

RCAS bond issue will increase property tax rates between 6.0% and 14.0%

Would be the largest RCAS property tax increase in history

It is important the citizens of Rapid City Area Schools know the truth behind the real cost of the upcoming \$189,553,000 bond vote. It will be **FAR** more expensive than advertised by the “experts” in the school district. The wrong information will impact the citizens of the school district for **25 years**. Moving the bond issue down from \$250 million to \$189 million was a good start, but it is still too expensive. The school board and school administrators lack true school finance expertise and political savvy on the issue. The school board and administration is trying to make backdoor moves and not fully disclose the truth in order to strap the taxpayers of this district with higher taxes for the next 25 years.

THIS POSITION PAPER WILL EXPOSE THE LIES THE DISTRICT IS TELLING YOU.

I hope the **facts** and figures provided within the document help provide the truth to the voters of the school district so they can vote **NO** on the bond issue. I don't deny RCAS has poor facilities, but the district hasn't proven they are financially savvy or responsible enough with taxpayer dollars. That is why I cannot support a \$189 million bond issue when so many other poor monetary and budgetary decisions are currently being made in the administrative and school board. It would be reckless and irresponsible of the taxpayers of the school district to award that much money to the administration and school board.

The school district is trying to be savvy and say it is only a tax increase of over \$100 a year based on the valuation of your house and trying to be cute about it. But this tax increase is for 25 years! I'm extremely disappointed Elevate Rapid City support the bond vote because it is such a huge tax increase. We pride ourselves of living in a low tax area and low tax state. This bond issue will **STIFFLE** economic development. Not help it.

The school district property tax levies for Taxes Payable 2020 for owners of Agricultural property ranked 101 out of 149 school districts. That means 100 school districts had lower AG tax rates than RCAS. Owner-occupied school district property tax levies ranked 93 out of 149. Meaning 92 school districts had lower property tax rates than RCAS. Finally, Commercial/other category ranked 77 out of 149 school districts.

What happens if we add an \$0.85 levy to each property classification? What does it do to the property tax rate rankings if it was effective for Pay 2020??? If the \$0.85 bond levy was in place for Pay 2020, it would've raised the AG levy ranking to 118. That means only 31 school districts in SD would have a higher AG property tax rate!! Owner-occupied would jump to 109 from 93. That means only 40 school districts would have higher property tax rates for owner-occupied. For commercial property tax rates, the rank would increase to 88 from 77. Meaning only 61 school districts would have higher property tax rates on commercial/other property.

Issue #1: Property Tax rates will increase between 6.0% to 14.0%

When all the school district property tax levies for Pay 2020 are added and a hypothetical bond levy of \$0.85 is added to the other school district tax levies, it would've increased the PROPERTY TAX RATE by **14.17%** for AG, **10.71%** for Owner-Occupied homes and **7.36%** for Commercial/Other Property classifications.

AG	Pay 2019	Pay 2020	Pay 2020 levies if Bond Levy was effective
General Fund	\$ 1.512	\$ 1.473	\$ 1.473
Capital Outlay	\$ 2.910	\$ 2.906	\$ 2.906
Special Education	\$ 1.567	\$ 1.616	\$ 1.616
TIFs Lost Local Effort	\$ 0.067	\$ 0.069	\$ 0.069
Bond Redemption	\$ -	\$ -	\$ 0.850
Total Tax Burden	\$ 6.056	\$ 6.064	\$ 6.914
	% Change over prior year		14.17%

Ower-Occupied	Pay 2019	Pay 2020	Pay 2020 levies if Bond Levy was effective
General Fund	\$ 3.383	\$ 3.296	\$ 3.296
Capital Outlay	\$ 2.910	\$ 2.906	\$ 2.906
Special Education	\$ 1.567	\$ 1.616	\$ 1.616
TIFs Lost Local Effort	\$ 0.112	\$ 0.115	\$ 0.115
Bond Redemption	\$ -	\$ -	\$ 0.850
Total Tax Burden	\$ 7.972	\$ 7.933	\$ 8.783
	% Change over prior year		10.17%

Commercial/Other	Pay 2019	Pay 2020	Pay 2020 levies if Bond Levy was effective
General Fund	\$ 7.001	\$ 6.821	\$ 6.821
Capital Outlay	\$ 2.910	\$ 2.906	\$ 2.906
Special Education	\$ 1.567	\$ 1.616	\$ 1.616
TIFs Lost Local Effort	\$ 0.198	\$ 0.203	\$ 0.203
Bond Redemption	\$ -	\$ -	\$ 0.850
Total Tax Burden	\$ 11.676	\$ 11.546	\$ 12.396
	% Change over prior year		6.17%

That's a HUGE tax rate increase!

What an estimated Pay 2021 school district levies look like if the bond passes and other levies based on the Governor's proposed budget for General State Aid and Special Education State Aid?

AG	Pay 2020	Est. Pay 2021 levies if Bond		
		Pay 2020	Passes	
General Fund	\$ 1.473	\$ 1.416	Per Gov's Budget Recommendation	
Capital Outlay	\$ 2.906	\$ 2.906		
Special Education	\$ 1.616	\$ 1.684		
TIFs Lost Local Effort	\$ 0.069	\$ 0.069	Per Gov's Budget Recommendation	
Bond Redemption	\$ -	\$ 0.850		
Total Tax Burden	\$ 6.064	\$ 6.925		
	% Change over prior year	14.20%		

Ower-Occupied	Pay 2020	Est. Pay 2021 levies if Bond		
		Pay 2020	Passes	
General Fund	\$ 3.296	\$ 3.168	Per Gov's Budget Recommendation	
Capital Outlay	\$ 2.906	\$ 2.906		
Special Education	\$ 1.616	\$ 1.684	Per Gov's Budget Recommendation	
TIFs Lost Local Effort	\$ 0.115	\$ 0.115		
Bond Redemption	\$ -	\$ 0.850		
Total Tax Burden	\$ 7.933	\$ 8.723		
	% Change over prior year	9.96%		

Commercial/Other	Pay 2020	Est. Pay 2021 levies if Bond		
		Pay 2020	Passes	
General Fund	\$ 6.821	\$ 6.556	Per Gov's Budget Recommendation	
Capital Outlay	\$ 2.906	\$ 2.906		
Special Education	\$ 1.616	\$ 1.684	Per Gov's Budget Recommendation	
TIFs Lost Local Effort	\$ 0.203	\$ 0.203		
Bond Redemption	\$ -	\$ 0.850		
Total Tax Burden	\$ 11.546	\$ 12.199		
	% Change over prior year	5.66%		

For Pay 2021, that is an estimated tax rate increase between 5.66% and 14.20% if the bond vote passes!! That is HUGE! Plus it doesn't include the inflation to taxable valuation for each category. This is going to be such a large tax increase. **AND. WE. CANNOT. AFFORD. IT.**

Issue #2: This is an unvoted on, non-voter approved, General Fund Opt-Out

SDCL 13-16-6 gives school district authority to transfer an amount not to exceed 45% from the Capital Outlay Fund to the General Fund for any allowable General Fund purpose. The Capital Outlay Fund is specifically created in statute for *“The capital outlay fund of the school district is a fund provided by law to meet expenditures which result in the acquisition or lease of or additions to real property, plant, or equipment. Such an expenditure shall be for land, existing facilities, improvement of grounds, construction of facilities, additions to facilities, remodeling of facilities, or for the purchase or lease of equipment.”*

Statute gives the flexibility, but it is **very irresponsible** for RCAS to utilize the flexibility knowing the condition of their buildings and asking to raise property taxes. From FY2012 to what is budgeted for FY2020, RCAS has moved **\$19,773,618** from the Capital Outlay Fund to the General Fund. That is almost \$20 million that **should have been used to maintain school district buildings! And it wouldn't increase taxes!**

RCAS has \$5,000,000 budgeted to move from the Capital Outlay Fund to General Fund in FY2020. If the trend continues, in 25 years that is **\$125 million** that could have went for care and upkeep of facilities, but instead is being used in the General Fund.

While RCAS continues to use flexibility, they are speaking out of both sides of their mouth. They are saying they need money for facilities, but they are moving money ***specifically*** earmarked for facilities acquisition and upkeep and moving it to the General Fund! It is absolutely irresponsible.

Furthermore, if RCAS would like more money in the General Fund, there is a process called the General Fund opt-out. That will raise property taxes to generate more General Fund revenue but must be approved by the voters of the school district. If the school district continues to use Capital Outlay flexibility, they are essentially doing a non-voter approved General Fund opt-out. They are moving money from the Capital Outlay Fund to the General Fund, they are burying it in budget documents and are not being fully palms up on the issue. They are intentionally being deceitful!!

RCAS is being a very poor fiduciary of taxpayer dollars if you look historically on Capital Outlay transfers to General Fund:

Capital Outlay Transfers	
FY2012	\$ 2,657,190
FY2013	\$ 1,748,901
FY2014	\$ -
FY2015	\$ -
FY2016	\$ 3,367,528
FY2017	\$ -
FY2018	\$ 4,000,000
FY2019	\$ 3,000,000
Budget FY2020	\$ 5,000,000
Total \$ moved from Capital Outlay to General Fund	\$ 19,773,618

Issue #3: The Six Year Facilities Plan is full of WANTS not NEEDS

The six year facilities plan is full of WANTS and not NEEDS. If the district truly wants to use the Bond issuance for needs they need to reduce the bond request by \$125,000,000 because they can use money already earmarked for Capital Outlay uses. Be smart. Do we really need a Fine Arts addition at Stevens? Again, needs not wants. Renovations should be used with cash on hand with smart facilities planning.

Lastly, the current Superintendent isn't from South Dakota. Does she have alternative motives for passing the bond? Does she want to pass the bond issue so badly so she can add it to her resume and bolt out of here as soon as the taxes go up? So she straddles us with higher property taxes for 25 years while she rides off into the sunset? She is to not be trusted.

Moral of the story. This is a huge tax increase and the district is being underhanded and not using their money in the most prudent manner.

VOTE NO ON THE BOND ISSUE AND THE LARGEST TAX INCREASE IN RAPID CITY AREA SCHOOLS HISTORY!!!

Other Questions

Q.) How much money earmarked for building repair and maintenance has been moved out of the Capital Outlay Fund to the General Fund since FY2012, including FY2020 budgeted amount?

(Answer: \$19,773,618)

Q.) If RCAS continues to move money from Capital Outlay to General Fund in an amount of \$3 million a year for the next 25 years, that is \$75 million. Why can't the bond be reduced by \$75 million and the district stop using money earmarked for building maintenance and repair?

Q.) By RCAS using Capital Outlay flexibility to fund its General Fund. Is that a backdoor unvoted on General Fund opt-out? If RCAS needs money so badly for facilities, why isn't it using to its fullest extend the Capital Outlay dollars at its disposal? Is there a plan to balance the General Fund budget without Capital Outlay flexibility?

Q.) Is it true if the \$0.85 per thousand of taxable valuation bond levy was in effective for Taxes Payable 2020 it would've been a 10.17% increase in the school district property tax rate for homeowners? And a 14.17% property tax rate increase for AG? And a 6.17% increase for Commercial property owners?

(Answer: Yes)

School District Levy History

AG	Pay 2019	Pay 2020	Pay 2020 levies if Bond Levy was effective	Est. Pay 2021 levies if Bond Passes
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Source: SD Department of Education website