

# Fairview Independent Schools

## The Recallable Nickel Tax

### Questions and Answers

For More Information:

**Nickel Tax Presentation for the Public – Nov. 19, 2018 at 5:30 PM at Fairview High School**

#### **Q. What is a “Recallable” Nickel?**

A. The nickel tax should allow the Fairview School District to obtain state assistance to pay off bond debt.

While the nickel tax only generates an estimated \$88,547 annually, if history is any indication of equalization, the state will provide an estimated \$45,801 (25%) per year as a match for two years, and then bump it up to \$183,205 (100%). This allows an approximate \$271,752 to be paid toward bond debt with only \$88,547 funded by local taxes and \$183,205 given to the district by the state.

It is also important to note that a most recent bill, HB200, has included language which indicates that the intent of the General Assembly is that any school district levying the recallable nickel will not be eligible for state equalization. However, since it has been historically equalized many expect that it will continue to be fully funded when the legislature meets again in the future.

#### **Q. When would we receive this additional funding?**

A. If the nickel is equalized in future years as it has been in all previous years, we would receive funding as follows:

- 18-19 School Year, Fiscal Year 19 – None
- 19-20 School Year, Fiscal Year 20 - \$88,547 (100% local)
- 20-21 School Year, Fiscal Year 21 - \$134,348 (\$88,547 local and \$45,801 given by state)
- 21-22 School Year, Fiscal Year 22 - \$134,348 (\$88,547 local and \$45,801 given by state)
- \*22-23 School Year, Fiscal Year 23 - \$271,752 (\$88,547 local and \$183,205 given by the state)
- \**Calculation applies to all years after School Year 22/23*

#### **Q. Why does Fairview need a Nickel Tax?**

A. The goal of the Board of Education is to provide a quality education for our students. Under our current budget constraints, due to the loss of the AK Steel Utility Tax and decreased SEEK funding due to an enrollment decline that has occurred over the past five years, the Board is greatly concerned about the future of our district. Significant cuts to spending and staffing have been made with no other option to utilize current resources to meet our financial needs. The Board was able to more easily make bond payments from the General Fund, of approximately \$350,000 annually, when we received the additional \$1.4 million annually that has since been lost. Now, the district cannot provide our students the same level of quality education in the future while making these bond payments without the \$1.4 million previously received.

#### **Q. Why does the Nickel Tax need to be passed now? Why not wait?**

A. At the start of the 18/19 School Year, enrollment unexpectedly decreased by 36 students. This is approximately \$200,000 in revenue that was lost when considering a decrease in SEEK and other state

and federal funding. The funding of \$200,000 lost is coincidentally equivalent to the approximate amount of the district's contingency fund balance determined in our annual audit last year. We only have approximately \$200,000 in our contingency.

**Q. Have other districts around us taken the Recallable Nickel Tax?**

A. Yes, see the list below. Fairview is one of the only districts that has not taken the recallable nickel.

- Ashland has 1 recallable nickel.
- Fairview has 0 recallable nickels.
- Boyd Co has 1 recallable nickel.
- Raceland has 1 recallable nickel.
- Russell has 1 recallable nickel.

**Q. What are the advantages to having the Nickel Tax?**

A. If fully equalized, the Nickel Tax will allow for the district to receive state matched dollars because the community contributed more locally to the school district.

**Q. What will this do to individuals on fixed incomes?**

A. This tax does not affect the amount of savings a home owner receives from the Homestead Exemption Act. If the home is valued at less than the amount of the Homestead Exemption (this year, \$37,600) then you will not pay the Nickel Tax. If the home is valued more than the Homestead Exemption, then the home owner would only pay the Nickel Tax on the taxed amount over the Homestead Exemption amount.

**Q. What will we do with the extra Nickel?**

A. Pay off bond debt.

**Q. What will happen if the "Recallable" Nickel tax is not passed?**

A. We will have to cut an additional approximate \$200,000 out of our next year's budget to make up for the approximate \$200,000 that was lost with the unexpected enrollment decrease at the beginning of this school year. The Superintendent cannot identify any current personnel position waste in the entire district and has reported to the Board that the cuts made previously have left staffing at the minimum necessary to continue to provide students a quality education. Currently, there is already a need to address adding back some of the drastic cuts of extended days to so many positions last year.

**Q. What is the Nickel Tax and why is it currently 6.2 cents?**

A: The actual tax rate that districts levy to produce the 5-cent equivalent tax is greater than 5 cents because the calculation takes into consideration that the tax is only applied to real estate and personal property, not to motor vehicles, and also adjusts for the fact that districts will collect less than 100 percent of the tax. Regardless of the amount collected from the tax, districts are required to transfer the exact amount produced by 5 cents per \$100 of assessed value of property and motor vehicles to the building fund.

**Q. Why can't the School Board raise a lesser amount to start?**

A. By statute, this is the only avenue the local Board of Education has to qualify for matching funds from the state legislature.

**Q. Why should I support the Nickel Tax if I do not have children in school?**

A. A report published in 2004 by the Knowledge Works Foundation titled Public Schools and Economic Development researches the impact of public schools on economic development. Their report contains the following:

- Strong research detailing the impact of education on national economic growth and competitiveness: investing in the skill level of a nation's population increases national productivity, and education leads to higher wages.
- Emerging research on how public schools influence state and local economic growth and attract new business: schools educate the local labor force and can also increase an area's quality of life in order to attract skilled workers to it.
- Strong research on the impact of public schools on the real estate values of their surrounding communities: homes in high-performing school districts sell for more than homes in low-performing school districts.
- Emerging research, with anecdotal evidence, on how public school facilities themselves impact economic development, particularly in distressed areas: school facilities that are small, local, and community-oriented can particularly affect local development.

The future doctors, lawyers, mechanics, computer technicians, welders, salespeople, business owners, farmers, plumbers, engineers, teachers and other leaders of this community will come from those who are educated in the Fairview Independent Schools. As citizens and as business owners, we must invest in their success to ensure our own success and prosperity in the future.

**Q. How much money will this Nickel Tax cost me every year?**

A. The Nickel Tax is 6.2 cents per \$100 assessed value on your home or land. The median home and land value in Westwood, Kentucky is \$70,800, according to [www.bestplaces.net](http://www.bestplaces.net), which means 50% of Fairview School District home/landowners will pay less than \$45 dollars a year. This breaks down to \$3.75 per month.

Examples:

- \$25,000 valued property would be an additional \$15.50 per year, \$1.29 per month.
- \$50,000 valued property would be an additional \$31.00 per year, \$2.58 per month.
- \$75,000 valued property would be an additional \$46.50 per year, \$3.89 per month.
- \$100,000 valued property would be an additional \$62.00 per year, \$5.17 per month.
- \$150,000 valued property would be an additional \$93.00 per year, \$7.75 per month.

*\*\*\*To calculate your exact additional tax, multiply your assessed value by .00062. \*\*\**

**Q. Why is this tax only for land/homeowners and not for everyone?**

A. It is mandatory by state law (KRS 160.460 (3) and related KRS 132.010 and 133.125) that school taxes can be increased through property taxes to property owners only.

**Q. Why wasn't this Nickel Tax put on the general ballot so everyone could vote for it?**

A. The law states that we take the steps that are currently being taken. If the overall vote of the Board of Education is an approval of a nickel tax, it is recallable. If the community secures the signatures necessary to bring it to vote, the Board of Education is responsible for funding a special election. The Board of Education can choose not to take the tax so that the district does not have to pay the approximate \$20,000 associated with scheduling a special election. **The financial need of the district is significant at this time and if the community is in support of the school district's future success, everyone will have to get behind the school right now and support this tax.**

**Q. If this tax does not pass, can it be brought up again in a future attempt?**

A. Yes, it may be brought up again but it could delay the available state assistance and the Superintendent is greatly concerned with the district's financial stability. All of the \$200,000 unexpectedly lost from funding due to enrollment at the beginning of this year must be cut from next year's budget if additional revenue is not secured.

**Q. Why can't the tax be for just those people who have school-aged children in the county?**

A. The law does not allow for "picking and choosing" on who gets taxed (KRS 160.460 (3)).

**Q. Isn't there any other way to raise the money for a new school besides a tax, such as "trimming the fat" from the school system?**

A. All school districts across Kentucky have experienced major budget cuts over the past 10 years which has forced districts to seek out and reduce excess waste. The Fairview School District has been very active and successful in finding ways to more efficiently utilize its revenue and resources. There have been 31 positions cut since the 2013 school year. There are only two central office certified administrators in addition to the Superintendent, where five years ago this number was tripled. Classified district staff have also decreased since 2013. School staff have taken significant cuts in both certified and classified positions.

The state simply will not help us with additional revenue and the Nickel Tax is our only option for this funding from the state. If the tax is passed, the majority of our bond debt currently coming from the General Fund should be paid by the state, with only an estimated \$88,547 paid locally per year.

**Q. How long will I have to pay this tax? Will it temporary or permanent?**

A. The tax can be temporary or recalled, but only after the bonds have been paid off (typically a 20- year bond). However, as with the other 100-plus districts in the state that have passed this tax, the tax is typically used even after the bonds have been paid, since facilities within the district will be facing renovation needs in the future, possibly requiring continued bonding debt.

**Q. Why should I support this tax?**

A. Our school district is a community school district that needs the financial support of the community right now so that our district is successful in the future.

**Q. Will this tax result in us having additional staff and school district resources for our students?**

A. This tax will allow us to receive part of the revenue lost since last year due to enrollment. This tax should be taken as a preventative and proactive plan for our district's financial stability in the future. After next year, the district should start to receive a match and in 2022-2023, the revenue received should be \$271,752. We must plan now for improved staffing and school district resources in the future.

**Q. Is there anything else we can do instead of burdening our tax payers with an additional tax?**

A. The Superintendent has sought input from stakeholders with a focus on developing and recommending a plan to our Board of Education that will allow our district future financial stability. After careful review of all options, this is the only option to plan for our district's future financial stability. The additional funding provided to our district by the state is an opportunity to plan for our district's future financial stability but only if we act now. The Board of Education has made it a priority to make the most fiscally responsible decisions for our district while considering the burden on our tax payers. The Board of Education has encouraged and supported the work of the Superintendent over the past four months to recommend a solution to our current financial situation.

**Q. Who makes the decision about a Nickel Tax and when?**

A. The Superintendent is planning to make a recommendation to the Board of Education and ask that they take the Nickel Tax in a meeting on November 26, 2018. The Board of Education can vote on the Nickel Tax in this meeting. If approved by the Board of Education, members of the community can go through a process to recall the nickel if they do not want to pay this additional tax that should result in the additional revenue from the state for our district.