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NEWS AND NOTES

April 10, 2011

SIoux CITY SCHOOL DISTRICT'S BUDGET

Failures of the System

By April 15th, state law requires that the school districts in Iowa certify their property tax levies for Fiscal Year 2012. It's important to point out that the Sioux City School Board and administration have a tough task at hand. They must essentially make an educated guess on where to set the property tax levy.

The first educated guess the school district will have to make is how much state aid, which accounts for about two thirds of their revenue, they will be receiving. This is due to the current political situation within the Iowa legislature and Governor's office. No school district in Iowa will know their actual state aid revenues until something is signed into law. The Sioux City School District can guess how much state aid they will receive, but nothing at this time is a guarantee.

The second educated guess the school district will have to make is how much they will have to spend in wages and benefits for teachers. Currently, the school district and the Sioux City Education Association are in contract negotiations and no settlement is expected to be made by the state deadline for certification of property tax levies on April 15th. About 80% of the expenditures a school district has are in wages and benefits and the teachers are the school district's largest employee group.

These two major budget unknowns would make forming a budget for schools, businesses or any other entity extremely difficult. The school board and staff deserve credit as they have gone over many scenarios to make their best educated guess as they form next year's budget. There is no doubt the current system of education funding in our state is deeply flawed and both the timing and funding formula need to be overhauled. Every year schools in Iowa certify their budgets before the legislature and governor make their school funding decisions.

Setting the Property Tax Levy

Prior to publicly publishing the school district's proposed budget in the local paper, a debate among the school board occurred on where the school district's property tax levy should be set. On a six to one vote among the school board they decided to lower the property tax levy, when compared to last year, by \$0.49. This amount was recommended by the school district administration due to the recent PPEL vote being rejected by the voters. The PPEL vote would have repurposed the expiring debt levy of \$0.49 to be used as an additional funding source for various maintenance and infrastructure projects.

Commercial property taxpayers will be pleased to hear that the school districts levy will be reduced since commercial property is taxed at 100% of their assessed value. Residential property owners will not be content due to the fact that their school district's share of their property tax bill will still increase. This increase is due to the state mandated increase in the percentage of assessed value increasing, also known as the rollback. This means that even with a lower levy from the school district residential property owners will pay more in their property taxes.

The TRC believes the school district deserves credit for lowering the property tax levy by \$0.49 for a total property tax levy of \$17.26 per \$1000 of assessed value. The TRC would like to see residential property taxes remain flat, but understand that ensuring the best interest of the students is also a priority. Property taxes combined with state aid will create a school district budget of about \$145 million dollars.

As stated earlier, the school district does not know how much state aid revenue they will be receiving. With the Governor and Iowa House both stating that they would like to fund allowable growth at 0% and the Iowa Senate stating that they would like to fund allowable growth at 2%, the school district can at least plan for 0% allowable growth. Now that might sound as if the school district will be starved of any increased state aid, this is not true. According to school district administrators, the school district would actually receive an increase of about \$6.1 million when compared to the current fiscal year. So two thirds of the money the school district budget is not set by the state until after the school district's budget is certified.

This \$6.1 million dollar increase in state funding is due to the actual underfunding of allowable growth the previous school year. The previous state legislature and governor did increase allowable growth by 2%, but they did not fully fund the increase. As long as the 0% allowable growth is fully funded, which seems to be the minimum discussed from our state legislatures, the district will see at least a \$6.1 million increase in state aid, but they will only realize an actual increase of \$4.6 million because this current fiscal year the school is using \$1.4 million from one time federal money which will not be available in the proposed budget.

Reserve Funds

Having a reserve fund within the school district is a necessity. Reserves are needed to help the district with their cash flow since their revenues from the state and from property taxes do not happen continuously throughout the year, but are received in “lump” payments staggered throughout the year. Reserves funds are also used to calculate the school district’s bond rating and can be used to help fund expenditures such as rising gas prices which cannot always be foreseen.

Another need for reserves is to help weather financial storms that can occasionally occur. Not too long ago during the middle of the school district’s fiscal year, former Governor Culver, ordered an across the board cut of 10% in state spending. This resulted in less revenue than the district had planned for at the beginning of that fiscal year. The school district made cuts and used some of their reserves to help make it through that financial storm. The school district deserves credit for using reserves and making the necessary cuts to offset the unexpected revenue shortfall.

The following fiscal year of the across the board cut, which is this current fiscal year, the school board agreed to a plan which would replenish the amount of reserves used to offset the across the board cuts over a three year period. The TRC supported this plan. However, due to flaws in the state education funding system and the conservative budget estimates by the school district, they ended up with more revenue than what was expected. Instead of giving back money to the taxpayer the school board decided to use the “extra revenue” towards the three year plan to replenish the reserves sooner than planned.

The school board has a policy of keeping reserves at level which would equal about a 10% solvency ratio. This would be an overall \$14.5 million needed in the reserve fund. At the end of this fiscal year the school board will have about \$9.4 million in the reserve fund. A 10% solvency ratio is sound fiscal policy which the TRC supports.

Some school board members have expressed their concern over not having a 10% ratio and would like to use some of the new revenue the school district will receive in state aid and property taxes to reach that goal. These school board members deserve credit for keeping their eye on the prize, but the TRC would like to remind them that when the economy is doing well, it is easier to place more money in the reserve funds. When the economy is in the process of recovering from a recession where private sector employees are not receiving wage increases and the local unemployment numbers are still high is requesting too much. Asking taxpayers to pay more in property taxes to pay for a faster replenishing of the reserve fund which is in a stable position, even though they are not yet at the 10% goal is not necessary.

Teachers’ Contract

Currently, the school board and the Sioux City Education Association are in closed door negotiating meetings. However, public documents are available which show each sides opening proposals. The TRC encourages the public to view these documents which can be found online at www.siouxlandtrc.org.

After reviewing the documents you will see that the school board’s opening position is to freeze wages and the education association is asking for about \$6.5 million more to be spent on increasing wages which incorporates an overall increase of 9.7% in wages and benefits. The education association also has dozens of other requested changes to the contract. An increase in wages and benefits by 9.7% also hurts the district’s ability to replenish their reserves.

During these economic times the TRC has been promoting one year wage freezes for public sector unions. The private sector has not been receiving wage increases, they have been seeing cuts in wages and many have lost their jobs. One year wage freezes show that the public sector understands the issues in the private sector, who happens to pay the wages of the public sector. One year wage freezes also allow for review of the economic situation on regular basis to determine if wages increases or freezes are warranted.

Over the past two years our three major local taxing bodies have settled wages increases between 0% and 2.25% and the TRC strongly encourages both parties to reach an agreement which includes a one year wage freeze.

WOODBURY COUNTY BUDGET CONTINUED

Time to Speak

School board members are true civil servants. They make a lot of important decisions which shape the lives of students, teachers and families. They make these decisions, not for money because state law prohibits paying school board members anything, but because they truly want what is best for the community. They deserve the public's respect. The school board also represents the public and the school board needs to hear the public's thoughts on the school's budget and on salary increases.

Please tell the school board your opinion on the school's property tax levy, reserves and wage increases. The school board members can be contacted by the emails below which are listed on the school district's website.

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