



Local Revenue and the Rockwood School District

What is Rockwood's largest revenue source?

Rockwood receives the largest portion of total operating revenue (approximately 59% in FY12) from taxes our taxpayers pay on personal property and real estate. This revenue comes from the following categories of taxes:

- Residential real estate
- Commercial real estate
- Agricultural real estate
- Residential personal property
- Commercial personal property

How is the amount of tax revenue determined?

1. Property is assessed

The county assessor's offices (St. Louis and Jefferson Counties) assess the property and report that amount to the state and to the taxing authorities. Rockwood is one of several taxing authorities. We have no part in the assessment of property. The assessor's office determines the market value of the property and multiplies that by the following assessment rates:

- Residential real estate (19%)
- Commercial real estate (32%)
- Agricultural real estate (12%)
- Residential personal property (33%)
- Commercial personal property (33%)

Personal property depreciates in value over the years of useful life – that means the longer you own it, the lower the market value and therefore assessed valuation.

2. Rockwood School District sets a tax rate

Using the reported assessed valuations for the categories listed above, and other data, the district sets a tax rate. The rate must be set by October 1 each year and reported to the counties and to the Missouri State Auditor's office.

The calculation form used to set a tax rate is regulated by the state auditor and is based on state statute. The auditor's calculation form uses several pieces of data to determine the amount of the tax levy each year:

- Prior year's tax rate
- Prior year's assessed valuation
- Current year's assessed valuation
- The CPI (consumer price index) –provided by the auditor's office
- Prior year's revenue

The counties use the assessed valuation and the various tax rates to prepare each owner's tax bill. Rockwood is one of several taxing authorities that make up each tax bill. Other taxing authorities could include: Special School District, Local Fire District, taxes paid to Local Fire District's debt service, Libraries, Sewer District, the Zoo and the Museum District.

What is the state statute that regulates taxing authorities?

Amendment 5 or the **Hancock Amendment** is the name of the statute that was passed in 1980 to:

- regulate taxing authorities
- limit the growth in operating revenue from one year to the next.

This amendment controls the amount of money a school district receives from property owners by limiting the amount the tax rate may be increased without voter approval.

The Hancock Amendment requires school districts to lower (roll back) operating tax rates when the increases in assessed values exceed the lesser of: inflation as measured by the Consumer Price Index (CPI) or 5 percent.

The amendment also allows school districts to increase (roll up) their tax levy in response to a decrease in assessed values. This is to maintain a more level amount of revenue received by school districts from property owners.

What is the impact of the Hancock Amendment on Rockwood?

When a school district's assessed values decline, the district is permitted to receive the same amount of property tax revenues that it would have earned, but without any inflationary increase. Lately, CPI has been smaller than 5 percent and the assessed valuation of Rockwood has been negative. Therefore, Rockwood "rolled up" the tax levy rate from:

- 3.9232 in 2008 to 4.0083 in 2009
- 4.0083 in 2009 to 4.2752 in 2010

It also means that Rockwood lowered its tax rate in the previous four years, a total of 71.02 cents - from \$4.6334 in 2004 to \$3.9232 in 2008.

In 2008, the district included a voluntary "good faith" reduction in the debt service portion of our tax rate of 7 cents, lowering it from 75 cents to 68 cents.

These two graphs show the history of our assessed valuation and the corresponding changes in our tax rate:

