



St. Michael- Albertville School District, ISD 885

Public Hearing for Taxes Payable in 2019

DECEMBER 3, 2018

PRESENTED BY:

ANN-MARIE FOUCAULT

SUPERINTENDENT

Tax Hearing Presentation

State Law Requires Public Meeting:

- Between November 25th and December 28th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting

State Law Requires Presentation of:

- Current year budget
- Prior year actual revenue & expenditures
- Proposed property tax levy including % increase
- Specific purposes & reasons taxes are being increased

**State Law also requires the district allow for public comments*

Agenda for Hearing

1. Background on Student Achievement and School Funding
2. District Budget
3. District's Proposed Tax Levy for Taxes Payable in 2019
4. Public Comments and Questions

Constitution Assigns Legislature Responsibility to Set Funding for Minnesota Public Schools

Minnesota Constitution ARTICLE XIII

MISCELLANEOUS SUBJECTS

Section 1

“**UNIFORM SYSTEM OF PUBLIC SCHOOLS.** The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The *legislature shall make such provisions by taxation or otherwise* as will secure a thorough and efficient system of public schools throughout the state.”

As a result...

School funding is highly regulated by the state

State Sets:

- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

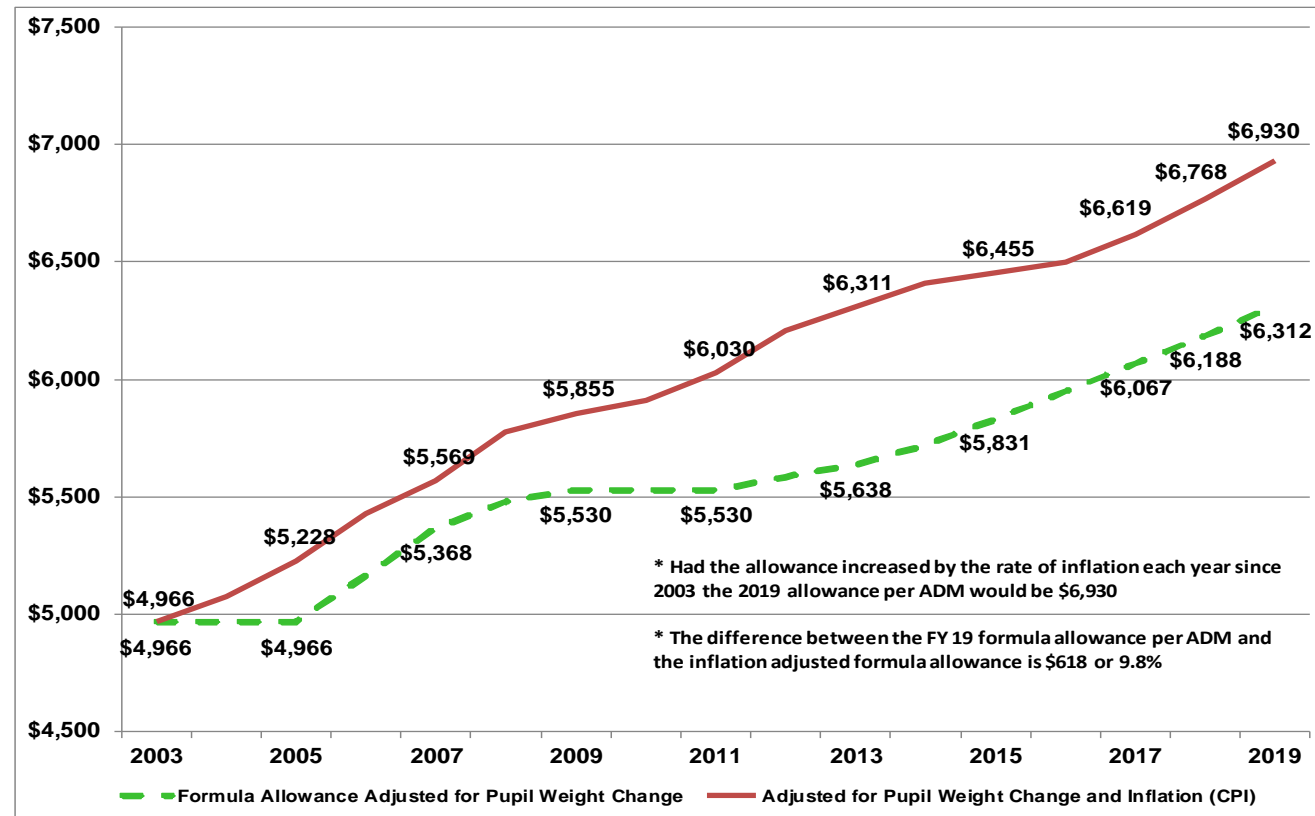
State also authorizes school board to submit referendums for operating and capital needs to voters for approval

Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2018-19, Legislature approved an increase of 2% or \$124 per year
- Per-pupil allowance for Fiscal Year 2018-19 would need to increase by another \$618 (9.8%) to have kept pace with inflation since 2002-03

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2019
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2018 Inflation Estimates

Underfunding of Special Education

MDE reports the FY 2016 cost of providing special education programs was underfunded by \$697 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,783 per special education student

Underfunding of special education costs requires a transfer from regular program resources to support an underfunded program mandated by state and federal law

Primary options to bridge special education funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

Result: Growing Dependence on Referendum Revenue

- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2018-19, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,371 per pupil (STMA=\$724)
 - 21.7% of general education formal allowance (STMA=11.4%)
 - Of this amount (\$1371), \$951 is a board approved or voter approved operating referendum, and \$420 is Local Optional Revenue (STMA's \$724 lags behind by \$647 per pupil)

Change in Tax Levy Does not Determine Change in Budget

1

Tax levy is based on many state-determined formulas plus voter approved referendums

2

Some increases in tax levies are revenue neutral, offset by reductions in state aid

3

Expenditure budget is limited by state-set revenue formulas, voter-approved levies, and fund balance

4

An increase in school taxes does not always correlate to an equal increase in budget

School District Levy Cycle Differs from City/County Levy Cycle

City/County:

- Budget Year same as calendar year
- 2019 taxes provide revenue for 2019 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2019 taxes provide revenue for 2019-20 school fiscal year
- Budget will be adopted in June 2019

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 19-20 budget will be set in June 2019.

All school district budgets are divided into separate funds, based on purposes of revenue, as required by law

Our District's Funds:

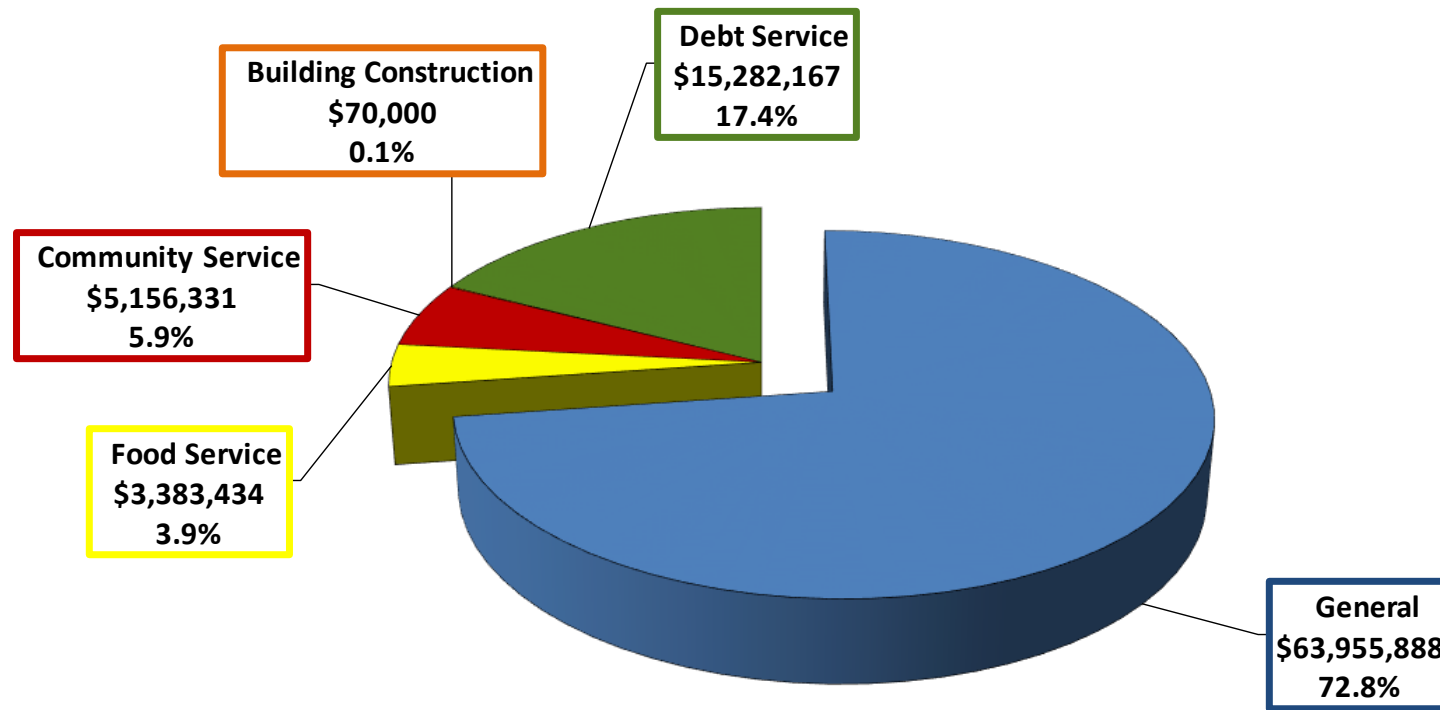
- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Trust*

*Annual budgets are not prepared for this fund

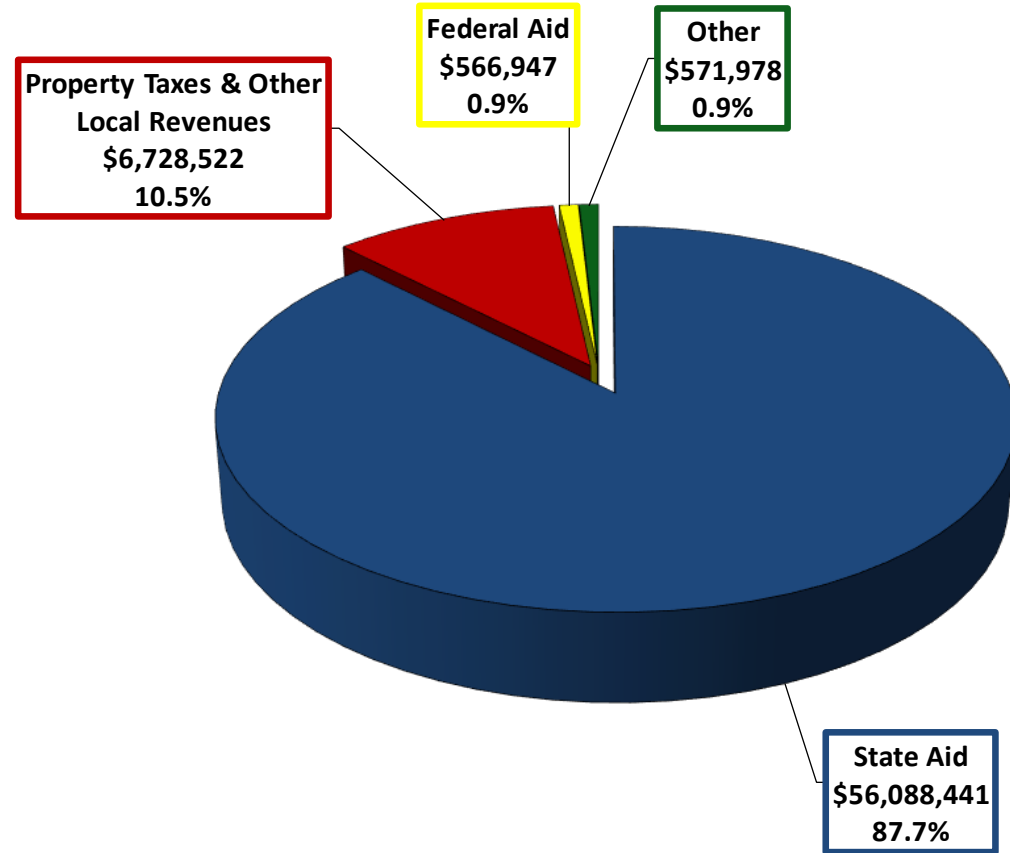
St. Michael-Albertville Schools, ISD No. 885
District Revenues and Expenditures
Actual for FY 2018, Budget for FY 2019

FUND	FISCAL 2018 BEGINNING FUND BALANCES	2017-18 ACTUAL REVENUES AND TRANSFERS IN	2017-18 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2018 ACTUAL FUND BALANCE	2018-19 BUDGET REVENUES AND TRANSFERS IN	2018-19 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2019 PROJECTED FUND BALANCE
General/Restricted	\$2,206,283	\$5,763,091	\$5,666,364	\$2,303,010	\$6,032,787	\$5,985,230	\$2,350,567
General/Other	14,686,623	55,918,601	55,777,945	14,827,279	57,923,101	58,424,007	14,326,373
Food Service	1,285,665	2,895,759	3,309,916	871,508	3,383,434	3,792,731	462,211
Community Service	2,167,267	4,967,271	5,075,342	2,059,196	5,156,331	5,081,857	2,133,670
Building Construction	34,000,962	399,854	19,730,004	14,670,812	70,000	14,740,813	(0)
Debt Service	41,925,665	13,896,148	52,064,873	3,756,940	15,282,167	14,846,903	4,192,204
Trust	39,245	26,312	24,450	41,107	-	18,100	23,007
Total All Funds	\$96,311,710	\$83,867,036	\$141,648,894	\$38,529,852	\$87,847,820	\$102,889,641	\$23,488,031

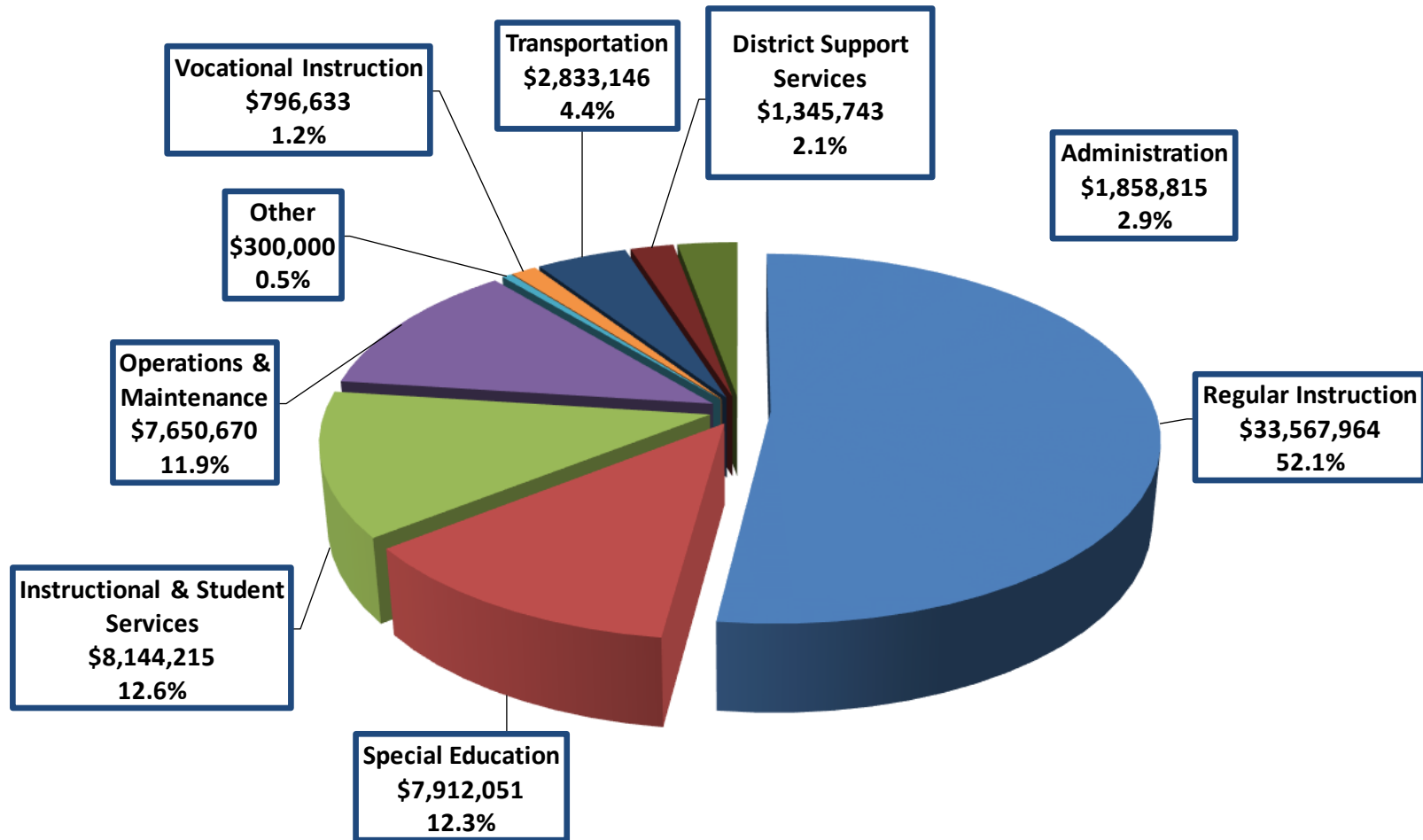
St. Michael-Albertville Schools, ISD No. 885
Revenue - All Funds
2018-19 Budget \$87,847,820



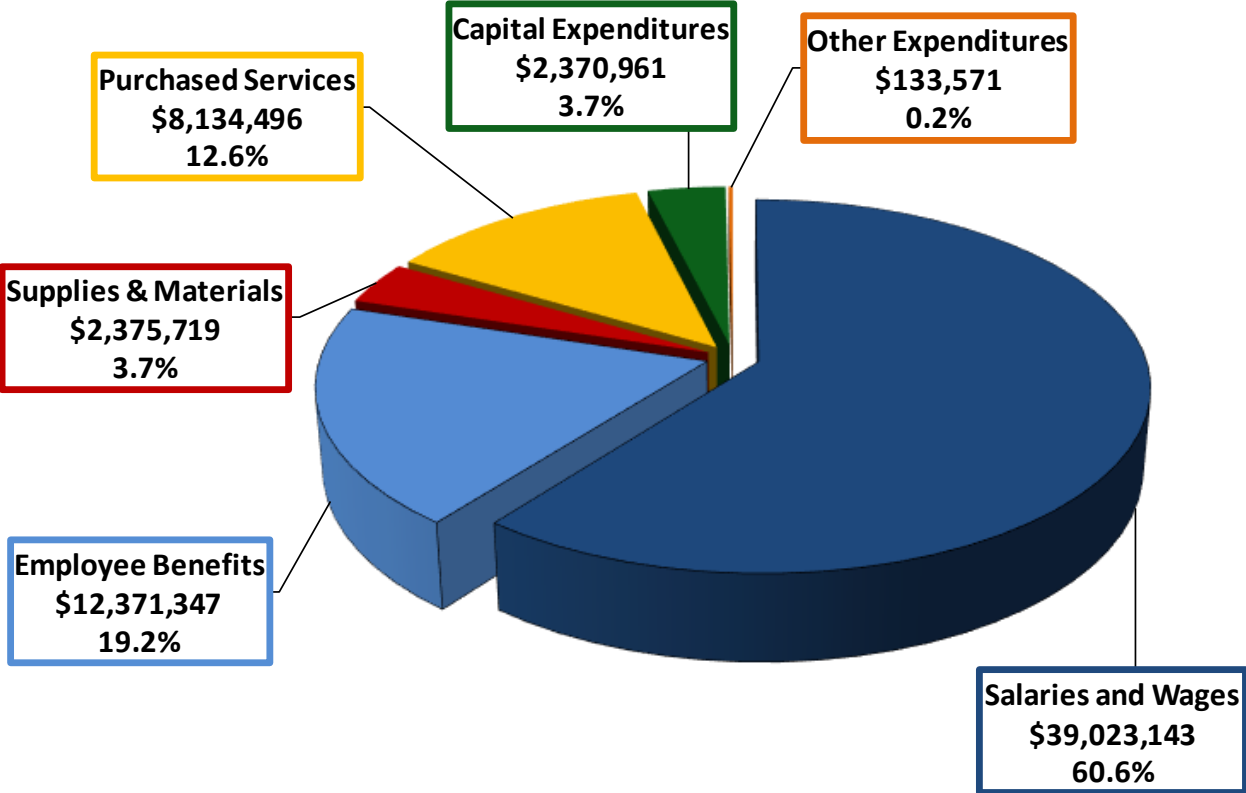
St. Michael-Albertville Schools, ISD No. 885
General Fund Revenue
2018-19 Budget \$63,955,888



St. Michael-Albertville Schools, ISD No. 885
General Fund Expenditures by Program
2018-19 Budget \$64,409,237



St. Michael-Albertville Schools, ISD No. 885
General Fund Expenditure by Object
2018-19 Budget \$64,409,237



Payable 2019 Property Tax Levy

- Determination of levy
- Comparison of 2018 to 2019 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers

Property Tax Background

- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions

Parcel Specific Notice:

This is a sample of the notice mailed to every property owner between November 11-24 with information on the impact of the Proposed 2019 levy on their property.

Contents:

- Proposed property tax compared to last year
- By voter approved and other
- By taxing jurisdiction
- Contains time and place of public meeting



Spruce County
Jane Smith, Auditor-Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-6789
www.co.spruce.mn.us

TAXPAYER(S):

John and Mary Johnson
123 Pine Rd S
Spruceville, MN 55555-5555

Property Information

PIN Number: 01.234.56.789.R1 Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2019

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2018	2019
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
PROPOSED TAX			
2	Property Taxes before credits		\$1,562.46
	School building bond credit		\$ 12.00
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits		\$1,550.46
PROPERTY TAX STATEMENT			
3	Coming in 2019		
The time to provide feedback on PROPOSED LEVIES is NOW			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2018	Proposed 2019	
State General Tax	No public meeting	\$0	\$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 5, 7:00 PM	\$438.06	\$484.18	
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 3, 6:30 PM Spruceville City Hall	\$273.79	\$312.06	
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 10, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$374.60	
<i>Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2019 may be higher than the proposed amount shown on this notice.</i>				
Metro Special Taxing Districts		\$57.76	\$58.70	
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 12, 7:30 PM Spruce Park Centre 500 Pine St.			
Other Special Taxing Districts Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$13.02 \$11.22	
Total excluding any special assessments		\$1,410.02	\$1,550.46	9.0%

School District Property Taxes

- Each school district may levy taxes in over 40 different categories
- “Levy limits” (maximum levy amounts) for each category are set by
 - State law
 - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district

Property Tax Background

School District Property Taxes

- Key steps in process are summarized on next slide
- Any of these steps may affect the taxes on a parcel of property, but district has control over only 1 of the 7 steps

Minnesota School District Property Taxes - Key Steps in the Process

Step 1. The **City or County Assessor** determines the estimated market value for each parcel of property in the county.

Step 2. The **Legislature** sets the formulas for tax capacity. (E.g., for homestead residential property, tax capacity = 1% of first \$500,000 in value + 1.25% of value over \$500,000.) These formulas determine how much of the tax burden will fall on different types of property.

Step 3. The **County Auditor** calculates the tax capacity for each parcel of property in the county (based on values from step 1 and tax capacity formulas from step 2), as well as the total tax capacity for each school district.

Step 7. The **County Auditor** divides the final levy (determined by the school board in step 6) by the district's total tax capacity (determined in step 3) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity, to determine the school tax for that property.*

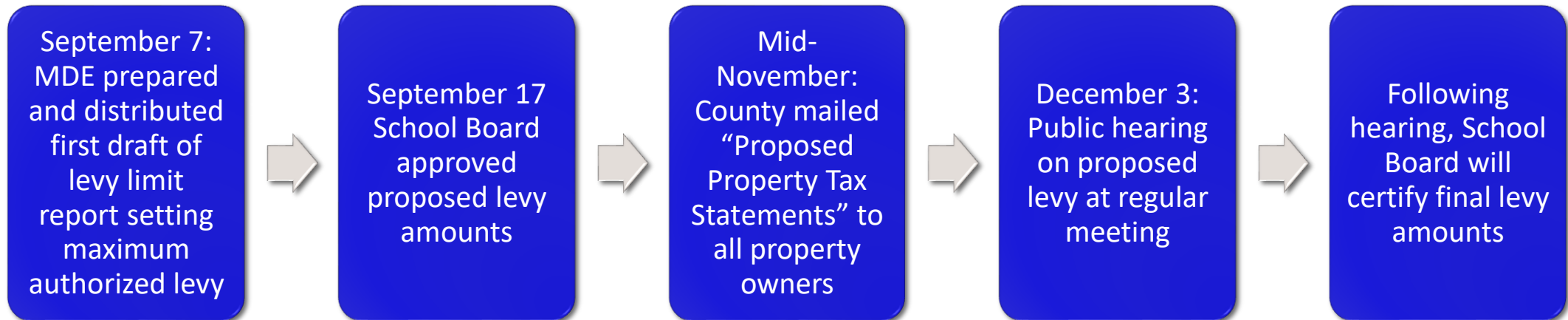
Step 4. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 5. The **Minnesota Department of Education** calculates detailed levy limits for each school district, based on the formulas approved by the Legislature in step 4. These limits tell districts the exact amounts that can be levied in every category.

Step 6. The **School Board** adopts a proposed levy in September, based on the limits set in step 5. After a public hearing, the board adopts a final levy in December. Final levy cannot be more than the preliminary levy, except for amounts approved by voters.

* For certain levy categories (referendum, equity and transition levies), tax rates and levy amounts are based on **referendum market value**, rather than **tax capacity**.

Schedule of Events in Approval of District's 2018 (Payable 2019) Tax Levy



Overview of Proposed Levy Payable in 2019

Total 2019 proposed property tax levy is an increase from 2018 of \$994,490, or 7.3%

State law requires that we explain reasons for major increases in levy

St. Michael-Albertville Schools, ISD No. 885

Comparison of Proposed Tax Levy Payable in 2018 to Actual Levy Payable in 2019

Fund	Levy Category	Actual Levy Payable in 2018	Proposed Levy Payable in 2019	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$729,175	\$802,496	\$73,321	
	Board Approved Referendum	14,552	16,016	1,463	
	Local Optional Revenue	1,813,722	1,996,097	182,375	
	Equity	669,897	788,376	118,479	
	Alternate Teacher Compensation	297,963	327,208	29,245	
	Operating Capital	186,817	215,429	28,611	
	Long Term Facilities Maintenance	564,091	604,924	40,833	
	Instructional Lease	62,579	97,405	34,826	
	Safe Schools	251,359	255,780	4,421	
	Other Including Abatements	85,441	85,037	(403)	
	Adjustments	20,676	24,324	3,648	
	Total, General Fund	\$4,696,272	\$5,213,091	\$516,819	11.0%
Community Service Fund					
	Basic Community Education	\$181,600	\$181,600	\$0	
	Early Childhood Family Education	67,979	68,917	938	
	School-Age Child Care	70,000	70,000	0	
	Other	952	1,200	248	
	Adjustments	6,071	26,718	20,648	
	Total, Community Service Fund	\$326,603	\$348,436	\$21,833	6.7%
Debt Service Funds					
	Voter Approved	\$9,705,736	\$10,086,623	\$380,887	
	Reduction for Debt Excess	(1,196,355)	(1,075,600)	120,755	
	Adjustments	33,527	(12,278)	(45,804)	
	Total, Debt Service Fund	\$8,542,908	\$8,998,746	\$455,838	5.3%
Total Levy, All Funds		\$13,565,782	\$14,560,273	\$994,490	7.3%
Subtotal by Truth in Taxation Categories:					
	Voter Approved	9,302,924	9,802,753	499,829	
	Other	4,262,859	4,757,520	494,661	
	Total	\$13,565,782	\$14,560,273	\$994,490	7.3%

Explanation of Levy Changes

Category: General Fund – Voter Approved Operating Referendum and Local Optional Revenue

Change: +\$255,696

Use of Funds: General Operating Expenses

Reason for Change:

- Enrollment is higher than was originally projected

Explanation of Levy Changes

Category: Long Term Facilities Maintenance (LTFM)

Change: \$40,833

Use of Funds: Deferred Maintenance Projects

Reason for Change:

- New category of revenue created by legislation in 2015; replaced previous Health & Safety and Deferred Maintenance programs
- Revenue is phasing in over 3 years, with revenue increasing each year from 2016-17 through 2018-19

Explanation of Levy Changes

Category: Debt Service – Voter Approved

Change: +\$380,877

Use of Funds: Annual required payments of principal & interest on voter approved bonds

Reason for Change:

- Decreases to state aid result in increases to the debt service levy component

Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property in District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors

Four Year School Levy Comparison

Following are a table and graphs showing examples of changes in school district portion of property taxes from 2016 to 2019

Examples include school district taxes only

All examples are based on a 14.5% increase in property value over this period

- Actual changes in value may be more or less than this for any parcel of property
- Intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties

Impact on Taxpayers

- Amounts for 2019 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors

St. Michael-Albertville Schools, ISD No. 885
Estimated Changes in School Property Taxes, 2016 to 2019
Based on 11.4% Cumulative Changes in Property Value from 2016 to 2019 Taxes

Type of Property	Estimated Market Value for 2016 Taxes	Actual Taxes Payable in 2016	Estimated Market Value for 2017 Taxes	Actual Taxes Payable in 2017	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Estimated Taxes Payable in 2019	Change in Taxes 2016 to 2019	Change in Taxes 2018 to 2019
Residential Homestead	\$179,525	\$1,037	\$184,911	\$1,071	\$192,308	\$1,133	\$200,000	\$1,183	\$146	\$50
	201,966	1,190	208,025	1,227	216,346	1,297	225,000	1,352	162	55
	224,407	1,342	231,139	1,382	240,385	1,461	250,000	1,522	180	61
	246,848	1,495	254,253	1,538	264,423	1,625	275,000	1,692	197	67
	269,288	1,647	277,367	1,694	288,462	1,789	300,000	1,862	215	73
	291,729	1,800	300,481	1,850	312,500	1,953	325,000	2,031	231	78
	314,170	1,952	323,595	2,005	336,538	2,117	350,000	2,201	249	84
	359,051	2,257	369,822	2,317	384,615	2,445	400,000	2,541	284	96
	403,932	2,562	416,050	2,627	432,692	2,765	450,000	2,865	303	100
448,814	2,851	462,278	2,919	480,769	3,072	500,000	3,183	332	111	
Commercial/ Industrial #	\$179,525	\$1,654	\$184,911	\$1,683	\$192,308	\$1,791	\$200,000	\$1,862	\$208	\$71
	359,051	3,676	369,822	3,718	384,615	3,942	400,000	4,078	402	136
	448,814	4,687	462,278	4,735	480,769	5,018	500,000	5,186	499	168
	673,221	7,215	693,417	7,278	721,154	7,706	750,000	7,956	741	250
	897,627	9,742	924,556	9,822	961,538	10,395	1,000,000	10,726	984	331
Agricultural Homestead (average value per acre of land and buildings)	\$4,488	\$11.02	\$4,623	\$10.84	\$4,808	\$10.76	\$5,000	\$10.94	-\$0.08	\$0.18
	5,386	13.22	5,547	13.01	5,769	\$12.90	6,000	13.13	-0.09	0.23
	6,732	16.53	6,934	16.26	7,212	\$16.13	7,500	16.42	-0.11	0.29
	8,079	19.83	8,321	19.51	8,654	\$19.36	9,000	19.69	-0.14	0.33
Agricultural Non-homestead (average value per acre of land and buildings)	\$4,488	\$22.04	\$4,623	\$21.68	\$4,808	\$21.51	\$5,000	\$21.89	-\$0.15	\$0.38
	5,386	26.45	5,547	26.01	5,769	\$25.81	6,000	26.26	-0.19	0.45
	6,732	33.06	6,934	32.52	7,212	\$32.27	7,500	32.82	-0.24	0.55
	8,079	39.67	8,321	39.02	8,654	\$38.71	9,000	39.39	-0.28	0.68

Tax Rates				
Tax Capacity Rate		49.103	46.893	47.949
Referendum Market Value Rate		0.14430	0.16250	0.15950
				47.136
				0.16525

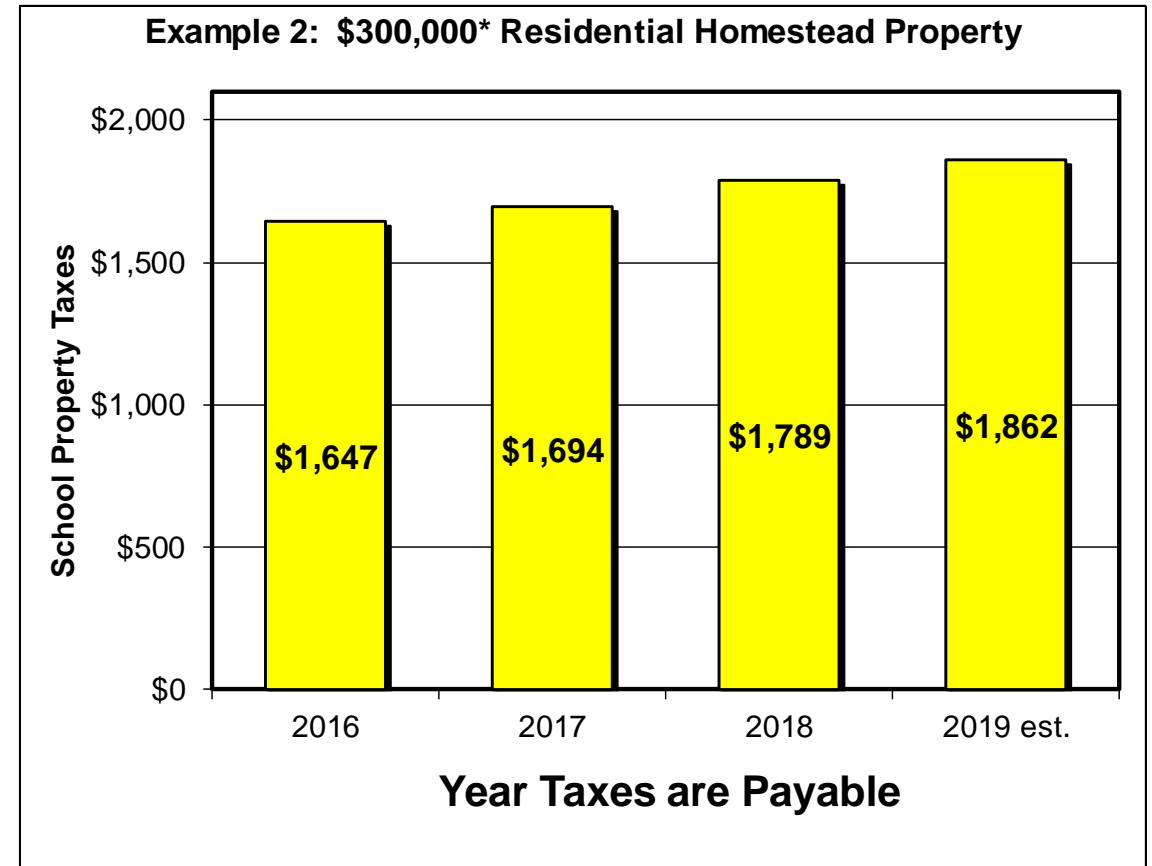
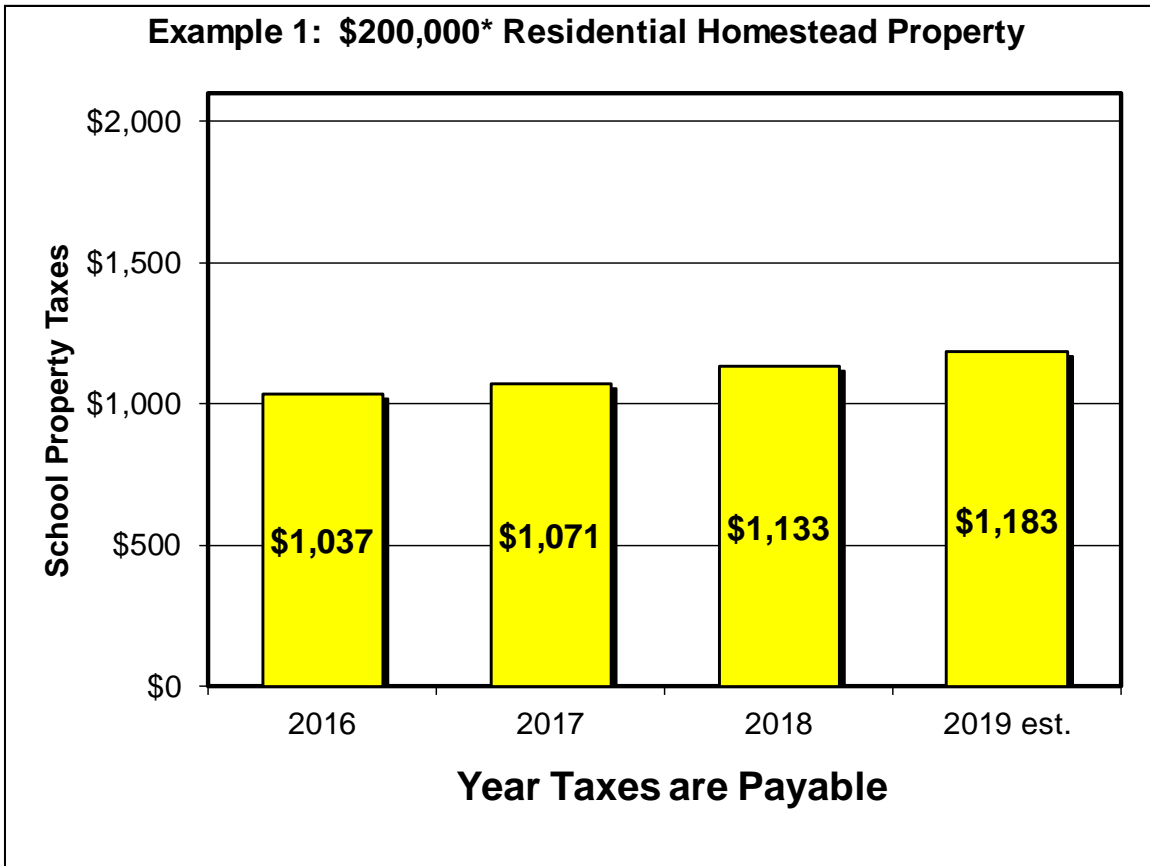
General Notes

- Amounts in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
- Estimates of taxes payable in 2019 are preliminary, based on the best data available.
- For all examples of properties, taxes are based on changes in estimated market value of 3.0% from 2016 to 2017 taxes, 4.0% from 2017 to 2018, and 4.0% from 2018 to 2019.
- For agricultural property, estimates of taxes payable in 2018 & 2019 include the impact of the new School Building Bond Agricultural Credit. Average value per acre is the total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include the value of the house, garage, and one acre, for which tax impact will be the same as on a residential homestead property. This calculation does not include the impact of the Agricultural Homestead Credit, which reduces taxes on each parcel of agricultural homestead property by varying amounts.

St. Michael-Albertville Schools, ISD No. 885

Estimated Changes in School Property Taxes, 2016 to 2019

Based on 11.4% Cumulative Changes in Property Value from 2016 to 2019 Taxes

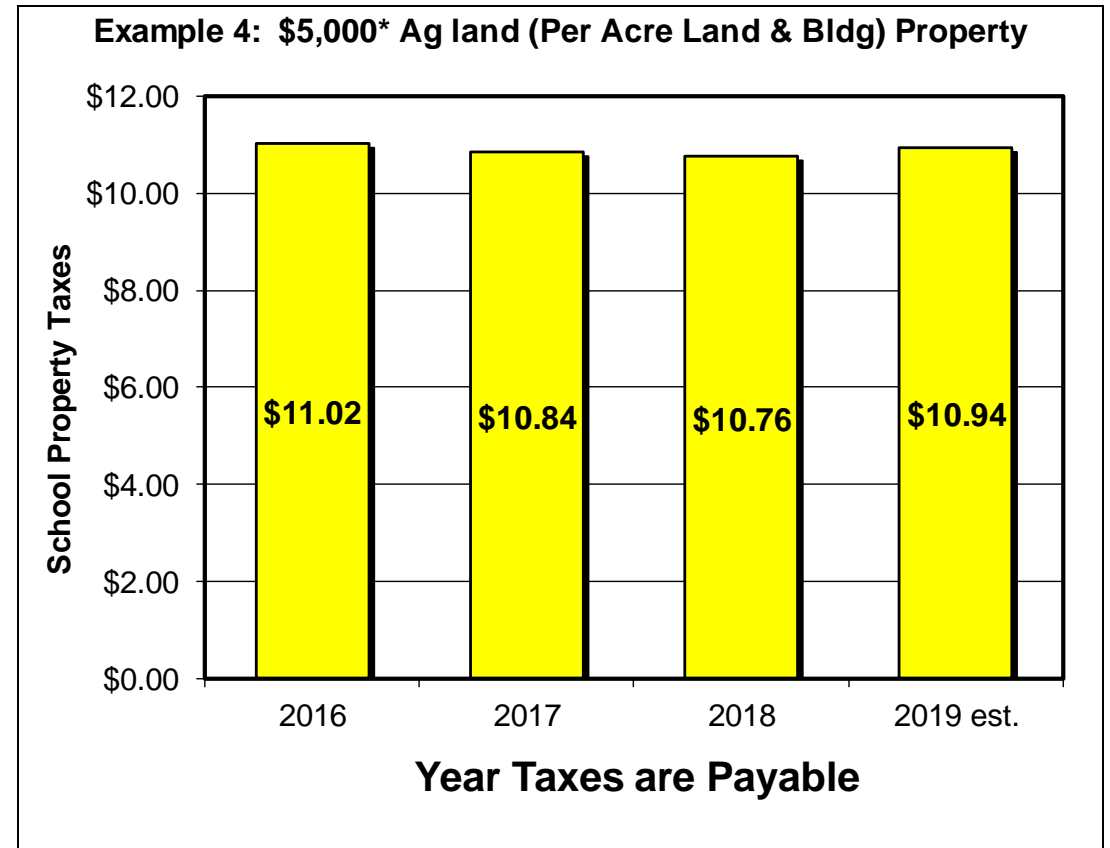
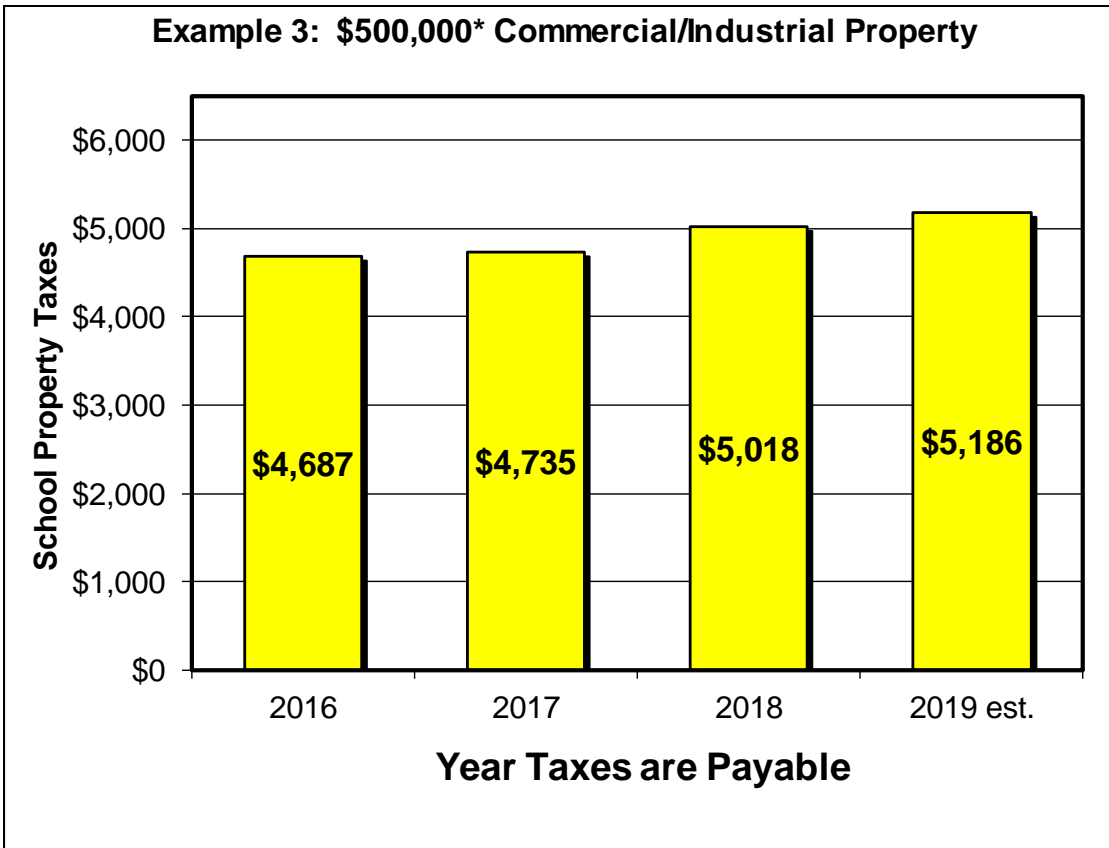


* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on changes in market value of 3.0% from 2016 to 2017 taxes, 4.0% from 2017 to 2018, and 4.0% from 2018 to 2019.

St. Michael-Albertville Schools, ISD No. 885

Estimated Changes in School Property Taxes, 2016 to 2019

Based on 11.4% Cumulative Changes in Property Value from 2016 to 2019 Taxes



* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on changes in market value of 3.0% from 2016 to 2017 taxes, 4.0% from 2017 to 2018, and 4.0% from 2018 to 2019.

Minnesota Homestead Credit Refund “Circuit Breaker”

- Has existed since 1970s
- Available **each year** to owners of homestead property
(applies to taxes paid on house, garage and one acre for ag homestead property)
- Annual income must be approximately \$110,650 or less
(income limit is higher if you have dependents)
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,710
- Also available to renters
- Complete state tax form M-1PR (www.revenue.state.mn.us)

Minnesota Special Property Tax Refund

Available each year to owners of homestead properties with a gross tax increase of at least 12% and \$100 over prior year

Helpful in first year after referendum

Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000

No income limits

Complete state tax form
M1-PR
(www.revenue.state.mn.us)

Senior Citizen Property Tax Deferral

- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on their home
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax you pay will not change for as long as you participate in the program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Next Steps

1

Board will accept public comments on proposed levy

2

Board will certify 2019 property tax levy



Public Comments
