

Overview of Fund Balance Changes with and without Tax Increase

What is the deficit anticipated for FY13?

The deficit could range from \$(8) million to \$(16) million.

Why?

Currently, we are projecting a deficit of \$(8,361,168) in **FY13**. The facts included/affecting that projection are:

- Zero transportation revenue
- Zero summer school revenue
- Attrition level is even with prior years
- Capital carry-over from FY12 and to FY14 is flat
- Jobs bill revenue (\$1.7 million) is anticipated to be in the DESE Foundation Formula with the (9%) proration factor
- Foundation Formula phase-in percentages are expected to remain at percentages legislated in 2006
- State Adequacy Target, which drives the Foundation Formula, is anticipated to remain at \$6,131, as legislated in 2006

If DESE distributes transportation revenue at the 2011 level, we could see a FY13 fund balance deficit of \$1 million better than is projection.

If DESE includes the ADA (average daily attendance) for summer school, we could see a FY13 fund balance deficit of \$1 million better than is projected.

If the anticipated pent-up retirements happen before June 2012 (for FY13), we could see a FY13 fund balance deficit improve by \$200,000 for each increase of 10 certificated staff members.

If we carry less capital projects in FY14 than were carried forward to FY13, the deficit could worsen (the opposite is also true – the carry forward was \$729,000 from FY10 to FY11).

If the Federal ARRA jobs bill revenue is distributed by DESE in FY12, the Foundation Formula proration factor will be (about) 9% as is projected.

If the Foundation Formula is changed to lengthen the phase-in process, as recommended by Legislators, the formula revenue could be lower by \$3.3 million annually. This assumes the phase-in period would extend out to 2016 and the proration factor would be lowered to 4% from 9%.

If the Foundation Formula were altered by the amount of the State Adequacy Target currently used in the calculation, the result would be lower revenue by \$7.9 million each year beginning with FY13. The target is now \$6,131 for FY13. DESE's Deputy Commissioner, Ron Lankford, is discussing a target of \$5,612. This scenario anticipates no proration factor will be required.

***see page 2 for comparison*



FY13 and FY14 Sustainable Budget Guiding Change – Overview of Fund Balance Changes with Tax Increases assuming \$5.3 million savings, no Transportation or Summer School Revenue

Base Year - no changes in formula beyond 9% proration factor					Variance from the 18% BOE policy
	<u>2012-13</u>		<u>2013-14</u>		
Fund Balance Change:	\$ (8,361,168)	13.48%	\$ (13,174,798)	7.03%	-10.97%
Fund Balance Change with Tax Increase:					
.32 tax increase	\$ 1,851,780	18.32%	\$ (2,105,699)	16.82%	-1.18%
.42 tax increase	5,043,327	19.83%	1,353,394	19.88%	1.88%
.52 tax increase	8,234,873	21.34%	4,812,487	22.94%	4.94%
.62 tax increase	11,426,419	22.86%	8,271,580	26.00%	8.00%
					Services restored or/Tax rate lowered
<u>Base Year/Formula Phase-in with Proration factor</u>					
	<u>2012-13</u>		<u>2013-14</u>		
Fund Balance Change:	\$ (11,632,187)	11.49%	\$ (15,878,060)	3.85%	-14.15%
Fund Balance Change with:					
.32 tax increase	\$ (1,419,239)	16.33%	\$ (4,808,961)	13.64%	-4.36%
.42 tax increase	1,772,308	17.84%	(1,369,686)	16.70%	-1.30%
.52 tax increase	4,963,854	19.35%	2,109,225	19.76%	1.76%
.62 tax increase	8,155,401	20.86%	5,568,318	22.82%	4.82%
<u>Base Year/SAT change (State Adequacy Target to \$5612)</u>					
	<u>2012-13</u>		<u>2013-14</u>		
Fund Balance Change:	\$ (16,293,025)	-8.28%	\$ (21,423,929)	-0.42%	-18.42%
Fund Balance Change with:					
.32 tax increase	\$ (6,080,076)	14.56%	\$ (10,354,830)	9.38%	-8.62%
.42 tax increase	(2,888,530)	16.07%	(6,895,737)	12.44%	-5.56%
.52 tax increase	303,016	17.59%	(3,436,644)	15.50%	-2.50%
.62 tax increase	3,494,563	19.10%	22,449	18.56%	0.56%



Potential Tax Rate Increase

Using the example of a home valued at \$250,000, here is the impact of a potential tax rate increase for a Rockwood homeowner. The tax rate numbers are used for illustration purposes only. It is important to note that Rockwood's portion of the overall tax bill is approximately 60%. An individual homeowner pays taxes to several other taxing entities.

Potential Tax Increase	Real Estate (annual increase)	Personal Property (annual increase)	Total (annual increase)	Percent Annual Increase
.32	\$153.00	\$52.00	\$205.00	7.5%
.42	\$200.00	\$70.00	\$270.00	9.8%
.52	\$247.00	\$86.00	\$333.00	12.1%
.62	\$295.00	\$103.00	\$398.00	14.5%

**Currently, Rockwood School District real estate and personal property taxes for a \$250,000 dollar home are estimated to be \$2,742 annually.