

McCall-Donnelly School District
Financial Update & FAQs
February 2024

The McCall-Donnelly School District (MDSD) is exploring strategies to address community growth, reduced State funding, employee retention and recruitment made challenging by rising housing costs and increasing school operation expenses. The Board of Trustees and District leaders aim to be transparent, acknowledge the current challenges, and involve the community in finding solutions. This document outlines recent actions taken to manage growth, address facility conditions, and explore potential solutions for sustaining high-quality educational services for the McCall-Donnelly community.

COMMUNITY GROWTH

The District has experienced consistent growth of approximately 37% over the past 10 years, with the elementary and middle school populations experiencing significant increases of 58.5% and 75%, respectively. Projected enrollment based on new and planned subdivisions and historical growth suggests continued growth. Proactive planning is essential to maintain the expected level of educational services for parents, students, and the community.

2021A BONDS: PURPOSE AND PROGRESS

In March 2021, voters approved a \$22.5 million general obligation bond for the District projects detailed below.

- Renovating and improving Donnelly Elementary School, including constructing a new larger multi-purpose community facility, additional classrooms, restrooms, energy efficiency upgrades and other necessary improvements. The improvements were completed in 2023. Cost: \$14.1 million.
- Renovating and improving Payette Lakes Middle School, including constructing additional classrooms, restrooms, energy efficiency upgrades and other improvements necessary. Planned cost \$7.3 million. Current estimated costs under new development conditions: \$3.2 million.
- Constructing traffic flow solutions for Barbara Morgan Elementary School and Payette Lakes Middle School which share the same District-owned site. Planned cost \$1 million.

The planned improvements for Payette Lakes Middle School and traffic improvements at Barbara Morgan Elementary School and Payette Lakes Middle School have been put on hold. This is a result of new and disputed land use and development requirements of the City of McCall. These restrictions could potentially limit the use of 2.9 acres of District land and reduce the planned

expansion in order to accommodate new circulation requirements to provide access for an adjacent planned community.

To be fiscally responsible, the District has only issued \$18,165,000 of the \$22,500,000 voter-approved bond funds. Given the new constraints on the Payette Lakes Middle School and Barbara Morgan Elementary School projects, the remaining \$4,335,000 authorization is unissued and could be reauthorized for other needs.

FACILITY CONDITIONS

Barbara Morgan Elementary School is set up to house 400 students, the current student enrollment is 423.

Donnelly Elementary School is now under capacity following the 2023 expansion and improvements funded with the voter-approved 2021A bonds.

Payette Lakes Middle School is at full capacity. The full planned \$7.3 million expansion and renovation project, to be funded by the voter-approved 2021A bonds, has not occurred due to the City of McCall land use and development requirements. Given the development requirements of the City, the District is at a standstill on expansion. The District is moving forward with safety measures. These have an estimated cost of \$3.2 million.

Traffic Circulation at the Barbara Morgan Elementary School-Payette Lake Middle School Site remains strained and frustrating for parents. Due to the unresolved land use and development requirements of the City, the funds planned for these improvements remain unspent.

McCall-Donnelly High School, while not at capacity currently, faces growth challenges. Some of these include limited space for technology rooms and an auditorium to support fine arts programs. Two rooms have been converted to classrooms in the last 2 years. Also, there is insufficient space for the District's in-demand career and technical education programs and athletic programs especially during the winter and early spring months. In addition, there is high community demand for facilities and fields.

POTENTIAL SOLUTIONS

The Board of Trustees is currently exploring independent initiatives to address growth and the continued delivery of the high-quality educational services the community has come to expect.

The District is seeking feedback to determine levels of community support for this potential comprehensive solution.

Restructuring Schools

- Barbara Morgan Elementary School would become a K-2 campus
- Payette Lakes Middle School site would house grades 3 through 5 currently assigned to Barbara Morgan Elementary School
- Donnelly Elementary School would remain a K-5 campus
- Payette Lakes Middle School students would relocate to the McCall-Donnelly High School site
- A new McCall-Donnelly High School is being considered which would include an adequately sized career and technical education department, an auditorium to support the District's fine arts programs and host community events, a shared indoor athletic complex which could include tracks, pickleball and tennis courts, and practice fields for various District and community sports.

District Employee Housing

Employee retention and recruitment is becoming an increasing challenge with the high cost of housing in the region. The average Valley County home price is approximately \$645,582 with a monthly mortgage cost of \$4,000 (assuming a 20% down payment and a 7% interest rate). Average rents are approximately \$2,100. These costs, coupled with starting monthly wages before taxes (Teachers: \$4,292, Custodians: \$2,924, Paraprofessional Employees: \$2,149) create challenges in retaining and recruiting qualified talent at all levels.

In 2023, the District began construction of an eight-unit complex on District owned property near McCall-Donnelly High School that is scheduled to be completed in late 2024.

To address the ongoing retention and recruitment challenges, the District is exploring construction of an additional 27 units. Tenant eligibility and rent would be determined by household income.

DISTRICT FINANCIAL OVERVIEW

Budget Stabilization Levy

A flat budget stabilization levy that generates \$5.65 million annually has been in place since 2007. This levy was added to help cover the funding gap between allocated State education funds and actual District costs due to the State changing its school funding formula in 2006. These funds have allowed MDSD to operate without seeking an additional voter-approved supplemental levy for the past 17 years. Because there has been no increase to the budget stabilization levy amount, due to inflation, the spending power of this levy has decreased by \$2.7 million annually.

Recent State Funding Change from Enrollment to Daily Attendance

In 2023, the State approved a change in funding criteria for Idaho school districts. The funding formula was previously based on total student enrollment. Beginning with the 2023-2024 school year, State allocations are now based on daily attendance. This change creates an annual shortage between \$590,000 to \$762,000 in general fund revenues. This decrease in funding directly impacts the District's ability to fund teacher and employee salaries, facility maintenance, and general operations.

Employee Attraction and Retention

Currently, the District lacks certified teachers in seven subjects, there is one unfilled teaching position, and several employees will be retiring at the end of the 2023-2024 school year. Employee salary and benefit costs comprise 80 percent of the District's annual operating budget. State allocations for employee compensation only cover 60 percent of the District's actual cost, exacerbating an already-challenging situation.

Two-Year Supplemental Levy to Fund Annual Costs

The District is exploring a two-year supplemental levy to fund salaries and benefit compensation not covered by State allocations. This will aid the District in attracting qualified teachers and paraprofessional staff and help retain existing staff.

The District has managed to fund this gap in the past, but the inflationary reduction in value of the stabilization levy has limited the ability of the District to fund the gap; especially with the State legislature's most recent change to the funding formula.

Two-year supplemental levies require a 50 percent simple majority voter approval and provide a set annual amount for two years. According to Idaho Education News, 80% of Idaho's School Districts (92 of the State's 115 districts) have used voter-approved supplemental levies to fund the gap between the State allocations for employee compensation and actual district costs.

TAX IMPACT OF RENTAL AND SECOND HOMES

Non-owner-occupied homes make up approximately 70% of the homes within District. Non-voting owners of rentals and second homes pay property taxes on the full taxable assessed value of their property. These revenues are a great benefit to primary homeowners and students of the District.

Owner-occupied homes are eligible for the homeowner's exemption of 50 percent up to a maximum of \$125,000.

FREQUENTLY ASKED QUESTIONS

What is the difference between a supplemental levy and a bond levy?

Supplemental levies and bond levies are funding tools used by municipalities (schools, fire districts, cities, counties, etc.) to fund their needs. An easy way to remember the difference is: Supplemental Levies = Learning and Bond Levies = Buildings.

Supplemental levies support basic programs and services, are assessed over a two-year period, and require a 50 percent simple majority voter approval.

Bond levies are long-term funding options for capital improvements such as buildings or major equipment, expenses often too costly to fund through savings. Bonds generally extend 20-30 years and require a two-thirds supermajority voter approval.

My Valley County tax assessment shows a District bond levy and a budget stabilization levy. What are these for?

The budget stabilization levy has been in place since 2007. This funding was added to help cover the funding gap created after the State changed its school funding formula in 2006. The amount has remained the same at \$5.65 million. However, it is worth approximately \$2.7 million less in today's dollars due to inflation.

The outstanding bond levy was approved by voters in 2021 to fund improvements and expansions at Donnelly Elementary School and Payette Lakes Middle School, as well as traffic circulation improvements at the Barbara Morgan Elementary School/Payette Lakes Middle School site.

Is there a sunset date on the budget stabilization levy funding the District receives?

While there is no expiration for the budget stabilization levy, the value in today's dollars and future dollars will continue to fall with inflation. With additional private development within the District, it is possible the tax impact for homeowners may be reduced as the set annual amount is spread across more parcels.

Why does the District need a supplemental levy?

The District has experienced approximately 37% growth over the past 20 years. Projections suggest continued growth. While the State allocates funds for a certain number of teachers and staff, the allocation does not fully cover the full District's compensation costs. In fact, the allocation only covers 60 percent of the District's actual compensation costs, creating a funding gap.

Until recently, the existing stabilization levy has allowed MDSD to reduce that funding gap. However, the stabilization levy amount is a set amount that does not change. Due to inflation, the annual amount received is approximately \$2.7 million less in today's dollars than when it was

initiated in 2007.

Establishing a supplemental levy would help close the funding gap to cover District compensation costs, which make up 80 percent of the District's annual operating budget. These funds would be used to maintain current positions and programs throughout the District.

What is the proposed amount for a supplemental levy and how long would it appear on my tax statement?

The District is considering an annual supplemental levy between \$590,000 to \$762,000 to fund salaries and benefits for approximately five (5) to seven (7) teaching and support staff throughout the District's five (5) schools.

The tax impact—both the levy rate and dollar amount—would appear on taxpayers' 2024 and 2025 Valley County Assessor tax statements and would help close the funding gap for the 2024-2025 and 2025-2026 school years.

What happens after a supplemental levy expires?

If a district chooses to propose an extension to an expiring supplemental levy, its board of trustees must approve an ordinance to place a supplemental levy renewal measure on the ballot for voter consideration. A majority of voters must approve a supplemental levy renewal which would extend the levy for an additional two years.

As a homeowner, how would a supplemental levy affect my property taxes?

An annual supplemental levy of \$590,000-\$762,000 would have an estimated annual cost of \$6.11 to \$7.88 per \$100,000 of taxable assessed value for two years.

What if voters don't approve a supplemental levy?

District officials would evaluate operations and services to determine where budget cuts could be made that would have the fewest impacts. This could result in leaving some open positions unfilled, increasing class sizes, among other cost-saving measures.

Why can't the District complete the remaining improvements that voters approved when they supported the 2021A Bond?

The planned improvements for Payette Lakes Middle School and traffic improvements at Barbara Morgan Elementary School and Payette Lakes Middle School have been put on hold. This is a result of disputed land use and development requirements of the City of McCall to accommodate circulation requirements and access for an adjacent planned community. The City is requiring the school to give up 2.9 acres before a building permit is granted.

Who would be eligible for the District's housing and how would rents be determined?

All District employees would be eligible, and rents would be determined by household incomes.

Where would a new high school be located? Does the District already own land or would it

have to purchase land?

The District is currently evaluating options regarding the site selection for a new high school and would seek public feedback in multiple communities in the district before doing so.

In his State of the State address, Governor Little said \$2 billion would be allocated for Idaho school districts to repair and replace aging facilities over the next ten years. How much might the District receive and how would this affect the District's restructuring plans?

The District is grateful Governor Little is supportive of helping districts in need of school facilities across the State. His proposal must still go through the legislative process and may be modified or not approved at all. Regardless, the District will move forward with its planning and solutions that it can control. If State solutions are made available in the future, the District will review those solutions at that time and implement them to the benefit of the District and the McCall-Donnelly community.