

Summer 2019 FLISA Meeting Notes Document

Breakfast is On Your Own

Meeting begins at 8:30 AM – Crazy Horse Memorial Large Classroom

Lunch at Noon – 1 pm – Laughing Water Restaurant

Reception following the meeting – Laughing Water Restaurant 4 – 6 pm

Our Mission: To secure federal funding which reimburses eligible districts for tax revenue lost (for student programs) due to the federal government's removal of land from the local tax rolls; such revenue to be used for the public education of students.

I. Introductions – (Craig Hutcheson)

Craig started with welcoming everyone and thanking everyone for coming to South Dakota.

- *Craig thanked Mark Naugle and Tom Madden for the organization of this summer 2019 meeting.*
- *Craig also stressed the importance of our mission that was visually posted.*
- *All attendees introduced themselves.*
- *Craig stressed the importance of involvement and communication with other subgroups in NAFIS.*
- *We strive to ensure no students are impacted by any loss of impact aid revenue.*
- *We make recommendations as an organization regarding legislative language that we feel very strongly will be approved by legislators, but ultimately legislators need to approve it.*
- *Craig acknowledged Cassie Bergman for her great service to the organization and Executive Board as Secretary.*
- *Cassie thanked the membership and stressed the importance of staying involved and being a voice for their district.*

- *Craig also acknowledged Tom Gregory for his service to the FLISA organization and the Executive Board as Treasurer. Tom has been appointed as superintendent of his district.*
 - *Craig did share the organization will be looking for a new Treasurer. If any member is interested, please send an email to Tom Madden and copy Craig Hutcheson on that email.*
- II. Executive Director Position - Update on the search and next steps – (Craig Hutcheson)
- Craig explained to entire group the posting of the Executive Director position.*
 - We currently have one applicant for this position.*
 - The Executive Board will interview this one candidate in the fall prior to the Directors normal Saturday meeting.*
 - *We are hoping to name a new executive director at the FLISA meeting in January 2020. The new director will work with Tom Madden for one year before assuming the duties of the position in January, 2021.*
 - The entire group will have the opportunity to vote on this new executive director.*
 - One of the main priorities of the new executive director will be to lead the group in the “second generation” renewal of our Advocacy Action Plan.*
- III. Paid Membership Roll Call (Tom Gregory)
- *Tom Gregory read through the paid membership for the current year.*
 - *Tom shared we had 71 paid member school districts.*
 - *Communication will be coming from Tom Gregory regarding FLISA membership for the upcoming year.*
- IV. Meeting Logistics (Tom Madden)
- Lunch is from noon to 1:00 p.m. and will be the restaurant’s buffet.*
 - Reception is at 4:00 p.m. on the far side of the restaurant.*

-Tom Madden stressed the importance of all members attending the reception and socializing with colleagues outside the structured meeting setting.

-Both are in the Laughing Waters Restaurant.

V. Executive Director's Report (Tom Madden)

-Tom shared that usually during the summer meeting we meet in our advocacy plan committees. However, this summer we will be discussing as a large group reauthorization because we need to be ready with suggested legislative language for 2020.

-The reauthorization of 2002 was not reauthorized again until 2017. This span of 15 years was well beyond the normal five or six years.

-This is when we created our Advocacy Action Plan, a strategic plan that normally lasts about 5 years and then you renew it. We are currently in our 5th year. Next winter will be the kick-off of a new strategic plan.

-Current reauthorization is a four-year reauthorization. The last year is 2020 for the current reauthorization.

- Tom shared how when the government takes ownership of land, the tax revenue for the school district stops. Impact aid makes up for a small portion of this lost revenue, only about 10% of what was lost.

-We are called 7002 now but previously it was 8002 and prior to that it was Section 2.

-Tom shared that comparables were used in the language up to 1995. At that time, the value of the federal property was based on the "type of property" it was when it was taken off the rolls. The land had to be taken off the tax rolls after 1938 to qualify the value of the property had to be at least 10% of the total taxable value of the school district. The problem with this language was the federal property annually causes a loss in tax revenue to the local school district. It was not a one-time event. The loss of the value of property was based on what the property would look like in the year it was taken off the rolls and its taxable value at that time.

-Then in 1995 a new concept of highest best use was entered into the law.

-Highest and best use meant that the federal property was now to be valued as the type of property it would be today. The highest and best use concept said the federal property should be valued as its adjacent property is valued.

-There was a problem with this highest and best use philosophy. The Dept. of Education's interpretation of highest and best use was to value the property as what it would be today. The intent was if the federal property would be residential today the property would be assessed as vacant residential property. The Dept. of Education said it was okay to value the parcel as residential with a house built on it. For several years the Dept. of Education did not share this interpretation with the federal properties communities except for one or two school districts who also failed to share that interpretation with us.

- Some assessors would then over estimate property value while others would undervalue the property. So still unfair.

-Tom asked "What did highest and best use mean?" to each table to discuss.

-Some of the responses from the tables Include:

a. Basically develop your land in the most advantageous way possible if it was put back on the tax role.

b. There was no strict set of rules or thresholds to follow.

c. Much of this depended on an assessor and whether or not they would agree with that higher value development.

d. This philosophy was very difficult to communicate which made it very problematic.

e. It was the highest possible use of that land.

-Tom then asked what were some of the problems with some districts overvaluing their impact aid property.

This was discussed in table conversations.

Tables reported out the following:

- a. Problem with highest and best use is the philosophy of using hypothetical property.*

- b. *It was also shared that two districts who shared the same property could come up with vastly different highest and best use for the same property.*
- c. *Some districts would use “cherry picking” and only choose the most highly valued properties as characteristic of the entire federal property.*

- We lived with highest and best use concept from 1995 to 2002 and then began discussing the problems of this concept. Highest and best use was never intended to create these “mythical cities.”

-We started the work on reauthorization in 2 parts:

1. Section 8002 recipients would receive a foundation payment each year equal to 90% of what was received in 2009 or the average of 2006-2009, whichever was greater....usually the 2009 payment. On the plus side, this payment was stable, reliable annually, and allowed the district to plan a budget that could count on this annual foundation payment. On the minus side, it memorialized the Highest and Best Use Concept because the foundation payment is based on 90% of a payment that was determined on Highest and Best Use.

2 The formula needed a means of distributing any funds that were left over after the foundation payments were made.

Distribution of Additional Funds

- a. *Determine the per acre value of the school district.*
- b. *Apply that acre value to the federal property.*
- c. *Compare this “value of the federal property” to the national total of such properties to determine the district’s percentage of the nation total.*
- d. *If a district’s federal property value is 2% of the national total, that district would receive 2% of the additional funds after new districts into the program receive their impact aid payments.*

-Sounds fair, but there is still a problem. How do we determine the per acre value?

-The Dept. of Educ. created new regulations that were going into affect in 2010. We sped up our efforts to come up with a funding formula before the department established these new regulations because it would create a serious issue. The effect of this regulation change was to move more impact aid to California and away from all other districts nation wide.

-Chet Gannett of Fallbrook High School District saw the problem and brought it to the attention of this group.

-This accelerated our efforts to settle on a funding formula hopefully through reauthorization. We managed to get it attached to an annual Department of Defense spending bill. In our language we said it would be effective with the 2010 application. It was a great effort on our part.

-Tom Madden then spoke about funding history

-In 1994 the funding was down very low at \$15.8 million and now it is at \$74 million.

-The question still is how do we determine a per acre value. This will be a key issue as we look at the upcoming reauthorization.

- Tom Madden asked each table to discuss the following questions: What types of property are not taxed in your district? What types of property should be subtracted from the total acreage when you are doing your value assessment?

Table discussion included:

-Several types of property were shared by the tables.

-What should be subtracted out was also shared. Some of the responses included: right now we only subtract federal property. One group shared that only 7002 property should be subtracted. Another group had the same theory. The argument is it is a federal program so why would we expect the federal government to replace taxes for state and local government owned property. It was also shared that it does not matter who owns the property. All non-taxable should be subtracted out. It

was shared this would be a nightmare to calculate. Another member shared we should subtract state owned property and federal property only.

-Not counting churches, streets, and municipal buildings is similar to all districts because all districts have these. It was shared maybe there should be a minimum number of acres that can be subtracted out.

-Terry Tamblyn shared in past discussions, we focused on simple, fair and verifiable. This will help get our payments out on time.

- After table discussions, Craig shared he felt it was a federal program so why would we look at state land in a federal program. He felt bringing in state land would muddy the waters and would you go back to the 1938 date for state owned land.

-Terry shared how can we be sympathetic to how different we all are and avoid unintended consequences. The more we try to manipulate the formula, the more we are going to get unintended consequences.

-Terry shared we need to think about how can we help those extraordinary situations such as Custer and their state owned property. It is a difficult question and how do you fix it without messing up the system for everyone.

-Jerry shared he worried about making the change and including taxable property only. Can we get this information from our tax assessors and would it be a real number and not a mythical number?

-Terry shared in the 1970's and 1980's we were 100% funded. Since then our values have changed. Now we are down to 8 cents on the dollar. What are our values going to be when it is only taxable property?

-Tom Madden asked are assessors able to identify all non-taxable land?

-It was also shared that we are a federal program and we don't take into account how districts are funded in each state. We don't talk about how much each state supports their districts per student.

-Tom Madden shared the federal program does include the local tax rate. You need to look at your local tax rate.

-Wes shared impact aid is a \$1.4 billion program and federal properties is \$74 million. If we include other properties our message may get splintered on the Hill and may water down our message. This could be detrimental in relaying the message to the Hill.

-Tom Schneider shared we needed something objectively measured and logical. Assessment is still a concern but the assumption is you are being assessed on similar values in your state.

-We talked about the difference between easy and fair. The more fair you make it the more difficult it becomes. And the easier it is, the greater chance of it being unfair.

-The more of one the less of the other that we get.

Certainly this discussion will continue in upcoming FLISA meetings.

VI. Introductions (Hilary Goldman, Executive Director of NAFIS; Guest Speakers)

-Hillary thanked the members in attendance for inviting her to this meeting.

-She shared where she was able to visit during her time in South Dakota.

-Hillary shared about some initiatives within the NAFIS office and commend the FLISA group for the unity of message.

-Vouchers were not directed at FLISA but the work this group did was very much appreciated.

-New faces, Leslie and Anne, are in the office and both are doing a phenomenal job.

-She highlighted things that Anne has led. She shared the new platform that NAFIS was now using for its newsletters. Encouraged all to follow the NAFIS facebook page.

-Recent survey showed that folks wanted more information from NAFIS on non Impact Aid issues.

-Conference is being updated and modernized and we are seeking advice from members. We are hoping to have more engagement in break out sessions instead of stand and deliver presentations.

-NAFIS Board did approve an additional staffer.

-Advocacy focus is on the President's budget which eliminates funding for federal properties. The administration believes the majority of LEA's have had sufficient time to make up for this lack of funding. We need to find ways to continue to protect the program. So, we looked at poverty rates from the 2016 census for 7002 school districts. The average rate for 7002 districts is 19% compared to all at 17%. The median poverty rate is 16% and median poverty rate is 19% for federal property school districts. We wanted to get a feel for this.

-We also wanted to get a feel for what types of property are impacted. This helps us share whether the land is a positive or negative for the community and the district in that community. We need to continue to work on this and how we want to position the program.

-On the Hill, the House bill includes a \$2 million increase for federal properties.

-Membership dues are in the mail for next year. Hillary asked if anyone is interested in doing the invocation at the fall conference to please let her know.

VII. Present FLISA Video *-Terry Tamblyn shared our FLISA Video.*

VIII. Guest Speaker presenting on Crazy Horse Memorial

-A representative from Crazy Horse, Viga Ziolkowski, The CEO spoke about the Crazy Horse Memorial

IX. Targeted Advocacy – Fall NAFIS Conference (Tom Schneider)

-Tom Schneider supported what Hillary shared about LEA's having time to fix our concerns about federal property in our district and how administration feels this way about 7002.

-Sequestration is back with \$126 billion in budget cuts.

-With sequestration we raised the caps and we kept raising the caps.

-Tom showed a chart of the federal deficit. Deficit is up with less money to give for public investment.

-There has to be a budget by October 1st. According to the House federal properties will receive an additional \$2 million with \$50 million additional for Impact Aid.

However, there is no budget agreement for the total amount of money going to be sent.

-Congress needs to approve raising the debt ceiling. The Government is scheduled to run out of money about the time of the Fall NAFIS Conference.

-If we go to war with Iran, it will impact spending.

-With debt ceiling, budget and potential war, how can this not be a disaster.

-Government has debt ceiling crisis to deal with and using that to come to an agreement.

-On May 24th there was an effort to solve the budget crisis and provide infrastructure.

-Can the President make a deal with the Democrats and Republicans? It will be difficult to get a two-year budget agreement.

-The Progressive Caucus is pressing for more spending for both defense and nondefense.

-It looks like they may put sequestration off for one-year which would only benefit the President running for re-election.

-If President Trump is re-elected, sequestration would still be in play for 2021.

-What are the odds the President will be re-elected? His rating has never gone above 45%. Can he win a second term?

-Trump advisor shared it is much easier to win if you have Florida's support.

-The elections that matter are going to take place in the Senate.

-NAFIS and National Coalition for Public Education won a change to make it difficult for vouchers to give money to private schools.

-We need to stress the importance of Congress to stop giving money to nonpublic schools because the positive impact does not exist for students.

-The core problem is economic equality. Wealthy need to give more.

-Tom also spoke about charity liberalism that is helping a certain group of people.

-Public schools help everyone.

-Tom shared again that what determines the success of this meeting is what you do when you get home to advance the cause of Impact Aid.

- Tom asked us to look over the draft leave behind for members to view to be ready to implement during our lobbying in the fall of 2019.
- Craig asked if there were any recommendations for changes to the Talking Points.
- Tom Madden shared a couple language changes.
- It was also suggested at the bottom to take out “the new Jocelyn” and put Leslie’s title there instead.
- Date needs to be updated at the bottom.
- The only thing that needs to change on the thank you is the date.
- A concern brought up by Tom Schneider was how to get the thank you to the Congressional offices. Hillary volunteered to have NAFIS help with that follow up.
- Suggestion was made by Terry to send any pictures taken on the Hill to Tom Schneider and Tom will tweet it out.

X. Approval of Minutes from Spring NAFIS Conference (Cassie Bergman)
 Motion: Sander Scott Second: Bob Reichert

XI. Treasurer’s Report and Approval of the 2019-20 Budget (Tom Gregory)
 Motion: Sander Scott Second: Mark Naugle

Denise Cedeira made motion and Second by Sandy Doebert of FY 20 Budget.

XII. Old Business

A. Report on FRO (Tom Schneider)

- Craig explained the purpose of FRO (Federal Relations Outreach) and the experience itself.
- Sandy shared the purpose of FRO from years past.
- NAFIS chooses the key legislators we visit that have an impact on current key issues

-Craig shared that if anyone is interested in attending FRO this coming year, please contact Tom Madden.

B. Other

XIII. New Business

A. None

B. Identify issues with Impact Aid Application and/or Payments?

-Impact Aid Grant System will be updated for the next submission process.

-Concern was voiced that we don't receive a confirmation email that the application was successfully submitted.

-Terry shared the new system is like working on a website. The new system will have the ability for others to see what you are doing in your office.

When you submit, you automatically get something back to let you know that it has been submitted.

-Terry shared Impact Aid would not let him have access to site yet for demos. It will be ready for the fall conference to be shown.

-Hillary shared remaining 2018 funds will be released in July, 2019.

-2018 was a \$4 million increase so we will be able to see how it impacts each member district.

C. Other Items

XIV. Information Items

None

XV. Future Meetings

- A. Winter Meeting – January 10-11, 2020 Wyndham Grand Orlando Resort Bonnet Creek Registration/Reservation information will be available at the NAFIS Fall Conference
 - We met at this same location in 2013.*
 - Tom shared the Executive Board and past presidents meet the day prior to the NAFIS Conference and FLISA summer and winter meetings to ensure we are ready for the next day's meeting.*
 - Save the date email will come out in the next couple weeks for the winter meeting.*

- B. Summer, 2020, Meeting Options
 - We are looking at Seattle, Jersey City, New Jersey, and San Francisco. Tom asked if there were any other suggested locations to research. None were suggested.*

- C. *FYI reminder for the future* - The NAFIS Fall Conference in 2020 will begin on Monday instead of Sunday. Many of us usually arrive on Saturday and depart on Wednesday. For this meeting we will arrive on Sunday and depart for home on Thursday

XVI. Other Items from Membership

None

XVII. Review of Mission and Vision to End the Meeting (Craig Hutcheson)

-Craig thanked all for attending and safe travels home.