



## **ISSUE BRIEF:**

**School Bond Referendum** would authorize a \$190 million bond issue to allow for the construction new school facilities.

Approved by the Board of Directors: July 25, 2018

***The Sioux Falls Area Chamber of Commerce has taken a position to support the proposed School Bond Referendum.***

### **Background**

During the summer of 2017, the Sioux Falls School Board (District) started the conversation of whether the school district's current educational facilities are adequately addressing our student's needs. It quickly became apparent to the school board that this was an issue worth looking into. At a meeting in August of 2017, the board approved entering into a comprehensive facility planning process.

This process, led by District's administration, had five phases and culminates with a public vote on September 18, 2018. These phases include:

1. Learn (Sept.—Dec. 2017)
2. Gather Feedback (Jan-Mar. 2018)
3. Develop Options (April—May 2018)
4. Board Decision (June—July 2018)
5. Action (September 18, 2018)

During Phase One, the District visited each school and met with building leadership to get a sense of where the school is at from a facilities perspective. They also reviewed enrollment projections, established functional capacities, and held small focus groups with students, teachers, and parents. During this phase, they discovered that enrollment had increased by almost 58% since the early 90s and is projected to grow another 6% by 2022. They also learned that the majority of schools are at or nearing capacity.

Phase Two of the planning process primarily revolved around gathering feedback. Throughout the month of March, the District held three separate Community Engagement Sessions where the public was able to voice their opinion on the current status of the Sioux Falls Public School District's facilities. Prevailing themes included overcrowding, the need for smaller class sizes, and the location of the current schools. This phase also included a community wide survey where approximately 3,000 citizens answered 17 questions including the following:

*"I would support the recommendation as outlined by the task force, assuming a cost of \$2 per month or \$24 per year on the average home in Sioux Falls (\$185,000 taxable valuation)."*

The results were as follows:

- *Strongly agree: 58.2%*
- *Agree: 30.6%*
- *Disagree: 6.7%*
- *Strongly disagree: 4.4%*

During Phase Three, the District created a facilities task force co-chaired by Vernon Brown and Nan Baker which included 30 community leaders. Over the course of several different meetings, the task force made the following recommendation:

- A new high school should be constructed
  - Built on the northwest side
  - Open in 2021, if possible or 2022
  - Maintain the District's north to south boundaries to provide balanced student demographic populations
  - Sanford Health land should be considered to determine if location is appropriate for a new high school
- A new middle school should be constructed
  - Built on the southeast side
  - Open in 2021, if possible, or 2022
- A new elementary school should be constructed
  - Open by 2024
- Address equity needs across the district
- The board should begin to prepare for the eventual replacement of Whittier Middle School through land acquisition at the existing location staying committed to the core.
- The school board should use a robust and transparent engagement effort, similar to the one the task force used, to establish new school boundaries within the district.
- Financing recommendation:
  - Total amount that should be spent on the projects is not to exceed \$190 million
  - The resulting bond levy should be partially offset with a reduction in the current capital outlay fund levy
  - The combined bond and capital outlay levy should not exceed \$3.00

The Sioux Falls School Board considered and unanimously approved the facilities the recommendation on July 23. This effectively completed Phase Four.

This entire process culminates with Phase Five— a community vote on September 18. However, unlike most elections, a 60% voter approval is required for this referendum to pass.

### **What will this referendum effect property owners?**

If the voters approve the proposed referendum, the School Board will be authorized to issue general obligation school building bonds in an amount not to exceed \$190,000,000.

The proposed school bond will increase property taxes payable in 2019 by \$0.13 for every \$1,000 of home value per year. For example, if you own a home that is tax valued at \$200,000, you will see an increase in property taxes of \$26.00 in 2019 (or \$2.17 per month)<sup>1</sup>. This increase is extended out into perpetuity but will last at least 25 years.

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<sup>1</sup> These number are estimates only and are based upon financing the bonds over 25 years using a 4% interest rate. The actual terms upon issuance will not be known until the bonds are sold.

**Proponent Rationale:**

For proponents of the school bond referendum, it comes down to quality education. If our community wants to continue providing our children top notch public education, proponents believe we need to continue investing in our facilities to maintain a sensible teacher-student ratio and avoid overcrowding. In the simplest of terms, proponents argue that as Sioux Falls continues to grow, our schools need to keep up.

The last high school built (Washington High School) opened 25 years ago in 1992. Since then, District enrollment has grown from 15,132 students to almost 24,000—a increase of over 8,800 students or 58%. With this rapid growth, all three high schools are over capacity with four of the five middle schools and 18 of the 22 elementary schools sharing this same issue. Proponents point out that our public schools are already over capacity and enrollment isn’t showing any signs of slowing down. By 2023, the Sioux Falls School District anticipates over 25,000 students flooding the halls each day.

Additionally, proponents argue that even with a levy rate increase of \$0.13, Sioux Falls has a comparatively low rate. If approved, the District levy will increase from \$8.27 per \$1000 of taxable valuation to \$8.40—giving us the second lowest rate of the surrounding communities. If the bond is approved, here is how we’d stack up:

<b>Other District’s Current Levies</b>	
Harrisburg	\$11.66
Tea	\$11.14
Garretson	\$10.97
Baltic	\$9.84
Brandon Valley	\$9.35
Dell Rapids	\$9.18
Lennox	\$8.83
West Central	\$8.47
Tri-Valley	\$8.47
<b>Sioux Falls</b>	<b>\$8.40</b>
Canton	\$8.30

Proponents go on to state that over the past 16 years, the District has increased taxes a meager 10.6% (or 0.6% annually). Compare this to municipal and county taxes—which have gone up 48.8% and 82.7% respectively over the past 16 years—and proponents argue that the District has been prudent when it comes to tax increases.

**Opponent Rationale:**

At the beginning of the task force process, district administration encouraged task force members to try to answer three questions:

1. Is there a need for additional schools?
2. If so, where should they be located?
3. If agreed, how should they be paid for?

With question number one, opponents agree with proponents—our schools are over capacity. However, they differ on the solution. With the fast-paced reform of education and most other areas of our economy, opponents argue it is important not to be complicit with outdated and even archaic models of our current education system. For example, tele-medicine is evolving at lightning speeds with significant improvements in positive outcomes coupled with greater efficiencies. So too are educational systems such as the Khan models.

Opponents have stated that brick and mortar buildings are increasingly being diminished in importance as new ways of efficiency and effectiveness are resulting. Instead of building a multimillion-dollar structure with enormous maintenance costs, opponents suggest online classrooms might be the way to go.

Even if online classrooms aren't the solution, why not look at current brick and mortar buildings that sit vacant. Big box stores such as Shopko, Younkers, and Sears continue to close—why not look at repurposing an existing building and saving tax payer dollars?

Moving on to the last question. Opponents feel that the taxation system used by the county assessor favors higher valued properties as there is a lack of sufficient comparable valued properties to arrive at a fair appraisal. This results in owners of middle and lower market properties bearing an inordinate amount of the tax burden. They feel that alternative methods of raising the capital needed to build a new school should be explored.

And lastly, opponents remind us that the Sioux Falls School District is already operating with two current opt outs and cautions against any additional increase. In the end, they argue much deeper discussions need to be considered for the best results to be realized.

*Note: Detailing "Proponents" and "Opponents" rationale is designed to provide the reader with an understanding of the opinions and talking points from each perspective. They are not intended to reflect any position of the Sioux Falls Area Chamber of Commerce.*

#### **Chamber Position:**

***The Sioux Falls Area Chamber of Commerce has taken a position to support the proposed School Bond Referendum.***

#### **Rationale<sup>2</sup>:**

Providing a quality education to our community is necessary if Sioux Falls wants to continue to attract a qualified workforce, recruit well-paying industries, and retain the businesses we currently have. Without adequate space and a solid student-to-teacher ratio, the quality of our schools will be at the risk of diminishing and our community will likely suffer. The Chamber believes an investment in our schools is an investment in the future of our community and our next generation of leaders.

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<sup>2</sup> Issues Management Council adopted their recommendation to the Board: July 12, 2018. The Chamber Board of Directors adopted: July 25, 2018. Both the Issues Management Council and the Chamber Board voted to support the School Bond Referendum.