

Funding Options for a New High School

Option One		
Restriction of \$600,000 (General Fund) and \$288,000 (Capital Outlay Fund)		
<p>Explanation: On June 26, 2019, the Woodford County Board of Education approved a BG-1 (the initial form sent to the Kentucky Department of Education to start a building project) for a total amount of 36.2 million of which 35 million will be bonded (borrowed) and the remaining 1.2 million will be paid in cash. This amount of funding will be used to build phase one of a new high school. The board is currently moving forward with this option.</p>		
Benefits	Costs to Taxpayers	Risks
A new classroom building can be constructed to replace the current 55-year-old high school. An updated facility affords students a safer learning environment and twenty-first century learning spaces.	Additional revenue, through yearly tax increases, will be necessary to offset the restriction of capital outlay funds, pay for the salary schedule step increase and maintain current programming.	Small projects, typically funded through capital outlay dollars, will not be completed without additional tax revenue each year. Examples include: Paving parking lots, security camera installation, etc.
May avoid increases to cost of construction.		Cuts to programs and services will likely occur if a tax rate generating four percent more revenue is not passed each year.
Tax increases would be smaller each year (compared to taking the nickel tax) and would be non-recallable.		Limited bonding capacity could limit the district's ability to address needs at other facilities.
		Uncertain timeframe on completion of other phases of the new high school.
		Costs passed on to districts through state budget reductions or other legislative actions will most likely lead to cuts in current programming.
		Limits the district's ability to provide staff raises.
		Upgrades to current high school may not be completed (depending on available bonding) which is a detriment to expanding career and technical programs.

Other notable factors:

- Multiple teachers have expressed concerns about the phased approach to building a new high school.

- At a recent board meeting, a teacher stated the lack of a competition gym will hurt the high school's unique culture due to limitations of school wide assemblies and pep rallies.
- No other district in Kentucky has constructed a new high school by restricting general fund and capital outlay dollars.

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Option Two

Restriction of \$850,000 (General Fund) and \$288,000 (Capital Outlay Fund)

Explanation: In addition to the explanation for option one, option two restricts an additional \$250,000 of general fund money to increase the district's bonding capacity to 48 million dollars. The board could decide to use up to 48 million to get closer to a complete high school.

Benefits	Costs to Taxpayers	Risks
A more complete school can be constructed to replace the current 55-year-old high school. An updated facility affords students a safer learning environment and twenty-first century learning spaces.	Additional revenue, through yearly tax increases, will be necessary to offset the restriction of capital outlay funds, pay for the salary schedule step increase and maintain current programming.	There is no guarantee a new high school could be built for 45 million dollars.
Could include a competition gym and auditorium.		The square footage and/or design features of the new high school could possibly be reduced to meet the 45-million-dollar budget.
May avoid increases to cost of construction.		This option could lead to immediate cuts.
Tax increases would be smaller each year (compared to taking the nickel tax) and would be non-recallable.		Small projects, typically funded through capital outlay dollars, will not be completed without additional tax revenue each year. Examples include: Paving parking lots, security camera installation, etc.
		Significant cuts to programs and services will occur if a tax rate generating four percent more revenue is not passed each year.
		Limited bonding capacity could limit the district's ability to address needs at other facilities.
		Costs passed on to districts through state budget reductions or other legislative actions will most likely lead to cuts in current programming.
		Limits the district's ability to provide staff raises.
		Upgrades to current high school could not be completed which is a detriment to expanding career and technical programs.

Other notable factor: The most recent correspondence from Kevin Locke, the architect, details an 182,000 square foot building at a cost of 49 million dollars.

Option Three

Nickel Tax

Explanation: The board could opt to pass a recallable tax for the sole purpose of constructing a new high school. This tax is commonly referred to as a nickel tax because it typically between a five and six cent tax increase. The actual amount of the tax would be determined by the Kentucky Department of Education. The nickel tax is the mechanism established by the Kentucky legislature for school districts to construct or renovate facilities.

Benefits	Costs to Taxpayers	Risks
A complete high school could be constructed to replace the current 55-year-old high school. An updated facility affords students a safer learning environment and twenty-first century learning spaces.	A tax increase, between five and six cents, would be incurred by taxpayers.	The voters may not pass the nickel which would bring our community back to our current situation.
The passage of a nickel tax would allow the district to remove restricted general funds and capital outlay dollars which would provide future boards greater flexibility in setting tax rates each year.		Seeking the nickel is a divisive topic.
The nickel tax positions the district to not only deal with short term needs, but also facility needs well into the future i.e. the opportunity to renovate the existing high school.		
The nickel tax option provides greater short and long term financial security.		

Other notable factors:

- Baird (formerly Hilliard Lyons), the board’s fiscal agent, stated options one and two could potentially cost taxpayers more than the nickel over an extended period of time.
- Baird (formerly Hilliard Lyons) recommended the nickel tax as the most financially sound option.
- In June 2018, the nickel tax failed by a little more than 300 votes.

Option Four

Allow bonding capacity to grow with current restriction of \$600,000

Explanation: The board could remove the restriction the \$288,000 of capital outlay dollars. The restricted \$600,000 dollars would remain restricted to increase the district’s bonding capacity over time until a level is reached to construct a new high school. Many variables including interest rates, construction costs, etc. would determine the time frame for this option. Small renovations, such as roof replacement, restroom upgrades, or MSD classroom updates could be considered.

Benefits	Costs to Taxpayers	Risks
In time, a complete school could be constructed to replace the current 55-year-old high school. An updated facility affords students a safer learning environment and twenty-first century learning spaces.	This option provides the board greater flexibility when looking at yearly tax rates.	Depending on future budget constraints, such as state budget cuts and/or unfunded mandates, the board may not be able to keep the \$600,000 restricted.
This option provides the board time to see how the restriction of general fund dollars would impact the overall budget.		It is uncertain when the district will reach the necessary bonding capacity to construct a new high school.
Removing the restriction of capital outlay funds lessens the stress on the general fund and provides the district needed dollars for smaller projects.		Cost of construction will most likely rise over time making the project more costly.

Option Five

Remove restriction - all funds

Explanation: The board could opt to remove the restriction of all funds and allow bonding capacity to grow naturally over time.

Benefits	Costs to Taxpayers	Risks
Removing the restriction of funds allows the board the ability to address costs passed on from the state level.	This option provides the board the greatest flexibility when looking at yearly tax rates.	Other facility needs may take priority thus pushing a new high school further down the road.
Staff raises can be considered more frequently.		Cost of construction will most likely rise over time making the project more costly.