

ACBOE FY19 Tax Rate Hearing
SY 2019-2020

Food for Thought

The day you plant the seed is not the day you eat the fruit.

- Fabienne Fredrickson -

Don't judge each day by the harvest you reap but by the seeds that you plant.

- Robert Louis Stevenson -

An investment in knowledge pays the best interest.

- Benjamin Franklin

- “Education does not exist to give you a job. . . . Education is here to nourish your soul.” Dr. Ruth Simmons

Education Facts

- In the 1996-1997 school year, education was 52% of the state budget and in 2019-2020 it is only 43%. The 9% loss cost education \$1 billion.
- Since KERA, the total state budget grew 255%. Education has only grown 232%. There is a significant and continuous decline in the investment in education.
- Education is a state constitutional responsibility, however local communities are carrying a large portion of the burden.
- Only modest increases have been given to SEEK funding while there have been detrimental cuts to grant funded programs including the elimination of instructional materials, professional development, safe schools, and preschool.

Tax Rates

	Current Tax Rate	Compensating Tax Rate	Subsection (1)	4% Increase
		Excludes new property and produces an amount of revenue equal to that produced in the preceding year utilizing current year's property assessment.	Restricts local school boards to a tax rate that will produce no more revenue than the previous year's maximum rate.	Produces 4 percent over the amount of revenue produced by the Compensating Rate.
Real Estate	64.6	63.4	64.7	65.9
Personal Property	64.6	63.4	64.7	65.9

NOTE

0.2 cents has been added to the above property rates to recover prior year losses due to exonerations.

Sources of General Fund Revenue

- ▶ Schools rely on two major sources of funding for the general fund to provide:
 - Instruction
 - Retain and recruit the country's best teachers
 - Provide specialized instruction to create learning opportunities for all students - give every child the opportunity to succeed
 - Ensure classrooms are right-sized for optimum learning
 - Obtain tools so children can be prepared for what it is like to work in various industries
 - Safety
 - Add one more SRO to the District's campus
 - Purchase additional security equipment such as cameras, door locks, and provide a single entry for all those who attend, work, and visit the schools
 - Technology
 - Add voice over IP phone lines to improve communications
 - Increase the number of technological devices per student for a 1:1 ratio
 - Additional online databases and resources to enhance instruction
 - Transportation
 - Continue to purchase new buses each year upgrading the fleet
 - Provide resources to maintain current fleet

2017-2018 School Year

Local taxes	\$ 11,957,728	42.1%
SEEK	13,648,620	57.1%
All other general fund	<u>186,025</u>	0.8%
	\$ 25,792,373	

2018-2019 School Year

Local taxes	\$ 12,194,501	46.9%
SEEK	13,622,373	52.4%
All other general fund	<u>195,150</u>	0.8%
	\$ 26,012,025	

Does not include on-behalf payments, lease proceeds or transfers from other funds

General Fund Revenue

2018-2019 School Year General Fund Revenue

Local taxes	\$ 12,194,501	46.9%
SEEK	13,622,373	52.4%
All other general fund	<u>195,150</u>	0.8%
	\$ 26,012,025	

Local Tax Detail:

Real and Personal Property*	\$ 10,296,015	84.4%
Vehicle	861,224	7.1%
Utilities	<u>1,037,262</u>	8.5%
	\$ 12,194,501	

* Includes \$2,734,092 that must be committed to Building Fund

Anticipated Revenue

Real and Personal Property			
2019 Property Assessment		\$	1,673,044,926
2018 Property Assessment		\$	1,601,563,335
	Change	\$	71,481,591
	<u>Cents/\$100</u>	<u>Anticipated Revenue</u>	<u>Increase from 2018-2019</u>
Compensating	63.2	\$ 10,573,644	\$ 1,379,454
No change	64.6	\$ 10,807,870	\$ 1,613,680
1%	63.8	\$ 10,679,380	\$ 1,485,190
2%	64.5	\$ 10,785,117	\$ 1,590,927
3%	65.1	\$ 10,890,853	\$ 1,696,663
4%	65.7	\$ 10,996,590	\$ 1,802,400
4% + exonerations	65.9	\$ 11,025,366	\$ 1,831,176

IMPACT

	Real and Personal	Vehicles	Total
2019 Property assessment	\$ 1,673,044,926	\$ 186,252,251	\$ 1,859,297,177
2018 Property assessment	\$ 1,601,563,335	\$ 176,808,928	\$ 1,778,372,263
Change	\$ 71,481,591	\$ 9,443,323	\$ 80,924,914
%	4.5%	5.3%	4.6%

General fund impact of increased assessment (independent of property tax rate selected)

Negative impact

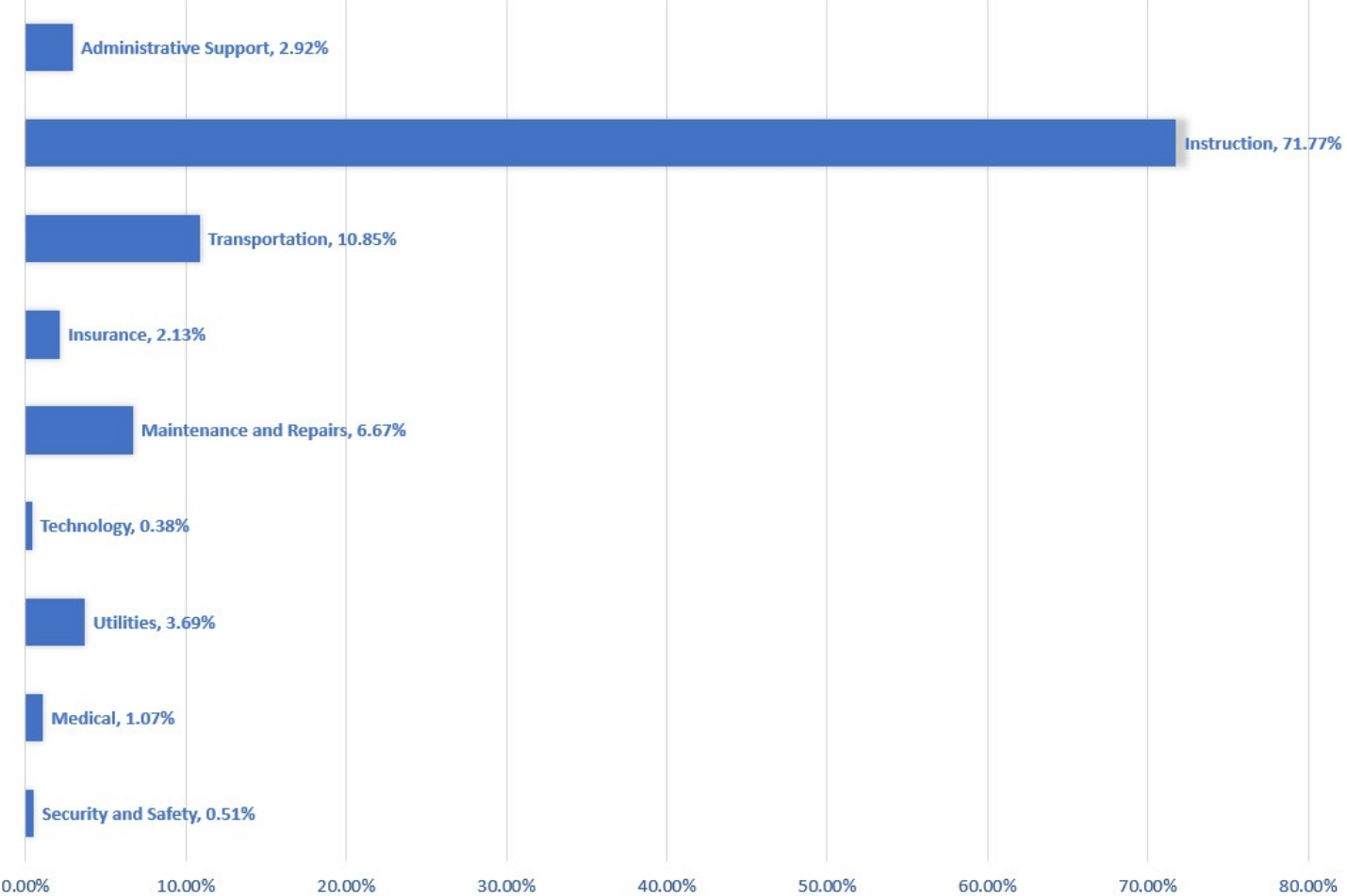
Decrease in SEEK (17-18 Final and 18-19 Forecast)	\$ (468,998)
CERS Increase	\$ (70,000)
Additional amount restricted for Building Fund	<u>(300,000)</u>
	\$ (838,998)

Positive impact

Additional property tax revenue over prior year with 4% + exonerations	\$ 752,086
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Net impact	\$ (86,912)
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District Expenditures for General Fund in Summary



District Savings

- Copier Contract - reduced by over 50% for a five-year period
- Insurance - due to education of staff and students on safety, there was a reduction of over 12% in annual cost.
- Energy - saved over \$2 million in a 10-year period. The Ezra Sparrow Early Childhood Center is one of the top 10 most energy efficient buildings in the Commonwealth of Kentucky.
- Interest - maintaining a larger fund balance generated approximately a 76% increase in interest of \$50,000 on average from a previous \$12,000 each year.
- Fund Balance - by maintaining a larger fund balance, the District is less dependent on state and federal funding increasing the District's credit rating and making bonds more attractive to buyers. The net effect is a reduction interest paid on current and future bond issues.
- Debt Service - The District issued \$3,880,000 of School Building Refunding Revenue Bonds to advance refund the previously issued 2007 bonds to reduce the interest rate and outstanding debt service.

For 3.5 cents a day, tax revenue will provide:

- Competitive salary compared to surrounding districts that will assist in recruiting and retaining the best teachers in the country for quality instruction
- One additional SRO and an increase in security equipment
- Increased safety in each school building through the acquisition of additional equipment to create a single entrance
- Continue to add technological resources for students and VOIP services for staff to improve communication
- New buses and ability to surplus older fleet
- Debt service funds to meet the local contribution requirements for the improvement of campus infrastructure (ACHS and ACMS HVAC Project)
- Additional renovation reserves to maintain and upgrade district facilities for the health and safety of students

FY19

	<u>Cents/\$100</u>	<u>Annual Tax/\$1,000</u>
Current tax rate	62.7	\$6.08
Maximum tax rate	64.6	\$6.27
Increase	1.9	\$0.19

Annual increase per \$100,000 of property = \$19

FY20

	<u>Cents/\$100</u>	<u>Annual Tax/\$1,000</u>
Current tax rate	64.6	\$6.46
Maximum tax rate	65.9	\$6.59
Increase	1.3	\$0.13

Annual increase per \$100,000 of property = \$13

General Fund Impact of Maximum Tax Rate

65.9 (4% + exonerations)

General Fund impact of maximum tax rate of 65.9 (4% + exonerations)

Revenue increase if 100% collected	\$ 1,831,176
Net impact of assessment change	- <u>86,912</u>
	\$ 1,744,264
Additional estimated change in funding	<u>(235,000)</u>
	\$ 1,509,264

Each 1% increase in pay impacts the General Fund
approximately a total of \$235,000

A new bus costs approximately \$95,000.

General Fund Balance by District

2017-2018 Audited Financials

Anderson County's fund balance in the General Fund at the end of the 2007-2008 school year was \$3,212,115. At the close of the 2015-2016 fiscal year it was \$1,463,155. The chart below summarizes the General Fund balances of the surrounding districts and the balances as a percentage of expenses in the General and Food Service funds.

Based on audited 2017-2018 financials:

District	General Fund Balance	% of Expense
Anderson	\$3,349,268	11.4%
Nelson	\$3,431,406	10.0%
Mercer	\$3,838,448	18.2%
Spencer	\$4,115,112	20.0%
Washington	\$4,307,685	35.4%
Woodford	\$7,946,395	27.1%
Franklin	\$11,395,711	25.0%
Shelby	\$18,480,612	35.1%
*Unaudited 2018-19 Anderson	\$3,301,191	10.8%

ACBOE Historical Fund Balance

Year	General Fund Balance	% of Expense	Tax Rate
2008-2009	\$2,518,476	8.4%	0.552
2009-2010	\$1,421,288	4.4%	0.552
2010-2011	\$1,663,790	5.2%	0.552
2011-2012	\$1,874,351	8.1%	0.552
2012-2013	\$867,562	3.7%	0.552
2013-2014	\$143,965	0.6%	0.570
2014-2015	\$1,192,749	5.3%	0.570
2015-2016	\$1,463,155	6.4%	0.586
2016-2017	\$2,483,353	9.4%	0.608
2017-2018	\$3,349,268	11.4%	0.627
Unaudited 2018-2019	\$3,301,191	10.8%	0.646

*Decrease in fund balance from 2017-2018 audited and 2018-2019 unaudited due to ACHS and ACMS HVAC construction project soft costs and ACMS cooling tower phase I costs incurred within the scope of the total project. Phase I ACMS costs total approximately \$185,100. A bond resolution is in place for general fund reimbursement.

District Historical SEEK FY09 to FY19

Fiscal Year	SEEK Amount Received
FY20 Forecasted	11,893,613
FY19	13,622,373
FY18	13,648,620
FY14	13,726,265
FY17	13,727,443
FY11	13,766,043
FY10	13,819,073
FY16	14,000,147
FY13	14,009,787
FY15	14,182,568
FY09	14,220,746
FY12	14,591,959
FY20 Loss in SEEK Revenue	(1,728,760)

Bordering Counties Fund Balance Comparison

County	Population	Tax Rate	Fund Balance	Average Graduation Rate
Shelby	48,518	73.1	18,480,611.80	92.8%
Franklin	50,815	71.5	11,395,710.85	89.6%
Woodford	26,533	68.2	7,946,395.31	97.2%
Washington	12,084	60.2	4,307,684.78	98.4%
Spencer	18,794	63.1	4,115,111.92	96.4%
Mercer	21,774	69.2	3,838,447.74	96.5%
Nelson	45,851	77.2	3,431,406.30	93.7%
Anderson	22,663	64.6	3,350,559.12	94.9%

Anderson has the lowest fund balance, 3rd lowest tax rate, and 5th highest graduation rate of all bordering counties.

Levied Equivalent Tax Rate

A statutory formula is used to compare district tax rates because the structure varies by taxing authority. The formula utilizes the district's total tax revenue divided by its total assessment, which includes property and motor vehicles.

District	2008-2009 Levied Equivalent Tax Rate	2018-2019 Levied Equivalent Tax Rate	Change
Spencer	60.7	67.6	11.4%
Anderson	61.9	68.8	11.1%
Washington	62.3	70.9	13.8%
Woodford	55.9	73.6	31.7%
Mercer	63.6	75.1	18.1%
Franklin	61.6	77.4	25.6%
Shelby	71.6	79.1	10.5%
Nelson	64.3	79.7	24.0%

Levied equivalent rate = Total tax revenue/total assessment

Anderson County's rate is only 2% higher than the next closest district but also 3% lower than a bordering county.

Surrounding Counties

2019-2020 Proposed Tax Rates

District	2019-2020 Tax Rate Proposed
Nelson	75.0
Franklin	74.3
Shelby	73.1
Boyle	71.7
Mercer	71.6
Woodford	69.3
Jessamine	69.0
Garrard	67.3
Anderson	65.9
Spencer	64.8
Washington	60.2

Surrounding Counties 2019-2020 Rank I Full-Time Salaries

County	Rank I Salary with no Experience	Days	
Franklin	\$ 48,160.00	187	
Spencer	\$ 47,444.00	185	
Mercer County	\$ 46,993.00	185	Provided 2% Increases to staff
Shelby	\$ 46,975.00	187	
Nelson	\$ 46,904.00	186	
Woodford	\$ 46,484.00	188	
Washington	\$ 46,382.00	185	
Anderson County	\$ 43,987.00	186	

Surrounding Counties 2019-2020 Certified Substitute Salaries (no previous experience)

<u>County</u>	<u>Daily Rate</u>
Woodford	\$ 91.35
Shelby	\$ 87.00
Mercer County	\$ 85.00
Spencer	\$ 80.00
Franklin	\$ 80.00
Nelson	\$ 75.00
Anderson County	\$ 72.58
Washington	\$ 67.00

Transfers to Another District

- Teachers - 15
- Bus Drivers - 3
- Instructional Assistant - 1 (transferred to a state level position)
- Technology - 1

Total Transfers - 20

2018-2019 Real Estate Tax Rate and Per Student SEEK

ACBOE's tax rate was lower than surrounding comparable counties:

Sorted by real estate tax rate:

	Rate	SEEK Final
Woodford	68.2	\$ 2,906
Nelson	77.2	\$ 3,478
Franklin	71.5	\$ 3,578
Shelby	73.1	\$ 3,638
Anderson	64.6	\$ 3,901
Spencer	63.1	\$ 4,329
Mercer	69.2	\$ 4,357
Washington	60.2	\$ 4,722

2019-20 maximum rate = 65.9

ACBOE Real Estate Tax Rate Trend

From 2008-2009 to 2009-2010, a loss of unrecoverable revenue occurred from not selecting the 4% tax rate that totaled \$1,097,188.

	<u>Year</u>	<u>Rate</u>	<u>Type</u>	<u>Fund Balance</u>
	2008-2009	55.2	4%	\$2,518,476
	2009-2010	55.2	Other	\$1,421,288
	2010-2011	55.2	Other	\$1,663,790
	2011-2012	55.2	Other	\$1,874,351
	2012-2013	55.2	Other	\$867,562
	2013-2014	57.0	Other	\$143,965
	2014-2015	58.5	4%	\$1,192,749
	2015-2016	58.6	Compensating	\$1,463,155
	2016-2017	60.8	4%	\$2,483,353
	2017-2018	62.7	4%	\$3,349,268
Unaudited	2018-2019	64.6	4%	\$3,301,191

ACBOE Salary Trend

Total General Fund spending for salaries has changed negligibly over the last several years, however, the costs of benefits has incrementally increased due to shifts in state to local responsibility. Employer contributions to CERS for the school districts will increase 12% per year for 10 years. ACBOE's FY19 CERS expense increase will total approximately \$70,000 for the General Fund.

	<u>School Year</u>	<u>Salaries</u>	<u>Board Paid Benefits</u>	<u>State-Mandated Salary Increase</u>
	2012-2013	\$16,365,926	\$1,642,260	
	2013-2014	\$16,087,618	\$1,642,742	
	2014-2015	\$16,186,942	\$1,597,955	1%
	2015-2016	\$16,215,712	\$1,704,233	2%
	2016-2017	\$16,001,854	\$1,721,368	
	2017-2018	\$16,454,724	\$1,780,137	1%
Unaudited	2018-2019	\$16,214,355	\$1,800,108	1%

ACBOE Tax Rate Notes for FY20

- SEEK 18-19 Final compared to 19-20 Forecast resulted in a net decrease of \$468,998
- CERS Increase would have been 28.86% (50% over prior year) in FY19 and instead through much debate through legislation became 12% per year for 10 years. Historically the cost increased incrementally an average of \$20,000. For FY19 and forward, the average is \$100,000 each year.
- Professional Development and Instructional Resource Flex Focus funds were not restored in FY19 totaling a loss of \$142,338
- Self sufficiency of the District is crucial for cost savings as the more a local entity depends on state and federal funding, the lower the credit rating. This affects the amount of interest paid on new bond issues.
- It's critical to remain competitive as a Rank I teacher with no experience can drive less than 15 miles and make \$4,000 more per year.

NOTICE OF HEARING
ANDERSON COUNTY BOARD OF EDUCATION

The ANDERSON COUNTY BOARD OF EDUCATION will hold a public hearing in the Board Room at the Anderson County Board of Education, on Thursday, September 5, 2019, at 6:00pm to hear public comments regarding a proposed general tax levy of 65.9 cents on real property and 65.9 cents on personal property.

The general tax rate levied in fiscal year 2019 was 64.6 cents on real property and 64.6 cents on personal property and produced revenue of \$10,273,280.13. The proposed general tax rate of 65.9 cents on real property and 65.9 cents on personal property is expected to produce \$11,025,366 assuming 100% collection. Of this amount \$1,818,757.02 is from new and personal property. The compensating tax for 2020 is 63.2 cents on real property producing \$8,886,411 and 63.2 cents on personal property to produce \$1,687,233.

The general areas to which revenue of \$752,085.87 above fiscal year 2020 revenue is to be allocated are as follows: cost of collections, \$22,562.58; building fund, \$339,272.99; safety \$70,000; instruction \$90,250.30; transportation, \$190,000; and maintenance of plant \$40,000.

The General Assembly has required publication of this advertisement and information contained herein.

ANDERSON COUNTY BOARD OF EDUCATION
JUNE 30, 2019

	Fund 1 General Fund	Fund 2 & 21 Special Revenue	Fund 310 Capital Outlay	Fund 320 Building	Fund 360 Construction	Fund 400 Debt Service	Fund 51 Food Service	Fund 52 Day Care	Fund 7000 Fiduciary	TOTAL
Revenues										
Revenues from local sources										
Taxes:										
Property taxes	7,328,618.00	-	-	2,455,023.10	-	-	-	-	-	10,383,641.10
Motor vehicle taxes	773,882.00	-	-	-	-	-	-	-	-	773,882.00
Utility taxes	1,037,262.00	-	-	-	-	-	-	-	-	1,037,262.00
Total Taxation revenue	9,739,762.00	-	-	2,455,023.10	-	-	-	-	-	12,194,785.10
Investment earnings	60,647.16	-	-	-	-	-	3,506.43	-	-	64,153.59
Tuition	-	60,464.72	-	-	-	-	-	296,378.80	-	356,843.52
School Lunch Program	-	-	-	-	-	-	538,029.84	-	-	538,029.84
Other revenue	134,503.16	338,505.27	-	-	-	-	-	-	-	473,008.43
Total revenue from local sources	9,934,912.32	398,969.99	-	2,455,023.10	-	-	541,536.27	296,378.80	-	13,626,820.48
Revenue from state sources	12,401,516.00	1,518,022.73	325,282.00	934,480.00	-	-	-	-	-	15,179,300.73
Revenue from federal sources	-	2,513,461.99	-	-	-	341,167.50	1,036,474.23	-	-	3,891,103.72
On-Behalf sources	8,134,107.53	-	-	-	-	-	117,549.32	43,410.12	-	8,295,066.97
Interfund Transfers	79,729.08	155,332.00	-	-	338,420.84	3,487,936.19	-	-	-	4,061,418.11
Sale or Compensation for Loss of Assets	-	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	287,095.00	-	-	-	-	-	-	-	-	287,095.00
Beginning Balance	3,062,295.00	133,142.20	226,918.00	81,675.03	458,081.14	2,077,863.42	520,761.74	-	-	6,560,736.53
Total Revenues	33,899,654.93	4,718,928.91	552,200.00	3,471,178.13	796,501.98	5,906,967.11	2,216,321.56	339,788.92	-	51,901,541.54
Expenditures										
Salaries and Benefits										
Instructional	12,346,147.35	2,566,058.47	-	-	-	-	-	-	-	14,912,205.82
Student Support	430,155.63	-	-	-	-	-	-	-	-	430,155.63
Instructional Staff Support	653,481.94	262,720.17	-	-	-	-	-	-	-	916,202.11
District Administrative Support	268,473.03	-	-	-	-	-	-	-	-	268,473.03
School Administrative Support	1,383,595.13	-	-	-	-	-	-	-	-	1,383,595.13
Business Support	290,818.77	86,196.16	-	-	-	-	-	-	-	377,014.93
Plant Operations and Maintenance	1,137,793.96	1,520.51	-	-	-	-	-	-	-	1,139,314.47
Site Improvement	-	-	-	-	-	-	-	-	-	-
Transportation	1,503,997.16	61,139.70	-	-	-	-	-	-	-	1,565,136.86
Food Service	-	-	-	-	-	-	707,907.28	-	-	707,907.28
Day Care Operations	-	-	-	-	-	-	-	253,604.20	-	253,604.20
Community Services	-	210,161.43	-	-	-	-	-	-	-	210,161.43
Total Salaries and Benefits	18,014,462.97	3,187,796.44	-	-	-	-	707,907.28	253,604.20	-	22,163,770.89
Vendor Payments	3,899,812.25	1,348,931.39	-	-	795,148.39	-	824,528.55	-	-	6,868,420.58
Debt Service Payments	155,921.60	9,230.68	-	-	-	3,829,103.69	-	15,019.10	-	4,009,275.07
Transfers and on-behalf payments	8,528,267.37	6,688.00	116,351.06	3,471,178.13	-	-	197,278.40	43,410.12	-	12,363,173.08
Total Expenditures	30,598,464.19	4,552,646.51	116,351.06	3,471,178.13	795,148.39	3,829,103.69	1,729,714.23	312,033.42	-	45,404,639.62
Net Change in Fund Balance	3,301,191	166,282.40	435,848.94	-	1,353.59	2,077,863.42	486,607.33	27,755.50	-	6,496,901.92

Fund Type	Revenues	Expenditures	Change in Net Assets / Fund Balance
Governmental	\$ 49,345,431.06	\$ 43,362,891.97	\$ 5,982,539.09
Proprietary	\$ 2,556,110.48	\$ 2,041,747.65	\$ 514,362.83
Grand Totals	\$ 51,901,541.54	\$ 45,404,639.62	\$ 6,496,901.92

**ANDERSON COUNTY BOARD OF EDUCATION
FOR THE YEAR ENDED
JUNE 30, 2019**

REVENUES

Revenue from local sources:	
Taxation	\$12,194,785.10
Investment earnings	\$64,153.59
Tuition	\$356,843.52
School Lunch Program	\$538,029.84
Other revenue	\$473,008.43
Total revenue from local sources	\$13,626,820.48
Revenue from state sources	\$15,179,300.73
Revenue from federal sources	\$3,891,103.72
On-Behalf sources	\$8,295,066.97
Beginning balance	\$6,560,736.53
Interfund transfers	\$4,061,418.11
Capital Lease Proceeds	\$287,095.00
Sale or Compensation for Loss of Assets	\$0.00
TOTAL REVENUES	\$51,901,541.54

EXPENDITURES

Salaries and Benefits:	
Instructional	\$14,912,205.82
Student Support	\$430,155.63
Instructional Staff support	\$916,202.11
District Administrative	\$268,473.03
School Administrative support	\$1,383,595.13
Business Support	\$377,014.93
Plant Operations and Maintenance	\$1,139,314.47
Transportation	\$1,565,136.86
Food Service	\$707,907.28
Day Care Operations	\$253,604.20
Community Services	\$210,161.43
Total salaries	\$22,163,770.89
Vendor Payments	\$6,868,420.58
Transfers and on-behalf payments	\$4,009,275.07
Debt service payments	\$12,363,173.08
TOTAL EXPENDITURES	\$45,404,639.62

**NET INCREASE/(DECREASE) IN
NET ASSETS/FUND BALANCES**

\$6,496,901.92