naplesnews.com Printer-friendly story
Read more at naplesnews.com

Guest column: Duke Vasey ... Collier County School Tax-Neutral Flexible Funding Referendum

Vasey, a retired Army colonel, is chairman of the Collier Soil and Water Conservation District and a former member of the Collier County Airport Authority.

Wednesday, October 10, 2012

By Duke Vasey

North Naples

You may be inclined to support the Collier County School Tax-Neutral Flexible Funding Referendum, but you should have the full facts for an informed decision.

Approval would authorize the school district to increase the operating fund tax rate by .25 mill and decrease the capital fund tax rate by the same amount.

The total school district debt is currently $450 million. During the first four years of this tax shift, a total of $60 million has been transferred from the capital fund. If the second referendum is passed, for four more years, another $60 to $70 million will be transferred, for a total of $120 to $130 million.

This is money that could have been used to reduce the existing capital debt before new school construction starts again in about five years and additional debt is incurred.

School district documents stating that the tax referendum has "no extra cost to taxpayers" are incorrect. The cost for the first referendum is actually $60 million of debt that could have been retired and wasn't — or a .25 mill tax reduction that could have been provided to taxpayers and wasn't. On a $300,000 home, that reduction is $300 for the four years. Thus, the tax referendum does have an extra cost to the taxpayer — for the last four years and perhaps the next four years.

Reduction in impact fee collections: Shortly after the first transfer referendum was passed, the School Board voted to reduce impact fees by 50 percent. Impact fee collections, on new construction, are deposited in the capital fund. Every dollar of impact fees that is not collected means that an additional dollar of property taxes will eventually be needed to replace it.

School Board members said they cut impact fees to spur new construction. Unfortunately, decisions to invest in new construction are dependent on local as well as national economic conditions and demand for new housing. Decisions are not based on a fee reduction of a few thousand dollars.

During the last year and a half, since the impact fee reduction was implemented, a total of $5.5 million in impact fee revenue has been lost to the school capital fund. In addition to losing $60 million from the transfer, the capital fund will also lose a total of $10 million (through the same period) from reduced impact fee collections.

Eight-year cost to capital fund: If this second referendum is approved, the eight-year cost of the tax transfer, plus the cost of the impact fee reduction, will be $160 million. That is money that would have been used to retire debt, but will now have to be paid through future property taxes. School Board referenda and decisions actually do cost taxpayers real money.

Other reductions to the capital fund: In addition to the money transferred from the capital fund to the operating fund by the tax referendum, the School District has been transferring another $24 million from capital to operations annually. This money is being used for property insurance, maintenance (including expenses for plant operations and maintenance personnel) and equipment. Most organizations would not consider these costs to be capital expenditures. There is already a lot of flexibility to move tax revenues between funds.

Future tax revenues: Collier County property values increased 0.5 percent in 2011. Not a big increase, but finally moving in the right direction. So far in 2012, new construction has substantially increased and property values are increasing.

At the 2012 Economic Summit held by NABOR in April, all the speakers were optimistic about the real estate market in southwest Florida and some predicted a 10 percent appreciation in home prices in Naples by the end of the year.

Assuming that the 2012 property value increase (due to new construction and appreciation of existing properties) is half that amount or 5 percent, the additional tax revenue to the School District would be about $14 million. That amount is nearly equal to the tax referendum annual revenue. And that's just the first year. With modest property value increases in future years, the School District annual tax revenue increases will be substantial.

While the School District may have needed the transfer from capital to operating funds during the recession, it is not at all clear they need the extra money for another four years, now that we are coming out of the recession.

In Summary: It's easy to sell the tax transfer as "Vote Yes for Kids." And it would be tempting to do it forever. There will always be increasing financial needs in the operating fund and these requirements will always be a higher priority than the needs of the capital fund.

The School Board appears comfortable carrying a high level of debt (currently $450 million) and doesn't see a need to retire the debt in preparation for the next round of new school construction and accumulation of even more debt. Will there ever be a good time to stop the .25 mill transfer?

The School District needs a strategy to reduce dependence on this transfer mechanism, which was supposed to be a short-term solution and not a permanent funding source. Operations need to become more efficient or four years from now, there will be a request for another tax transfer referendum. And debt levels cannot be ignored forever.

© 2012 Scripps Newspaper Group — Online