes.
- Should the tax levy be lowered further?
  - Any additional reduction in the tax levy will serve to further reduce the base tax levy that will be used to determine future real property tax revenue.



**Compounded Effect The Reduction in Tax Levy  
Due to Nassau County/LIPA Settlement**

Year	Original 2022-23 Budgeted Tax Levy	Increase in Original Levy based on 2% Tax Increase	Reduced Levy following LIPA Settlement	Increase Reduced Levy based on 2% Tax Increase	Difference in Increase from Original Levy to Reduced Levy
2022-2023	94,644,364	1,892,887	86,425,546	1,728,511	164,376
2023-2024	96,537,251	1,930,745	88,154,057	1,763,081	167,664
2024-2025	98,467,996	1,969,360	89,917,138	1,798,343	171,017
2025-2026	100,437,356	2,008,747	91,715,481	1,834,310	174,438
2026-2027	102,446,103	2,048,922	93,549,790	1,870,996	177,926
<b>Net Effect Over 5 Years</b>					<b>855,421</b>



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# Mountains of Cost



- What will be the future shift of revenue as a result of the Nassau County/LIPA settlement?
  - The largest year-to-year shift in revenue does take place during the 2022-2023 school year.
  - The Direct Assessment revenue to be received from the County will be further reduced over each of the next four years as follows:

■ 2022-2023	(\$3,127,717)
■ 2023-2024	(\$1,845,251)
■ 2024-2025	(\$2,388,670)
■ 2025-2026	(\$ 215,030)
■ 2026-2027	<u>(\$ 79,321)</u>
Total Shift	(\$7,655,989)





# The 2022-23 School Year

## Arriving at the Reduced Tax Levy After the Settlement

### Before Agreement

Original Budgeted Tax Levy	\$ 94,644,364.44
Original Budgeted LIPA PILOT	7,454,319.07
Direct Assessment Payments	-
	<u>\$ 102,098,683.51</u>

### After Agreement

Revised Tax Levy	\$ 86,425,546.11
Revised Budgeted LIPA PILOT	2,766,370.40
Direct Assessment Payments	12,906,767.00
	<u>\$ 102,098,683.51</u>

## New Base Tax Levy

# \$86,425,546.11

- Amount Needed to Fully Fund the Approved Budget
- Can be lowered to mitigate shift in taxes. The more the levy is lowered this year, the more cost cutting will need to take place in a shorter amount of time
- Additional reductions will become automatic “need to cut” expenses in the 2023-24 budget.
- In addition, the 2022-23 budget is funded by fund balance and the remaining Marcellino-Lavine Grant Funds which will not be available for 2023-24.

**HYPOTHETICAL** 5 Year Strategy to Mitigate Loss of Revenue from Nassau/LIPA Settlement  
**(SAMPLE - NOT ACTUAL PLAN)**

Fiscal Year	Unadjusted Annual Revenue Loss	Adjusted Revenue Loss from LIPA (Considering Tax Shift, Budget Cuts or New Revenue from Prior Years)	Budget Cuts and/or New Revenue In Given Fiscal Year	Net Loss After Cuts	Use of LIPA Settlement Aid in Given Fiscal Year	Tax Shift (to Address LIPA Revenue) For Given Year to All Four Classes	Loss Carried Into Following Year
<b>2022-2023</b>	3,127,717	3,127,717	0	3,127,717	250,000	2,877,717	250,000
<b>2023-2024</b>	4,972,968	2,095,251	1,250,000	845,251	845,251		845,251
<b>2024-2025</b>	7,361,638	3,233,921	<b>1,700,000</b>	1,533,921	<b>1,533,921</b>		1,533,921
<b>2025-2026</b>	7,576,668	1,748,951	1,250,000	498,951	498,951		748,951
<b>2026-2027</b>	7,655,989	578,272	578,272	0	0		0

# 2023-24 and Beyond

## Closing Thoughts

- **A balance of efficiencies and new revenue will help to address the funding shortages in a permanent manner**
- **LIPA settlement funds and use of reserves will help for a given year but will not create a permanent solution.**
- **Stretching out efficiencies over three to four years will help the District to make strategic decisions that minimize the impact on students and residents in any given year**
- **We will need to aggressively pursue legislative grants and other funding sources but absent from a State Aid increase, these will only last for one year at a time**
- **New construction and Nassau County determinations of adjusted base proportions will ultimately determine the final shift to tax classes and individual taxpayers**

