



Vision 2020

Presentation of Operational Needs

And

Initiative to Provide for School City of Hobart



VISION 2020
FOR THE BRICKIES

Operating Referendum:
School Board Meeting: June 5, 2017
School City of Hobart

Presentation Summary

- Introduction and Mission
- Future of Educational Funding for Lake and St. Joseph County
- Understanding the Difference in Funds permitted for school districts
- Operational History
- Solution
- Financial Considerations
- Your Support



Introduction and Mission

❑ VISION FOR STUDENT LEARNING:

The School City of Hobart Community will foster intellectual curiosity, natural abilities, critical thinking, and literacy in students while developing respectful and responsible citizens who are excited about the challenges of tomorrow, confident in their ability to chart the future, and dedicated to the pursuit of lifelong learning.

❑ MISSION:

Our Schools Equip Children for Adulthood
Our Schools Address the Needs of Individual Students
Our Schools Are Community Schools
Our Schools Are Committed to Success



What is Coming in 2020 for Lake and St. Joseph Counties?

- The circuit breaker tax caps are scheduled to become effective in both Lake and St. Joseph Counties in 2020 which is estimated to cause SCOH to lose almost \$2 million dollars annually in its funds that pay for transportation, maintenance of facilities and technology.
- The rest of the State has experienced the circuit breaker tax caps since 2008. The tax caps will limit a home owners' total property tax bill to 1% of the home's gross assessed value, a landlord or farmer to 2% and business to 3%.
- This will have the effect of reducing taxpayers' bills in 2020. For example, a taxpayer who owns a home with a total assessed value of \$100,000 and a current tax bill of \$1,500, after the tax caps take effect, that taxpayer's bill could drop to \$1,000 which is 1%. The \$500 reduction to the taxpayer will be a \$500 loss to all of the taxing units, such as SCOH, the city and county.



Understanding the Fund Requirements

Capital [facility] Fund cannot be used for Operations

- ❑ Indiana requires school districts to separate the Capital Debt Service Fund from the Operational [Educational] Fund
- ❑ Capital Debt Service Fund is for building projects and related ONLY
- ❑ Operational [Educational] Fund is for the school district operations such as staff, activities, school supplies, and utilities
- ❑ SCOH manages both with great care



Operation Funds

What are they?

- Transportation - Buses
- Technology - Infrastructure and Utility Costs
- Maintenance of facilities



Operational History

- **2009 – The state cut funding to K-12 schools due to the new law where state tuition to schools started coming from sales taxes versus property taxes along with the great recession**
- **The SCOH lost 1.2 million annually from their budget when the state made these cuts**
- **The district worked tirelessly and restructured to make adjustments financially in order to not go to the tax payers for this cut**
 - **Consolidated Grades 1-5 in three schools to utilize staff more efficiently**
 - **Early retirement incentives, attrition and no RIFs**
 - **Took advantage of full day K grant to pay for teachers and opened up the ELC**
 - **Did furloughs in custodial ranks**
 - **We moved to a magnet for high ability program in one school**
 - **We did not cut programming**
 - **Reduced Administrators and pay**
 - **Healthcare adjustments**
- **We have operated fiscally and responsibly. We did not go to tax payers asking for more funding when most school districts had to do this to balance the deficits in their budgets**
- **There is nothing more to cut except transportation and programming if we do not recoup the ~\$2 million dollar loss that will happen in 2020**



Operational Referendum Vision 2020

**Preparation for Annual Operational
~\$2 Million Reduction in Revenue
Due to Property Tax Caps:**

**1% Homestead
2% Rental/Farmland,
3% Business/Commercial**



What does that mean?

- Local property tax bills will go down in 2020 due to the tax caps**
- What does that mean for schools and municipalities?**
 - **LOSS OF REVENUE**
- School City of Hobart will lose ~\$2 Million**



3 Houses and the 1% Tax Cap

Estimated Tax Bill - 2015 Pay 2016	
Gross Assessed Value	\$ 128,600
Net Assessed Value	\$ 51,340
Gross Annual Taxes	\$ 1,556
Minus Savings Due to Property Tax Cap	\$ 0
Taxes Due to Property Tax Cap Exempt Tax Rates	644
Net Annual Tax Bill Estimated	\$ 1,556
Tax Rate Details	
Total Tax Rate:	3.0316%
Property Tax Cap Exempt Tax Rate:	1.2545%
Property Tax Cap:	1%
Maximum Property Tax Bill:	\$ 1,930

Example: Total assessed value of \$128,000 and a current tax bill of \$1,556, after the tax caps take effect, that taxpayer's bill will drop to \$1,280 which is 1%. The \$276 reduction to the taxpayer will be a \$276 loss to all of the taxing units, such as SCOH, the city and county

Estimated Tax Bill - 2015 Pay 2016	
Gross Assessed Value	\$ 150,000
Net Assessed Value	\$ 65,250
Gross Annual Taxes	\$ 1,978
Minus Savings Due to Property Tax Cap	\$ 0
Taxes Due to Property Tax Cap Exempt Tax Rates	819
Net Annual Tax Bill Estimated	\$ 1,978
Tax Rate Details	
Total Tax Rate:	3.0316%
Property Tax Cap Exempt Tax Rate:	1.2545%
Property Tax Cap:	1%
Maximum Property Tax Bill:	\$ 2,319

Estimated Tax Bill - 2015 Pay 2016	
Gross Assessed Value	\$ 200,000
Net Assessed Value	\$ 97,750
Gross Annual Taxes	\$ 2,963
Minus Savings Due to Property Tax Cap	\$ 0
Taxes Due to Property Tax Cap Exempt Tax Rates	1226
Net Annual Tax Bill Estimated	\$ 2,963
Tax Rate Details	
Total Tax Rate:	3.0316%
Property Tax Cap Exempt Tax Rate:	1.2545%
Property Tax Cap:	1%
Maximum Property Tax Bill:	\$ 3,226



A Proactive Solution in Fall 2017

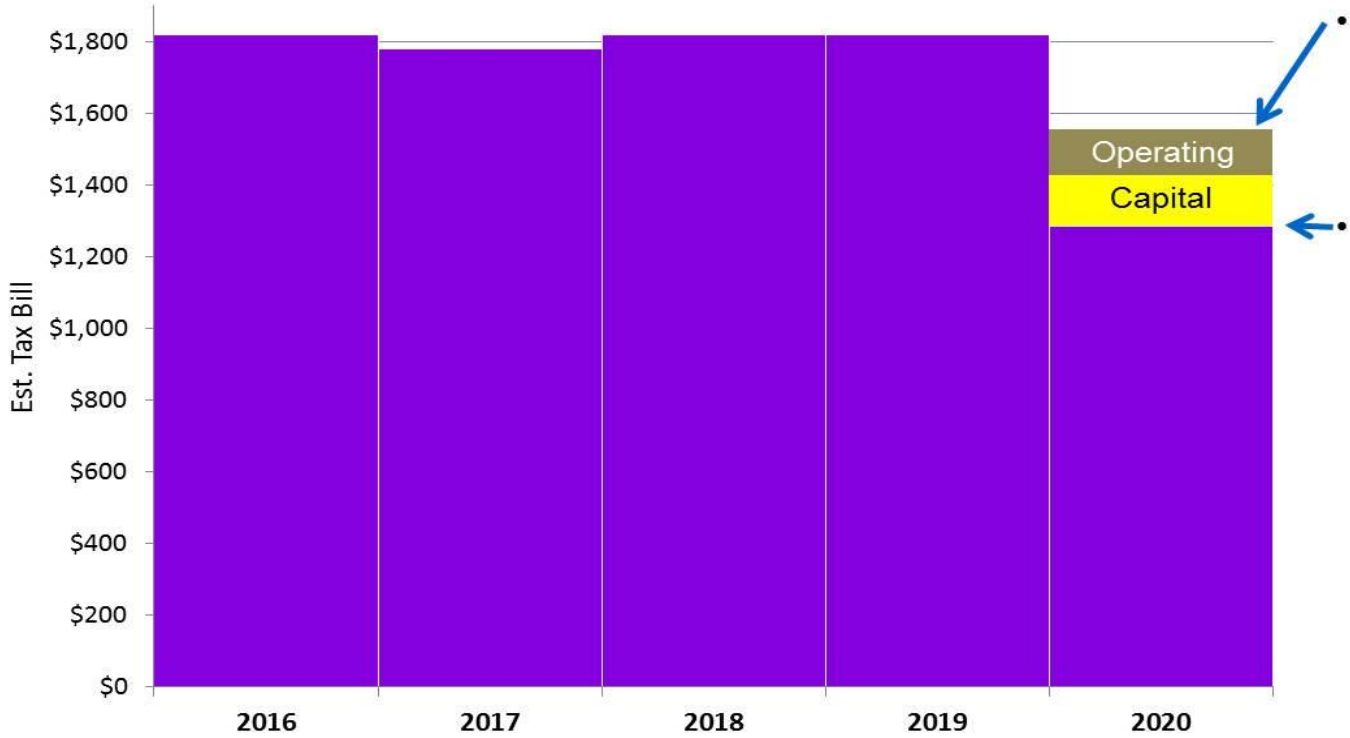
**PROACTIVE SOLUTION:
Operational Referendum for
~ \$2 Million fund replacement**

**Can this be done with the result
of a neutral tax bill impact?**



What would a \$0.246 operational tax rate increase look like for an average \$128,600 A.V. homeowner's tax bill in Fall 2020?

- By going out on this operational referendum in 2017, there would be NO tax rate increase until needed in 2020 when the property tax caps kick in and the school levies for the tax increase to replace the lost revenue – AND
- In 2020, a tax rate increase of \$0.246 begins which equals approximately \$127 per year on an average \$128,600 home – HOWEVER,
- In 2020, the tax bill goes down for those homeowners hitting the tax cap
- Example from below: in 2020: approx. \$532 savings from reduction in tax bill due to exempt debt roll off



Results in an est. \$265 reduction in tax bill, even with both the Operational and Capital referendums added.

For example, a taxpayer who owns an average home with a total assessed value of \$128,600 and an est. current tax bill of \$1,818, after tax caps take effect, that taxpayer's non-exempt bill will drop to \$1,286, which is 1%. The \$532 reduction to the taxpayer will be a \$532 loss to all of the taxing units, such as SCOH, the city and county.



The Question on the ballot for November 7, 2017 Referendum

OPERATING REFERENDUM

- For the eight (8) calendar years immediately following the holding of the referendum, shall the School City of Hobart impose a property tax rate that does not exceed twenty-four and 6/10 cents (\$0.246) on each one hundred dollars (\$100) of assessed valuation and that is in addition to all other property taxes imposed by the school corporation for the purpose of funding and maintaining current educational and operational programs including student safety and transportation and any other educational and operational needs of the school corporation?



Operational Referendum Fall 2017

SCOH adds an Operational Referendum to this proposed Capital Referendum Fall 2017 – results in an ~\$0.246 tax rate increase - but not levied for the tax rate increase until needed in 2020 . Then the tax bill goes down with the 1% property tax cap cut as the tax rate increase is levied resulting in a neutral tax bill.

Advantages

- Proactive approach to revenue loss coming in 2020
- Low interest rates right now
- Tax rate increase ~\$0.246 would be offset by lower tax bill going down in 2020 when tax caps take effect - resulting in neutral tax bill

Disadvantages

- The possibility of a No vote means the following:
 - A No vote will result in program cuts in 2020
 - Largest impact – Transportation - Buses



Your Support

- Continue Commitment to Children of Hobart**
- Fiscally Responsible Protection of Funds and Programs**
- Take Advantage of Current Financial Opportunity**
- Capital Referendum has no tax rate increase**
- Operational Referendum has a 2020 tax rate increase offset by the 1% property tax cap cut which would result in a neutral tax bill**





**We appreciate your commitment
in providing Hobart students an
enriching environment for enhanced
learning, opportunity, and achievement.**

We touch the future!

We have impact!

THANK YOU !



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