

School District of Clayton Revenue Sources

Tax Rate

Local taxes accounted for 69 percent of the District's operating revenues last year and are projected to account for 71 percent this year. Projected revenues, including tax revenues, are based upon the best information available at this time as well as from historical trends. Simply stated, setting the tax rate is a function of the revenue received the prior year, adjusted by an allowance for inflation, divided by the assessed valuation of the District. State law restricts how the District can adjust its tax rate but also allows the District to receive, at minimum, the same amount of tax revenue it received the prior year. However, it's the adjustment for inflation that complicates the formula. Absent a voter approved tax increase, the District can annually adjust (increase) its tax rate by the lesser of:

1. the change in assessed valuation (Post BOE assessed valuations reports show a reduction of 0.2315 % for 2012) OR
2. the increase in the Consumer Price Index (CPI – 3% for 2012) OR
3. five percent

This year, total assessed valuation in the District is down 0.2315 percent, which requires us to “roll up” our tax rate to only generate the same amount of local taxes as in the previous year. As assessed valuation is the lesser of the three criteria, the District is not entitled to receive any increase in CPI nor change in assessed valuation do to the reduction of assessed valuations. This results in no additional tax revenue for 2012-2013.

New Construction

Taxes generated by commercial or residential new construction not subject to a rollback and are added to the District's allowable tax revenue the year that the properties are added to the tax rolls. Over the past five years, the District has averaged approximately \$15 million annually in assessed value of new construction and renovation. This represents approximately \$475,000 per year in new revenue. New construction assessed valuations for 2012 were released by St. Louis County in July and were a paltry \$4.1 million. This represents approximately \$140,000 in additional revenue for 12-13 versus the projected \$475,000 in new construction that was budgeted in June or the \$405,000 received last year.

Proposition C Sales Tax Rollback

Another factor that limits the amount of property tax revenue is Proposition C. Considered a local source, Proposition C is a one-cent, statewide sales tax for education approved by voters in 1982 that is distributed to school districts on a per pupil basis. Under its provisions, one-half of the money received by a local district is used to roll back local property taxes. The other half is used for instruction: 75 percent for teachers' salaries and the remaining 25 percent for other operating expenses. The District is required to reduce the calculated tax rate by one-half the value of the prior year's Proposition C Sales Tax collections, unless voters have approved a waiver of the rollback. It's worth nothing that Clayton is one of only 40 school districts (out of 525) where voters have not been asked to approve a waiver of the rollback.

The amount of Prop C monies distributed by the state varies annually and is dependent upon the state's economy. Therefore, the impact of the Prop C property tax rollback (for the 40 districts who still are required to comply with it) varies from year to year. In 2011-2012, Clayton's Prop C tax rollback was 6.66 cents. The 2012-2013 Prop C tax rollback is 8.97 cents which represents a loss of an additional \$219,000 as compared to last year. If the District had asked voters to approve waiver of the Prop C rollback, the 8.97 cents we are projecting to roll back for 2012-2013 would generate an additional \$896,500 of revenue.

Protests/Reductions in Assessed Value

Tax revenue is also impacted by allowances for prior period adjustments. School districts may revise their tax rate ceiling to compensate or recoup taxes lost due to reductions in assessed value that occurred after the prior year levy had been calculated. This situation can occur as a result of general reassessment or because of decisions made by the local Board of Equalization or State Tax Commission. Due to the significant backlog of cases at the State Tax Commission level dating back to 2005 and the 2011-2012 school year's payback of over \$889,000 in settled protested tax appeals, projections have remained conservative netting any recoupment of taxes with potential refunds of taxes due to settlement of past protested tax appeals.

Voluntary Student Transfer Program Revenue

Revenue from the Voluntary Student Transfer (VST) program is down approximately \$340,000 from prior year due to decreased enrollment. Enrollment is decreasing based on the District's decision to only place new VST students at the kindergarten and sixth grade level. VST revenues and enrollment will continue to decline as a result of the current enrollment policy as well as the historical attrition of the program.

Other Revenue Sources

State and Federal funding, as well as tuition and interest income, appear to be comparable to prior years. Interest income revenue, while comparable to prior years, continues to trend at a greater than 12 year low and is projected at \$29,700 for 2012-2013 as compared to \$1,033,576 in 2006-2007.