

## Taxpayer Impacts for Lockwood High School

We have received several questions regarding the fiscal implications of the upcoming vote on the Lockwood High School bond. This is completely understandable considering the complex nature of school funding in Montana schools as well as the fact this spring is the first time the law allowing new high schools has been utilized in the state. My hope is to answer the various questions that have been communicated to us on this topic. Many of the items that I refer to can be found on the Lockwood High School Voter Information website. A link to this site can be found at the top of our district website [www.lockwoodschool.org](http://www.lockwoodschool.org).

First, I want to clarify some of the terms I will refer to. A **mill** (or **mills**) is how the Department of Revenue determines how taxes are assessed. One mill equates to \$1.35 per year per \$100,000 of assessed property value. A levy of 10 mills, like the Transportation District, costs a taxpayer \$13.50 each year for every \$100,000 their property is valued at. I will try to convert all mills in this article to the dollar impact on the average assessed home value in Lockwood. **Assessed Value** is another important term to understand. This is the value that the state has placed on your home and property; it is usually significantly lower than the market value of your home. This assessed value can be found on the County website and we have a convenient link to their site from the "Tax Impact" page of our voter information website. Based on information from the Department of Revenue the average value of a "sight built" home in Lockwood is just over \$180,000. The average value of a manufactured home with property is just under \$100,000 and manufactured homes with out property are right at \$23,500. I will use the \$180,000 number for all dollar estimates, as this is the most prevalent type of home in our community. **Taxable Value** is also important to understand. Taxable Value is the combined Assessed Value for all the properties in the District. As the Taxable Value in the community increases, the value of one mill goes up for taxing entities like the school district, thus it takes fewer assessed mills to fund a budget or make a bond payment, lessening the tax burden for individual property owners. As we all know, Lockwood is a growing community and our taxable value has gone up an average of 4.3% per year over the past decade. This is how as a school district we are able to offer more services than we did a decade ago while levying approximately 20% fewer mills (221 in '08, 178 projected in '19); a yearly savings of over \$100 per year for that "average" home.

In terms of cost estimates there are three distinct things to discuss: the cost of the **Bond** to build the new school, the **Transition Costs** we will pay the Billings Schools during the time our school is being built, and the ongoing **Operating Budget** once Lockwood High School is open to all grades.

The cost of the **Bond** is what you will see on the ballot you receive in April. The estimated cost of this bond for taxpayers is the worst-case scenario and based off this year's taxable value. This estimate is currently 144 mills (\$350/year for the "average" home). This is a comparable amount of mills to the bond passed last fall to build a new Middle School in the Elder Grove district west of Billings and is less than many districts around the state, including East Helena and Three Forks, are currently asking their voters to approve. Also remember because our community is growing it is highly unlikely that you will ever see this estimated impact on your tax bill; when the Eileen Johnson Middle School was built a decade ago the impact to taxpayers was estimated at over 65 mills (\$158), an amount that was never assessed. You are currently paying a little over half of that initial estimate now.

The other important thing to consider is that if this bond passes only 2.25 mills (less than \$5) of the current 67 mills (\$163) would continue going to School District 2. This small amount is for an approved bond. **A key part of the process we are taking on is that any approved bonds in the current high school district stay with us, but none of the levies do!** Of the 67 mills it now costs us to educate our high school students 27 (\$66) are for voted levies. If this bond does not pass within two years, there is a five-year waiting period before we can reconsider the option. In November of 2016, a SD2 Demographics study anticipated their high school enrollment would increase by almost 900 students by the 2023-24 school year. It is not unrealistic to think that they will push to build a new high school or significantly remodel their current schools to add space; most likely on the west end as that is their area of greatest growth. In this scenario, Lockwood residents will likely be paying for a school that our children will not attend and the cost of their bond would be prohibitive for us to build a school of our own.

The other 65 mills (\$158) currently going to SD2 simply go away and are no longer assessed. In their stead, because SD2 is still educating our students as we build a school, there are **Transition Costs**. These transition costs will be assessed by Lockwood Schools to pay tuition and transport our students, while still saving our taxpayers money from the current cost of educating our high school students. SD2 currently runs four buses to Lockwood; we estimate it will cost us 8 mills (\$20) to bus our kids to the Billings high schools next year. We also become responsible to pay SD2 tuition to continue educating our students, based on their current enrollment this cost is estimated around 24 mills (\$58). The total cost to educate our high school students next year drops from the current 67 mills to about 34 mills (\$83).

The anticipated 33 mills saved during the Transition phase will offset some of the cost increases associated with the bond to build the facility. Additionally, our Board has initiated cost saving measures the past couple of years and is planning to shift some repair projects from Permissive Building Reserve to the bond. By doing Phase II of the Elementary School re-roofing project through the bond allows us to get the work done in a more timely manner and take advantage of current prices. With these moves, we anticipate an additional 5 mills (\$12) of savings from the Elementary Budget next year. Thus the anticipated net change to our taxpayers' bills is 107.5 mills (\$261). While this is still a significant amount, it should be a more accurate estimate of the actual costs to our taxpayers. This is the net impact reflected in the calculator located on the "Tax Impact" page of the website.

The Tuition payments above will only be in play until our school is built and we enroll all four grades of high school, at that point they will end and the only Lockwood taxes going to SD2 will be the small (2.25 mill) bond until it is paid off. The ongoing cost of funding Lockwood High School is in the **Operating Budget**, which also shows significant savings from SD2's current costs.

In Montana the majority of a school's funding goes to the General Fund. This is where the monies to pay our staff and utilities as well as purchase educational materials, equipment and supplies come from. Lockwood taxpayers are currently paying 49.5 mills (\$120) into the SD2 HS General Fund. This largest funding source for schools, the General Fund is calculated by the state largely based on the enrollment of the school. The number of students is used to calculate a BASE and a Maximum budget for each district. The BASE budget is guaranteed and highly subsidized from the state; the Maximum budget is the most you can ask local taxpayer to approve; thus the difference between the BASE and Max. are all local taxes. The local taxes going toward the BASE budget are called the Permissive General Fund, this represents 22.5 (\$55) of the 49.5 General Fund mills now being paid to SD2. The additional 27

mills (\$66) are to fund the voter approved levies. In this case, Lockwood taxpayers would walk away from these additional SD2 levies approved over the years.

We currently enroll 532 students in grades 3 through 6; if we use this same number to estimate our high school enrollment in five years, we can predict a BASE and Maximum Budget. Please keep in mind that this is an estimate using current law and there will be multiple Legislative sessions between now and 2023. The predictive BASE Budget for Lockwood High School would require a Permissive General Fund of 21 mills (\$51); a slightly lower amount than we are currently paying into SD2 for their BASE and a savings of 28.5 mills (\$69) overall in the General Fund. Any increases above this number for the General Fund would have to be approved by Lockwood taxpayers! Our predictive Maximum Budget would be within 5 mills (\$13) of what we are already paying. It would be my advice to our Trustees to not ask our voters for additional operating funds until we get to a point, through an increase in district wide taxable value, to where the impact of the bond has been greatly reduced for individual taxpayers. We have a conservative School Board and do not want to put undo burden on our community.

In summary: the cost of the **Bond** to build the new school will be listed on the ballot and is 144 mills (\$350), but this does not reflect the anticipated increase in the District Taxable Value or the 65 mills (\$158) that will no longer go across the river to fund Billings high schools. This number will also decrease for individual taxpayers as Lockwood continues to grow. We will pay **Transition Costs** to the Billings Schools during the time our school is being built; these costs are estimated at 33 mills (\$80) for next year and will go down as we enroll students in Lockwood High. The ongoing **Operating Budget** once Lockwood High School is open to all grades will show a significant savings of almost 29 mills (\$70) because our taxpayers will no longer be indebted to levies that have been passed in School District 2 over the years.

This is a long and technical article; I understand that some of you may have additional questions or want clarifications. There is much more information available at our Voter Information website including a conceptual video of the campus, preliminary blueprints, a project budget, an example of the ballot and a tax impact calculator. If you still have questions, please do not hesitate to contact me at [novasiot@lockwoodschool.org](mailto:novasiot@lockwoodschool.org) or (406) 867-6207.