

# Limestone County Tax Agreement



# Reasons for settling:



- ▶ Madison City Schools loss of \$3.4 million in revenue over 2 years
- ▶ Attorney Fees to date -\$217,000
- ▶ Continued litigation could extend into several more years
  - ▶ Adding additional attorney fees
  - ▶ Adding additional revenue losses



# What taxes were discussed:

- ▶ .01 Countywide Sales Tax “Constitutional Penny”
- ▶ .01 Countywide Sales Tax “Local Sales Tax Act”
- ▶ 5.5 Countywide Ad Valorem Tax

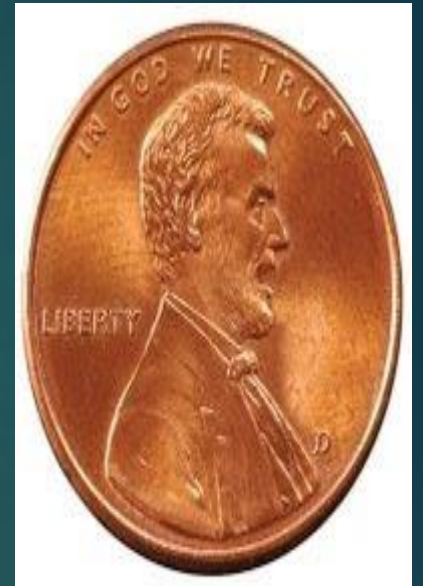
# What taxes were negotiated:

- ▶ ~~.01 Countywide Sales Tax “Constitutional Penny”~~
- ▶ .01 Countywide Sales Tax “Local Sales Tax Act”
- ▶ 5.5 Countywide Ad Valorem Tax



# .01 County Wide Sales Tax

- ▶ Distribution based on percentage of student count in all 4 systems
- ▶ October 1, 2017-September 30, 2027 Limestone and Athens School Board will receive a pre-determined “floor amount”
  - ▶ Madison and Huntsville will receive what is left over
- ▶ October 1, 2027 All 4 systems will receive revenue based strictly upon student count



# 5.5 County-Wide Ad Valorem Tax

- ▶ Escrow account of taxes collected since 10/1/2016
  - ▶ Madison will receive approximately \$635,000
- ▶ Distribution based on percentage of student count in all 4 systems
- ▶ October 1, 2017-September 30, 2022 Limestone and Athens School Board will receive a guaranteed minimum funding of \$4,250,000
  - ▶ Madison and Huntsville will receive remaining collected ad valorem tax during this period
- ▶ October 1, 2022 All 4 systems will receive funding based strictly upon student count



# Financial Impact to Madison City Schools

- Madison City lost \$3.4 million in revenue from FY 16 -17
- Resulted in cuts to multiple departments:
  - Instructional Programs
  - Professional Development
  - Maintenance
  - Transportation
  - Central Office Staff

COMPARSION of MADISON CITY TAXES MADISON COUNTY/LIMESTONE COUNTY							
	Madison County		Limestone County		Loss from Madison County	Alloted Gain from Limestone County	Difference of Loss/Gain
<b>Ad-valorem</b>							
SCHOOL							
County -Wide	5.5		5.5	=	\$521,708	\$684,000	\$162,292
City Tax	11		11				
District	10.5		10.5				
Total School	27		27				
<b>Sales Tax</b>							
SCHOOL							
County -Wide	0.5		2 (MCS only receives 1)	=	\$594,541	\$301,023	-\$293,518
City Tax	0.5		0.5				
District	1			=	\$483,626		-\$483,626
Total School	2		0.5				
<b>TVA</b>							
SCHOOL							
County -Wide	1		1	=	\$200,000	\$0	-\$200,000
City Tax							
District							
Total School	1		1		\$1,799,875	\$985,023	-\$814,852



# Ad Valorem Comparison

## Madison County

Homeowner pays 27 mills of school taxes at same home value as in Madison County



Madison City Schools receives \$2,106 per student

## Limestone County

Homeowner pays 27 mills of school taxes at same home value as in Madison County



Madison City Schools receives \$1,404 per student

# Conclusions:

- ▶ The new revenue stream from the settlement will help pay for the operating expenses that were cut during this lawsuit
  - ▶ It does not give us the ability to borrow more money
- ▶ Madison City residents pay the same taxes regardless of the county; however, the value of the taxes in Limestone County is 40% less than in Madison County

