

Oil Shale Boom – Impacts on Local School Districts

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Objective

- Review the benefits and challenges of an oil shale boom on locally affected school districts.
- Discuss possible solutions to the challenges that arise from an oil shale boom on affected school districts.

Demographics of Garfield Re-2

- 822 square mile school district serving the communities of Rifle, Silt, & New Castle
- A growing school district – increased 21% or 752 students since October, 2001
- Currently serve 4,400 students
- Our demographics are changing
 - Hispanic population increased from 23% in 2001 to 38% currently district-wide
 - Nearly double the free and reduced students since October, 2001

Challenges of an Oil Shale Boom to Impacted School Districts

- CHALLENGES

- Due to Rifle's size and capacity as a town, Garfield Re-2 would probably receive most of the growth in students. However, most of the oil shale development will occur outside of the property tax boundaries of Re-2. Therefore, another school district will get the increase in assessed valuation for property tax purposes. Re-2 will need to find a way to serve students and pay for additional staff without a significant increase in assessment.

- This scenario shifts the burden of additional schools and staff to local property tax payers, which significantly limits the District's ability to pass bond elections. How will we fund the growth in students resulting from commercial oil shale production?

Challenges of an Oil Shale Boom to Local School Districts

- **CHALLENGES**

- An economic boom causes labor costs to increase dramatically and housing prices to soar.
 - With the current oil and gas boom, Re-2 cannot increase wages to keep up with the soaring cost of living in this area. Our cost of living has not been adjusted through the 1994 Public School Finance calculation, so we are still funded as if we are a low cost area. This was 13 years ago!
- Re-2 cannot ask for any more mill levy overrides for raises for our staff. (Mill levy overrides are a property tax increase for operations approved by the vote of the people). We are capped at 20% of Total Program Funding by the legislature.

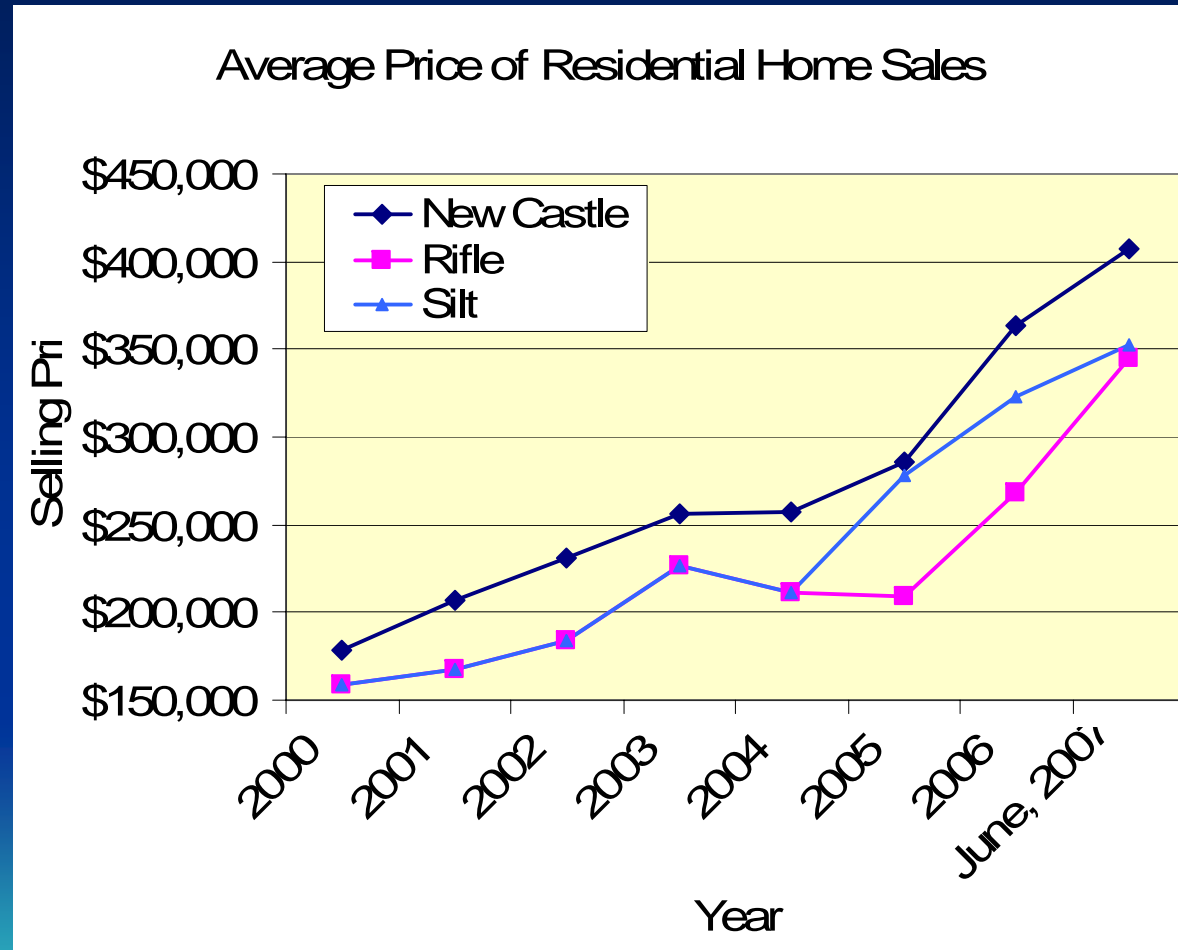
Challenges of an Oil Shale Boom to Impacted School Districts

- Due to the recent oil and gas boom, Re-2 cannot increase wages enough to compete in the market for both teachers and non-certified positions (maintenance, bus drivers, food service personnel, and paraprofessionals). We have critical shortages in many of these areas that CANNOT be filled. Services to students have been impacted as a result.
 - EXAMPLE 1 – Bus Drivers – Re-2 starts at \$14.30 per hour, Oil & Gas starts at \$22 - \$26 per hour.
 - EXAMPLE 2 – Maintenance employees – we had a 49% turnover rate last year, with 86% of those who left leaving for higher paying jobs. During the summer, we had 7 open maintenance positions we could not fill.
 - EXAMPLE 3 – Re-2 is still working on hiring teachers for this school year due to new teachers not being able to find housing.
 - EXAMPLE 4 – At least 20 teachers were offered positions and declined solely because of housing costs.

How Can Educators Afford a House?

Home prices have more than doubled over the last 8 years, increasing by about 121% in Rifle/Silt (from \$158,000 to \$350,000) and 127% in New Castle (from \$179,000 to \$407,000). The recent economic (oil and gas) boom has contributed significantly to this trend.

NOTE: Rifle/Silt were not separately tracked until 2005. Source: Multiple Listings Service, Volume 26, year-end from 2000 – 2006, and June, 2007.



How Can Educators Afford Rent? (Assuming they can find somewhere to rent)

Average Net Monthly Pay for a New
Teacher: \$2,077

Current Monthly Rent, 3 bedroom, 2 bath
Apartment: \$1,200

Funds Available After Rent: \$877

Challenges of an Oil Shale Boom to Impacted School Districts

- Enrollment projected to increase from 4,404 students currently to over 16,000 by the year 2030.⁴
- Growth excludes potential oil shale impacts.
 - How will we be able to house all of the students, and how much will the voters support Re-2 with the cost of additional schools?
 - Situation significantly improved by establishment of oil shale trust fund for local districts struggling to house additional students resulting from an oil shale boom.
- At least 3 - 4 years to retain funding and build a new school.
 - How can we plan for oil shale growth in advance to be able to mitigate the growth before it comes?

Challenges of an Oil Shale Boom to Impacted School Districts

- Re-2 already asked voters for
 - \$113.9 million in bonds and
 - \$4.3 million in mill levy overrides
 - for raises additional staff during the last 6 years.
- Based on growth projections, Re-2 may need to request more funding from voters for additional schools in between 2 – 5 years.
- Economic boom substantially increased \cost of construction
- Burden has been shifted to taxpayers.
 - One of Re-2's largest construction projects for the 2001 Bond was bid at \$110 per square foot.
 - Re-2's 2006 Bond projects are currently bidding at \$200 - \$225 per square foot!!!!

How are Colorado School Districts Funded?

- The Public School Finance Act of 1994 calculates per-pupil funding based upon a state-wide formula.
- Takes in to account local cost of living, district size, other factors.
- The Public School Finance Act funding:
 - Total Program Funding = Local Property Taxes + Specific Ownership Taxes + State Equalization
- Amendment 23 requires per-pupil funding increase by inflation + 1% through 2011, then by inflation 2012 and beyond.
 - Amendment 23 does not ensure adequate or equitable school funding.

Oil Shale Boom Adds Little to No Additional Revenue to Local School Districts In Colorado

- No severance tax allocated directly to local school districts
- Dept. of Local Affairs grant ONLY money indirectly available to local school districts

Oil Shale Boom Adds Little to No Additional Revenue to Local School Districts In Colorado

- **Mineral Lease Revenues** - \$300,000 allocated county-wide to three school districts based upon student enrollment, not impacts of oil and gas/oil shale
- Other mineral lease revenues for schools offsets state funding of Amendment 23 state-wide, and does not benefit locally impacted school districts.
- Mineral Lease funding for Re-2 has not changed since 1999, so the recent boom has not impacted the amount received, averaging a little over \$100,000 annually.

Oil Shale Boom Adds Little to No Additional Revenue to Local School Districts In Colorado

- **Property tax** – No additional property tax revenue from oil and gas operations.
- Any increase must be approved by voters
- School district operations property tax:
 - Calculated by Colorado Department of Education
 - Based upon Amendment 23 and the School Finance Act formula.

In Colorado, Property Tax Calculation is Different for School Districts than Municipalities

- ***Local School Districts do not receive additional monies when assessed valuation increases.***
 - Due to Amendment 23 and the School Finance Act calculation
 - School districts must lower mill rate
 - Can only receive property tax increase equivalent to inflation + growth.
 - School District general fund mills calculated by Co. Dept. of Education
 - certified by each local school district's Board.

Potential Solutions

- Establish oil shale trust fund
 - As established in Western Colorado in the 1980's.
 - Specifically used to offset local impacts of oil shale development.
 - Assures continuity of services in case of decline.
- Establish partnerships with local school districts and municipalities
 - Affected areas discuss timing of, and plan for, large impacts.
 - Support education to assure that services to students will not be impacted throughout the cycle of oil shale boom/bust.

Potential Solutions

- In Colorado, review and compare cost of living factors in School Finance Act with current cost of living by area
 - Allow local school districts to compete given current local economic conditions.
 - Include the cost of housing in the formula
 - Re-2's cost of living factor is the same as it was when housing was affordable in this area!
- In Colorado, the cost of living factor is currently reviewed every 2 years, but if it is within a set range, then it is not adjusted.
- ***The Cost of Living Factor should be adjusted for equitability.*** It is still based upon 1994 cost of living indexes, which was 13 years ago.

Potential Solutions

- In Colorado, increase the 20% cap on mill levy overrides so that school districts can ask for additional funding from local taxpayers to increase salaries to compete.
- Assist Colorado in financing K-12 education while the resources are available through Oil and Gas
 - Create an endowment for school construction for the future
- Improve school funding in Colorado. Colorado spends \$551 less per pupil than the national average:³
 - Wyoming spends \$2,321 more per pupil than Colorado ³
 - Montana spends \$759 more per pupil than Colorado ³
 - Colorado ranks 44th in the nation in taxable income on K-12, and 49th in spending for teacher salaries and benefits in relation to personal income. ³

How can we help?

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Sources/Contact Information

- ¹Colorado Department of Education Website – www.cde.state.co.us
- ²Multiple Listing Service (MLS) Report – 2000 through 2006 year-end reports, and June, 2007 report based upon residential housing sales
- ³Colorado School Finance Project website www.cosfp.org
- ⁴Garfield County Website – the 2006 Socioeconomic Impact Study, www.garfield-county.com