





# Facilities Funding

Chay Ritter, Kentucky Department of Education

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# School Funding Structure



# Capital Outlay

- ▶ **\$100 per AADA (Aggregate Average Daily Attendance)**
- ▶ **Generates roughly \$8.4 million for JCPS facilities through the SEEK formula**



# A quick refresher

- ▶ Tax rates are displayed as “cents per \$100 of assessed value”
- ▶ JCPS currently levies 73.6 cents per \$100 on real estate and tangible property assessments
- ▶ For a home assessed by the PVA at \$100,000, this equates to \$736 annually



# Example of JCPS current taxes

- ▶ Current tax rate: 73.6 cents
- ▶ FSPK “Nickel”: 5.6 cents
- ▶ General Fund : 68.0 cents



# What are nickels?

- ▶ Simply put, the 'nickels' are a portion of the property tax rate that is restricted for facilities construction and renovation
- ▶ Each school district has the Facilities Support Program of Kentucky (FSPK) nickel
- ▶ Historically, the General Assembly has passed legislation which allowed school boards to levy additional nickels beyond the FSPK nickel in order to help support local facilities construction or renovation
- ▶ Many of these additional nickels are 'dormant' and no longer available for adoption
- ▶ Adopting a new Recallable Nickel will be in addition to your other tax rates



# Nickel Equivalent Taxes



- **FSPK (Facilities Support Program of Kentucky)** (173 districts)
- **Growth Nickel** (1994, 34 districts)
- **Second Growth Nickel** (2003/2005, 22 districts)
- **Recallable Nickel** (2003 through current Budget Language, 67 districts and several pending)
- **Equalized Facility Funding Nickel** (2005, 8 districts)
- **BRAC (Base Realignment and Closure) Nickel** (2008, 1 district)
- **Category 5 Nickel** (2010, 9 districts)



# The “Nickel”

- ▶ The “nickel” is technically a nickel equivalent. The current nickel equivalent for JCPS is 5.6 cents. The nickel equivalent is higher than 5.0 cents due to fluctuations in tax collections and the amount may change from year to year
- ▶ However, the district is only required to restrict 5.0 cents towards facilities for each local nickel. For JCPS, 5.0 cents equates to roughly \$39.7 million per year which can be directed towards the cost of building or renovating facilities
- ▶ The Recallable Nickel tax, after the initial year of adoption, becomes part of your total tax rate billed to taxpayers. The nickel tax applies to real estate and tangible property-just like the current school property taxes. It does not apply to the motor vehicle assessment



# Equalization

- ▶ If provided through the biennial budget, some districts may receive additional state funds as the result of levying a local nickel
- ▶ The amount of this equalization is formula driven and districts which have a per pupil property assessment higher than the statewide equalization amount do not receive equalization
- ▶ JCPS does not currently qualify for equalization



# Adopting a Recallable Nickel

- ▶ The board proposes the recallable nickel in conjunction with their regular tax rates
- ▶ Two weeks of consecutive advertising (once per week)
- ▶ A public hearing within 7-10 calendar days of the second advertisement
- ▶ The board adopts the recallable nickel immediately following the hearing
- ▶ An additional advertisement is made within 7 days of adoption. This advertisement notifies the public that a portion of the tax rate is recallable and they may contact the county clerk for information regarding the recall process
- ▶ **A 50 calendar day** period for petitions to be filed with the county clerk
- ▶ The county clerk has 30 days to validate the petition
- ▶ If the petition is found to be valid, the board may opt to hold a special election (35-45 days) or place the question of the recallable nickel tax on the ballot at the next general election (November). The cost of the special election is the responsibility of the school district
- ▶ For the November election, the question of the tax levy must be submitted to the clerk no later than the second Tuesday in August. This is fairly prohibitive for putting the question on the current year November ballot due to the timing of tax rates, advertising, and required hearing
- ▶ If the recallable nickel fails at the vote, the board is required to levy the 4% tax rate without any further action



# Billing the Recallable Nickel

- ▶ Due to the time frame in which a petition is allowed to be submitted to the clerk, the billing of the recallable nickel may need to be in addition to your regular tax bills
- ▶ This may result in two separate tax bills



# Utility Gross Receipts License Tax (UGRL)

- ▶ The UGRL is a tax, not to exceed 3%, which is applied to the gross receipts derived from the furnishing of utility services. The tax may, at the option of the school board, apply to cable and satellite services
- ▶ 159 of 173 school districts currently levy the UGRL tax
- ▶ Exemptions may apply to some manufacturers
- ▶ Collected and disbursed by the Department of Revenue
- ▶ An estimated amount of funding this type of tax would generate is indeterminable
- ▶ This is a general fund tax and is not restricted unless board action is taken



# What does the UGRL apply to?

- ▶ **Communication Services (i.e. cell phones)**
- ▶ **Electric**
- ▶ **Water**
- ▶ **Natural, artificial, and mixed gas**
- ▶ **May apply to cable/satellite services (option of the school board)**



# Adopting the UGRL

- ▶ One advertising notifying the public of the intent to levy the UGRL and location/time of the public hearing
- ▶ Hearing to be held not less than one week nor later than two weeks from the date of the advertisement
- ▶ 45 day petition period
- ▶ Board option: Special election 35-45 days from signature validation or hold election at next regular election (November)



# Contact

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