

Hot Topics

Capital Outlay

Limitations

Capital Outlay Proposal

Why are we talking about capital outlay limitations?

- Lt. Governor Michels and Administration staff gathered reps from the legislature, and education to talk about the growing valuations and corresponding increases in capital outlay funds.
- Made the claim property tax pressures could lead to a tax revolt.

Capital Outlay Proposal

Why are we talking about capital outlay limitations?

- It is apparent legislation to slow capital outlay growth will be forthcoming.
- The Ag Land Taskforce is concerned about significant increases in valuations and unchecked capital outlay tax increases and passed a bill out of committee

Capital Outlay Proposal

Why are we talking about capital outlay limitations?

- After three meetings the Administration presented a bill proposal they believed would be a compromise
- The education reps responded with a counter proposal

Capital Outlay proposals

Original proposal from the administration:

- Limits Capital Outlay fund revenue growth to previous year's budget + greater of 3% or CPI + new construction
- Freezes capital outlay levies at 2014 level
- Provides a base levy of 1.5
- Provides an opt-out mechanism
- Sets the Per Student Allocation for FY2104 at +\$72 per student in general fund in addition to state aid

Capital Outlay proposals

Current Proposal

- Proposed Funding in FY16 = \$4781 + (CO recapturing of \$72) = \$4853 + State Aid growth of 1.5% (additional \$72) = Total \$4925
- Total of \$9.5 million in new money from state (state aid by law) and \$9.5 million of YOUR original capital outlay money in general funds.

Compromise proposal

1. Change Section 5 to:
 - a. Allow for a 2.0 levy base instead of 1.5
 - b. Allow school boards needing capital outlay dollars to levy between 2.0 and 2.5, the option to hold public hearings similar to the mechanism allowed in approving capital outlay certificates (13-16-6.2 to 13-16-6.4), and not make the levy exemption referable in the 2.0 to 2.5 levy range.
 - c. Any levy exemption changes beyond 2.5 to 3.0 could be referable to a public vote as outlined in Section 8 of the original proposal and 10-12-43. Grandfather all schools that are currently between 2.5 and 3.0.

Administration was agreeable to consider item #1 as is.

Compromise proposal

2. Amend Sections 9 and 10 by setting the Per Student Allocation for FY 2016 as follows:
 - a. Increase the current PSA of \$4781 to include (Capital Outlay recapturing of \$72 per student) or \$4853, plus State Aid (13-13-10.1) for FY16 of not less than 3.0% = total PSA minimum increase approximately \$4996.

Administration was agreeable to \$72 of Capital Outlay recaptured money in the FY16 PSA. This equates to approximately \$9.5 million in ongoing funds to the PSA that would come from savings realized from the capital outlay reduction.

Compromise proposal

3. Add an amendment that would incorporate the proposed Teacher Salary Compensation Fund as presented to the Legislative Planning Committee.

Administration was not agreeable to mix the TSEF discussion with capital outlay limits proposal, but would like to have a conversation with education leaders regarding solutions to the teacher shortage.

Compromise proposal

4. Add an amendment to 13-16-6 that would step down the current capital outlay flexibility changing the percentage caps from 45% to 35% in 2016, 30% in 2017 and 25% in 2018. Make the flexibility in 13-16-6 permanent going forward at 25%.

Agreed

Compromise proposal

5. For the purposes of this proposal the capital outlay limitations legislation would automatically repeal by July 1, 2021.

Administration is agreeable to consider a sunset clause, but wanted to look at future options after 2021.

Compromise proposal

6. Add an amendment that would allow school boards to use the same levy mechanism counties currently use when they are allowed to utilize the unused portion of levies below their spending caps.

Agreed.

Compromise proposal

7. Strike the changes in Section 4 and continue to use the same capital outlay levy reporting system in statute.

Administration wants to stay with section 4 and to the dollar amounts as written in the proposal rather than use levy percentages, but said they will explain how the mechanics of this is not an issue for either side. They do not see this as an issue.

Capital Outlay compromise

The Bottom Line

Option#1 – Compromise – Support the compromise language and continue to negotiate with the understanding of gaining:

- 1) \$72 in recaptured funds ongoing in general fund,
- 2) a sunset clause in 2021.
- 3) a higher base to move to 2.0 levy and flexibility of the public hearing process to move from 2.0 to 2.5.
- 4) continued flexibility to use 25% capital outlay for some specific general fund purposes ongoing.
- 5) grandfather all current levies.

Capital Outlay compromise

The Bottom Line

Option #2 – Do Not Compromise – Oppose all bills that limit Capital Outlay.

Go into this eyes wide open – this will require a considerable campaign and heavy lifting by every school in the state to defeat a limitations bill.



Meade School District

- 2014 Assessed Valuation: Payable in 2015
\$1,617,694,252
- 2014 Capital Outlay Mill Levy: Payable in 2015
3 Mills
- 2015 Capital Outlay Revenue: \$4,853,082
- Meade Growth for 2014 was 1.5%
- Meade Reassessment for 2014 was 8%

2015 PAYABLE IN 2016 PROJECTIONS

- Growth 1.5%: \$ 24,265,413
- Reassessment 8%: \$ 129,415,540
- District Valuation: \$1,771,375,212
- Taxes @ 3 Mills: \$ 5,314,125

NEW FORMULA

- Growth 1.5%: \$ 24,265,413
- Reassessment CPI or 3%
(which ever is greater): \$ 48,530,827



2015 Taxable District Valuations: Payable in 2016

\$1,690,490,492

- Maximum Taxes Collectable: \$5,071,471
- Difference in Taxes Collected: \$ 242,654



NEW MAX MILL LEVY FOR MEADE SCHOOL DISTRICT

$$\begin{aligned} & \$5,071,471 / \$1,771,375,212 = \\ & \quad \underline{2.863 \text{ MILLS}} \end{aligned}$$

SCHOOL DISTRICTS 10% REAPPRAISAL CALCULATION
MEADE COUNTY

*PER WENDY DO NOT INCLUDE ANY TIF VALUES IN THIS CALCULATION

SCHOOLS:

| Taxing District - 46-1 Meade School | Final 2013 Adj \$ | Inc/Dec REAPPRAISAL | Inc GROWTH | Final 2014 Adj \$ | Total After TIF |
|--|--------------------------|----------------------------|-------------------|--------------------------|------------------------|
| MEADE COUNTY | | | | | |
| AG | 381,955,678 | 49,692,010 | 644,219 | 432,291,907 | |
| OO | 624,195,690 | 45,365,313 | 7,919,370 | 677,480,373 | |
| M | 4,867,976 | 214,025 | 369,681 | 5,451,682 | |
| M OO | 25,469,579 | 1,064,419 | 623,828 | 27,157,826 | |
| Other | 273,639,545 | 16,217,179 | 8,632,998 | 298,489,722 | |
| Sub Total | 1,310,128,468 | 112,552,946 | 18,190,096 | 1,440,871,510 | |
| Utilities | 13,624,994 | 120,527 | 34,611 | 13,780,132 | |
| Total | 1,323,753,462 | 112,673,473 | 18,224,707 | 1,454,651,642 | |

| Taxing District - 46-1 Meade School | Final 2013 Adj \$ | Inc/Dec REAPPRAISAL | Inc GROWTH | Final 2014 Adj \$ |
|--|--------------------------|----------------------------|-------------------|--------------------------|
| LAWRENCE COUNTY | | | | |
| AG | 7,036,540 | 1,261,109 | 57,611 | 8,355,260 |
| OO | 97,475,889 | 1,571,393 | 1,968,591 | 101,015,873 |
| M | 888,335 | 69,660 | 22,130 | 980,125 |
| M OO | 3,407,115 | 29,152 | 104,181 | 3,540,448 |
| Other | 43,440,560 | 2,780,273 | 1,321,117 | 47,541,950 |
| Sub Total | 152,248,439 | 5,711,587 | 3,473,630 | 161,433,656 |
| Utilities | 1,551,422 | 53,597 | 3,942 | 1,608,961 |
| Total | 153,799,861 | 5,765,184 | 3,477,572 | 163,042,617 |

SCHOOL DISTRICTS 10% REAPPRAISAL CALCULATION
MEADE COUNTY

| Taxing District - 46-1 Meade School | Final 2013 Adj \$ | Inc/Dec REAPPRAISAL | Inc GROWTH | Final 2014 Adj \$ | Total Adj |
|-------------------------------------|----------------------|---------------------|-------------------|----------------------|-----------|
| COMBINED TOTAL | | | | | |
| AG | 388,992,218 | 50,953,119 | 701,830 | 440,647,167 | |
| OO | 721,671,579 | 46,936,706 | 9,887,961 | 778,496,246 | |
| M | 5,756,311 | 283,685 | 391,811 | 6,431,807 | |
| M OO | 28,876,694 | 1,093,571 | 728,009 | 30,698,274 | |
| Other | 317,080,105 | 18,997,452 | 9,954,115 | 346,031,672 | |
| Sub Total | 1,462,376,907 | 118,264,533 | 21,663,726 | 1,602,305,166 | |
| Utilities | 15,176,416 | 174,124 | 38,553 | 15,389,093 | |
| Total | 1,477,553,323 | 118,438,657 | 21,702,279 | 1,617,694,259 | |

What is the percentage of increase due to reappraisal?

Column 2 divided by Column 1 8.02%

If 10% or more, schools are limited to Growth, CPI on Capital Outlay and Pension

Determination: Meade School District's increase to reappraisal is less than 10%

No further calculation is needed for 2014 pay 2015

Values for both counties final growth reports.



10% REAPPRAISAL CALCULATION

Meade County

| Taxing District Meade School 46-1 | Final 2013 ADJ \$ | Int/Dec REAPPRAISAL | Inc GROWTH | Final 2014 Adj \$ |
|---|----------------------|------------------------|-------------------|----------------------|
| AG | 381,955,678 | 49,692,010 | 644,219 | 432,291,907 |
| OO | 624,195,690 | 45,365,313 | 7,919,370 | 677,480,373 |
| M | 4,867,976 | 214,025 | 369,681 | 5,451,682 |
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| Utilities | 13,624,994 | 120,527 | 34,611 | 13,780,132 |
| Total | 1,323,753,462 | 112,673,473 | 18,224,707 | 1,454,651,642 |



10% REAPPRAISAL CALCULATION

Lawrence County

| Taxing District Meade School 46-1 | Final 2013 ADJ \$ | Int/Dec REAPPRAISAL | Inc GROWTH | Final 2014 Adj \$ |
|---|--------------------|------------------------|------------------|--------------------|
| AG | 7,036,540 | 1,261,109 | 57,611 | 8,355,260 |
| OO | 97,475,889 | 1,571,393 | 1,968,591 | 101,015,873 |
| M | 888,335 | 69,660 | 22,130 | 980,125 |
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| Utilities | 1,551,422 | 53,597 | 3,942 | 1,608,961 |
| Total | 153,799,861 | 5,765,184 | 3,477,572 | 163,042,617 |



10% REAPPRAISAL CALCULATION COMBINED TOTAL – Meade County

| Taxing District Meade School 46-1 | Final 2013 ADJ \$ | Int/Dec REAPPRAISAL | Inc GROWTH | Final 2014 Adj \$ |
|---|----------------------|------------------------|-------------------|----------------------|
| AG | 388,992,218 | 50,953,119 | 701,830 | 440,647,167 |
| OO | 721,671,579 | 46,936,706 | 9,887,961 | 778,496,246 |
| M | 5,756,311 | 283,685 | 391,811 | 6,431,807 |
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| Total | 1,477,553,323 | 118,438,657 | 21,702,279 | 1,617,694,259 |



- What is the percentage of increase due to reappraisal?
Column 2 divided by Column 1: 8.02%
- If 10% or more, schools are limited to Growth, CPI on Capital outlay and Pension
- Determination: Meade School District's increase to reappraisal is less than 10%, no further calculation is needed for 2014 pay 2015; Values for both counties final growth reports.

BRITTON-HECLA

CAPITAL OUTLAY DATA ANALYSIS

- 2014 Assessed Valuation Payable in 2015

\$572,295,534

- Maximum Taxes @ 3 Mills: \$ 1,716,886
- Actual @ 1.692 Mills: \$ 968,324
- Growth 1.3%: \$ 7,439,841
- Reassessment 10%: \$ 57,229,553
- 2015 Valuation: \$636,964,928
- 2015 Taxable Valuation: \$596,904,241

BRITTON-HECLA

\$639,946,928

Projected Valuation

.003

Max Mill Levy

\$ 1,919,840

Max Taxes

\$596,904,241

Projected, Taxable Valuation

.0025

Max Mill

\$ 1,492,241

Max Taxes

- True Mill Levy .00234 (\$1,492,260/\$639,946,928)
- Taxes Could increase up to \$623,836

Capital Outlay proposals

Let's talk about it?

What clarifying questions
do you have first?