MADISON METROPOLITAN SCHOOL DISTRICT
BUSINESS SERVICES DEPARTMENT
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Proposed Operating Funds Referendum – Issues Summary
For August 15, 2016 Public Hearing

Key Points from August 8, 2016 Operations Work Group Presentation:

- The Board of Education is considering an operating funds referendum question asking taxpayers to approve additional tax levy authority. The additional tax levy authority would be phased in over a four-year period, beginning in fall 2016 ($5,000,000), fall 2017 ($5,000,000), fall 2018 ($8,000,000) and fall 2019 ($8,000,000).

- The school district must certify the ballot to the County Clerk no later than August 30, 2016.

- The Board is required to approve two resolutions for an item to appear on the November election ballot. The first is a resolution requesting permission to exceed the state revenue limit. The second is a resolution which addresses procedural matters relating to the election process. The resolution language will be substantially the same as shown below: (*See Resolutions included in Board Docs Packet)*

    - BE IT RESOLVED by the School Board of the Madison Metropolitan School District, Dane County, Wisconsin that the revenues included in the School District budget be authorized to exceed the revenue limit specified in Section 121.91, Wisconsin Statutes, for recurring purposes by: $5,000,000 beginning in the 2016-2017 school year; an additional $5,000,000 beginning in the 2017-2018 school year (for a total of $10,000,000); an additional $8,000,000 beginning in the 2018-2019 school year (for a total of $18,000,000; and an additional $8,000,000 in the 2019-2020 school year and thereafter (for a total of $26,000,000).

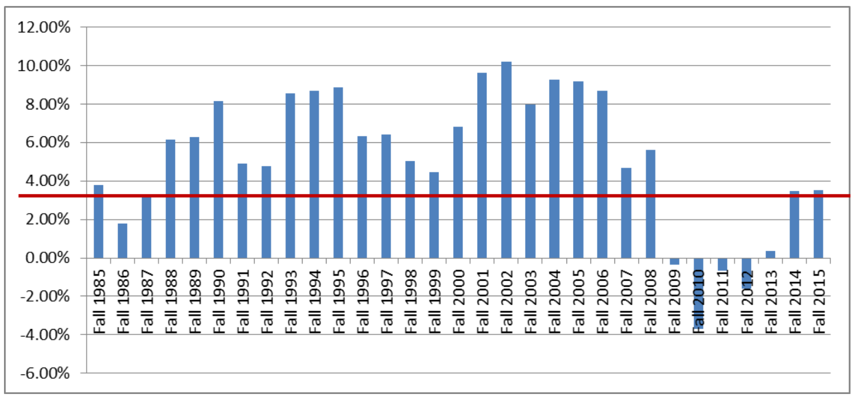
    - Resolution providing for a referendum election on the question of the approval of a resolution authorizing the school district budget to exceed revenue limit for recurring purposes

- Within 10 days of adopting the resolutions, the school board shall notify the Department of Public Instruction of the scheduled date of the referendum and submit a copy of the resolutions to the department.

- Per statute, by November 1, a week prior to the November 8, 2016 general election, the Board must certify a tax levy. The DPI-approved process calls for the Board to certify two levies, one based on referendum approval and one based on referendum non-approval. Once the election results are known, the correct levy will be certified to the local municipalities.

Information Request Regarding Tax Base Growth Assumptions:

In modeling the tax impact of the proposed referendum to exceed the revenue limit, we used a projected tax base growth assumption of 3.5% per year. The assumption is based on the following historical trend for MMSD tax base growth:



The red line denotes the 3.5% growth mark on the graph. With the exception of the great recession years (2009-2013), MMSD tax base growth exceeded 3.5% for twenty-one consecutive years. More recently, as the economy has recovered, the MMSD tax base has grown by 3.5% in each of the past two years. Based on this data, we concluded that a 3.5% projection for tax base growth was reasonable.

The tax base growth assumption is important, since it impacts the tax rate. As requested, the table below shows the tax base growth assumption used in the budget model (3.5% growth) compared to slower tax base growth (2.0%, 2.5%, 3.0%) and faster tax base growth (4.0%). As you would expect, faster tax base growth results in a favorable lower tax rate, and slower tax base growth produces an unfavorable higher tax rate:

				Used in Projection:	
Eq. Tax Rate per $1,000	2% Growth	2.5% Growth	3.0% Growth	3.5% Growth	4.0% Growth
Fall 2015 Actual				12.08	
Fall 2016 Estimate	12.10	12.04	11.98	11.92	11.87
Fall 2017 Estimate	12.17	12.10	12.04	11.98	11.92
Fall 2018 Estimate	12.19	12.08	12.02	11.95	11.88

In our opinion, the two most important measures for ensuring the affordability of the proposed referendum are; (a) keeping the levy increase under 4% per year, and (b) maintaining 2% growth in new construction added to the MMSD tax base each year. *Per our estimates, these two factors combined will help cap the tax impact for existing properties at 2.0 percent per year or less.*

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