<u>Local Revenue and the Rockwood School District</u>

What is Rockwood's largest revenue source?

A. Rockwood receives the largest portion of ($200 million) Operating Revenue from local sources (approximately 59%) from taxes our taxpayers pay on personal property and real estate.

What are the categories of those taxes?

Tax revenue is received from the following categories.

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

How is the amount of tax revenue determined?

1. <u>Property is assessed</u>

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). 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 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. <u>Rockwood School District sets a tax rate</u>

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 as well as 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 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 only one of several taxing authorities that make up each tax bill.

What is the state statute that regulates taxing authorities?

Amendment 5 or the **Hancock Amendment** (1980) is the name of the statute that was passed to regulate taxing authorities and to 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 amount of tax revenue is calculated from the assessed valuation of the property and amount of the tax levied by the taxing authority. The amendment caps the district’s share of increase s from assessed value at the lower of the Consumer Price Index (CPI) or 5 percent.

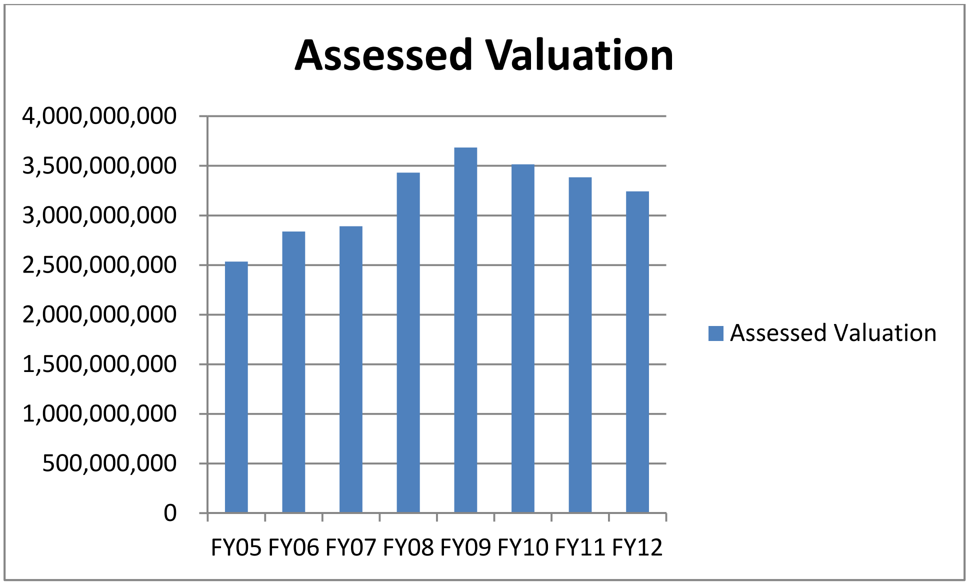
School districts may increase (roll up) their tax levy in response to a decrease in assessed values and must decrease (roll back) their taxes when the assessed values increase. This is to maintain a more level amount of revenue received by school districts from property owners.

What is the impact of the Hancock Amendment on Rockwood?

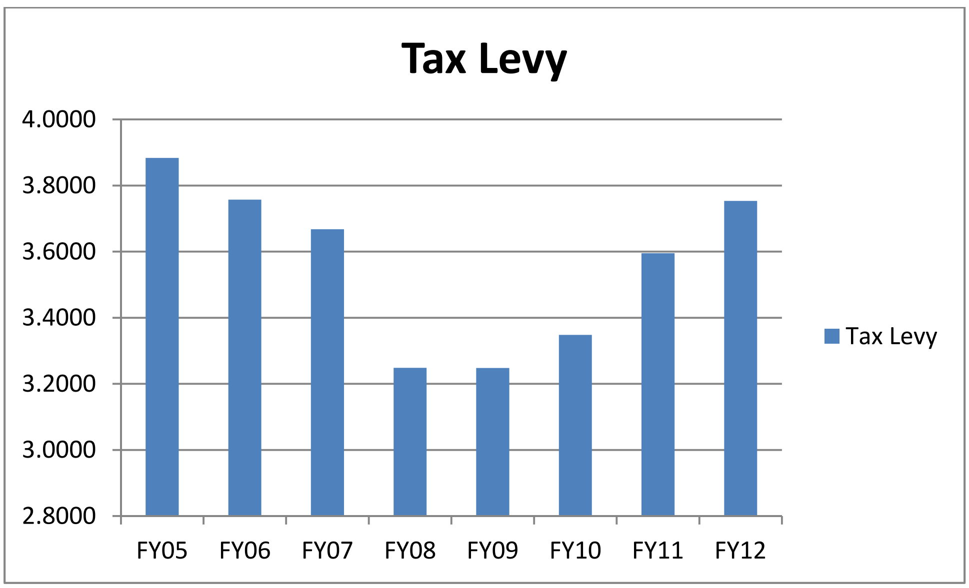
Lately, CPI has been smaller than 5% and the assessed valuation of Rockwood has been negative. Therefore we are allowed 0% growth in revenue from one year to the next (with small adjustment allowed for new construction).

To maintain the same amount of revenue from last year, given a reduction in assessed valuation, Rockwood is allowed to raise the tax levy rate to maintain the same dollars (as a product of assessed valuation X tax levy rate) from one year to the next.

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



In the years when assessed valuation goes down, the district is allowed to increase (roll up) the tax levy:



To further illustrate, let's consider these examples of a change in assessed valuation from one year to the next.

The three situations that we call FY12 will show the calculation and the outcome in the dollars of local tax revenue. You can see in each situation, the revenue for the year FY12 remains very stable versus the prior year FY11. That is the goal of the limits in the Hancock Amendment.

In FY11, the facts are:

- Revenue from local taxes was **<u>$117,740,434</u>**
- Collection rate (counties charge a collection fee) was 96.75%
- Assessed valuation was $3,384,944,910
- Operating tax rate set at $3.5952

- The goal is a relatively stable revenue from local taxes

In FY12, situation #1 is

- Assessed valuation (AV)goes **down** from FY11 by 5.9%
- Assessed valuation is $3,3184,062.257
- Collection rate is the same
- Operating tax rate would be allowed to raise $0.2268 to $3.822 due to the lower AV
- Calculation is: $3,184,062,257/100 X $3.822 X 96.75% = **$117,739,776.53** of revenue

In FY12, situation #2 is – the reduction in AV is really 10%

- Assessed valuation (AV) goes **down** from FY11 by 10%
- Assessed valuation is $3,046,450,419
- Collection rate is the same
- Operating tax rate would be allowed to raise $0.3999 to $3.9947 due to the lower AV
- Calculation is: $3,046,450,419/100 X $3.9947 X 96.75% = **$117,741,417** of revenue

In FY12, situation #3 is

- Assessed valuation (AV) goes **up** from FY11
- Assessed valuation is $3,495,733,805
- Collection rate is the same
- Operating tax rate would be rolled back $0.1139 to $3.4813 due to the higher AV
- Calculation is: $3,495,733,805/100 X $3.4813 X 96.75% = **$117,741,829.07** of revenue