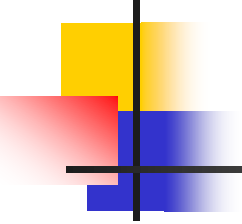




A SINGLE TIER FINANCE SYSTEM

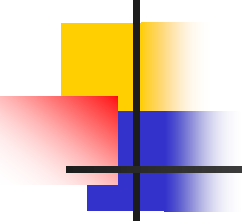
THE PROS AND CONS OF COLLAPSING
THE CURRENT TWO TIERS INTO A
SINGLE TIER SYSTEM



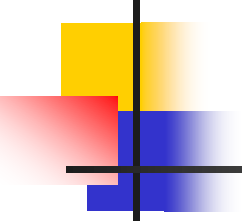
OUR ORIGINAL TWO TIER SYSTEM WAS DESIGNED FOR THE FIRST TIER TO PROVIDE THE COST OF AN ACCREDITED PROGRAM AND THE SECOND TIER TO PROVIDE ENRICHMENT ABOVE THE ACCREDITED PROGRAM AT THE DISCRETION OF THE LOCAL DISTRICT.



UNFORTUNATELY, FUNDS WERE NEVER
AVAILABLE FOR THIS APPROACH AND IT
BECAME NECESSARY TO USE BOTH TIERS TO
PROVIDE FOR THE REGULAR PROGRAM



WITH THIS IN MIND THE SENATE PROPOSED
COMBINING BOTH TIERS INTO A SINGLE TIER
SYSTEM DURING THE 2003 REGULAR SESSION
AND PROPOSED AN ADDITIONAL ENRICHMENT
TIER ABOVE THIS SINGLE TIER SYSTEM;
AND,.....

- 
-
- SINCE THIS APPROCH WAS ALSO CONSIDERED IN THE FIRST SPECIAL SESSION OF THE SUMMER 2004 AND SEEMS TO HAVE DEVELOPED A LIFE OF ITS OWN, IT SEEMS PRUDENT TO EXAMINE THE IMPACT OF SUCH A CHANGE.



Calculating the New Single Tier Basic Allotment:

- Current Tier I BA = \$2,537 (for an \$.86 LFA)
- Current Tier II GL = \$1,737 (\$27.14 x \$.64 = \$1,734)
- Current Total Yield = \$4,274 (@ \$1.50 or \$28.50 per \$.01.)

- SB I IN THE SPECIAL SESSION HAD A BASIC ALLOTMENT OF \$4300 , \$26 MORE THAN THE CURRENT TIER I AND II COMBINED.

- THIS HOWEVER DID NOT INCLUDE THE \$110 PER WADA FROM THE REGULAR SESSION OR REVENUE TO SUSTAIN THE VARIOUS HARMLESS ACTS OF THE PAST.

- THEREFORE, IT'S EASY TO IMAGINE AN ALLOTMENT OF AT LEAST \$4500 WITHOUT ADDITIONAL REVENUE.



SOME OF THE PROS OF THE SINGLE TIER SYSTEM

- THE FIRST AND MOST RECOGNIZABLE PLUS IS THE TOTAL YIELD PER \$.01 DIFFERENCE.
- CURRENT = \$4274 @ \$1.50 OR \$28.50 PER \$.01
- THE SB 1 = \$4300 @ \$1.00 OR \$43.00 PER \$.01
- A \$43 YIELD WOULD BRING ALL GAP DISTRICTS AND MANY CH 41 DISTRICTS WITHIN THE FSP



SOME OF THE PROS CONT'D

- ANOTHER IS THE ELIMINATION OF THE 50% LIMITATION OF THE CEI. (A WIND-FALL FOR LARGE DISTRICTS)
- ANOTHER PLUS (MOSTLY SMALL DISTRICTS) LOW TAXING DISTRICTS TEND TO INCREASE REVENUE IN RELATION TO THEIR TAX RATE BELOW THE CURRENT \$1.50 CAP.



THE CONS OR CONCERNS

- THE FIRST AND MOST TALKED ABOUT PROBLEM IS THE LOSS OF FLEXIBILITY OVER CURRENT TIER II .
- ALL OF THE TIER II REVENUE FLOWS INTO THE REGULAR AND SPECIAL PROGRAM.
- THERE MAY BE OTHER ANOMALIES THAT CAN BE DETECTED ONLY WHEN COMPUTER RUNS ARE ANALYZED



A FINAL THOUGHT ON THE SINGLE TIER SYSTEM

- SINCE THE SINGLE TIER SYSTEM OFFERS SUCH A HIGH YIELD PER \$.01 OF TAX EFFORT, IT'S LOGICAL THAT THE EQUITY CENTERS' REQUEST FOR A 98% ENRICHMENT TIER IS VERY REALISTIC.



CONSIDER....

- WE HAVE ALREADY SHOWN THAT THE BASIC ALLOTMENT OF A SINGLE TIER SYSTEM IS \$45 OR MORE WITHOUT ANY ADDITIONAL REVENUE ADDED TO THE FSP, AND THIS IS A 100% EQUALIZED TIER.
- THE 98%tile IN THE ENRICHMENT TIER ONLY REQUIRES ABOUT A \$48-\$50 YIELD.
- IT DOESN'T MAKE SENSE TO ENRICH AT A MUCH LOWER RATE THAN THE REGULAR PROGRAM.