

Willmar Public Schools, ISD #347
Public Hearing for Taxes Payable in 2014





WELCOME

December 9, 2013

Presented by:

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Director of Business and Finance



Tax Hearing Presentation

- State law requires that we present information on the current year budget and actual revenue and expenditures for the prior year
- State law also requires that we present information on the proposed property tax levy, including:
 - The percentage increase or decrease from the prior year
 - Specific purposes and reasons for which taxes are being increased or decreased
- District must also allow for public comments



Agenda for Hearing

- A.** Background on School Funding, Property Tax Levies, and Budgets
- B.** Information on District Budget
- C.** Information on the District's Proposed Tax Levy for Taxes Payable in 2014
- D.** Public Comments and Questions

Public Schools Established by 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 is based on specified amounts per pupil
- **State sets** tax policy for local schools
- **State sets** maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by the voters)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

Contrast of City/County to School District Levy Cycle

- City/County - Budget Year is same as calendar year. The 2014 taxes provide revenue for the calendar year 2014 budget.
- Schools - Budget year begins July 1st and coincides with school year. The 2014 taxes provide revenue for the 2014-2015 school fiscal year. Budget will be adopted in June 2014.

Change in Tax Levy Does not Determine Change in Budget

- Tax levy is based on many state-determined formulas
- Some increases in tax levies are revenue neutral, offset by reductions in state aid
- Expenditure budget is limited by state-set revenue formulas, voter-approved levies, and fund balance, not just by tax levies

Budget Information

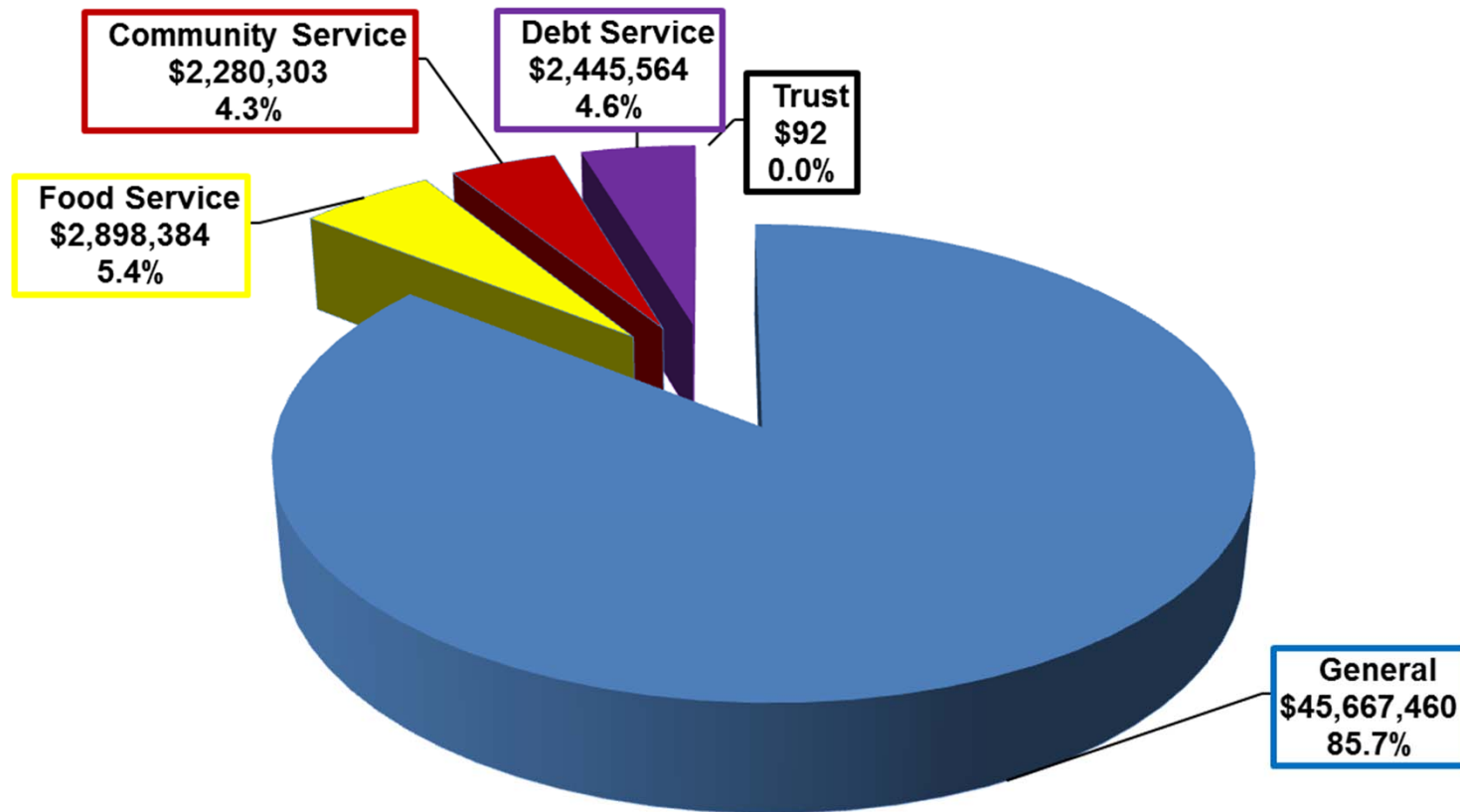
- Because approval of the budget lags certification of the tax levy by six months, the state requires only current year budget information and prior year actual financial results to be presented at this hearing



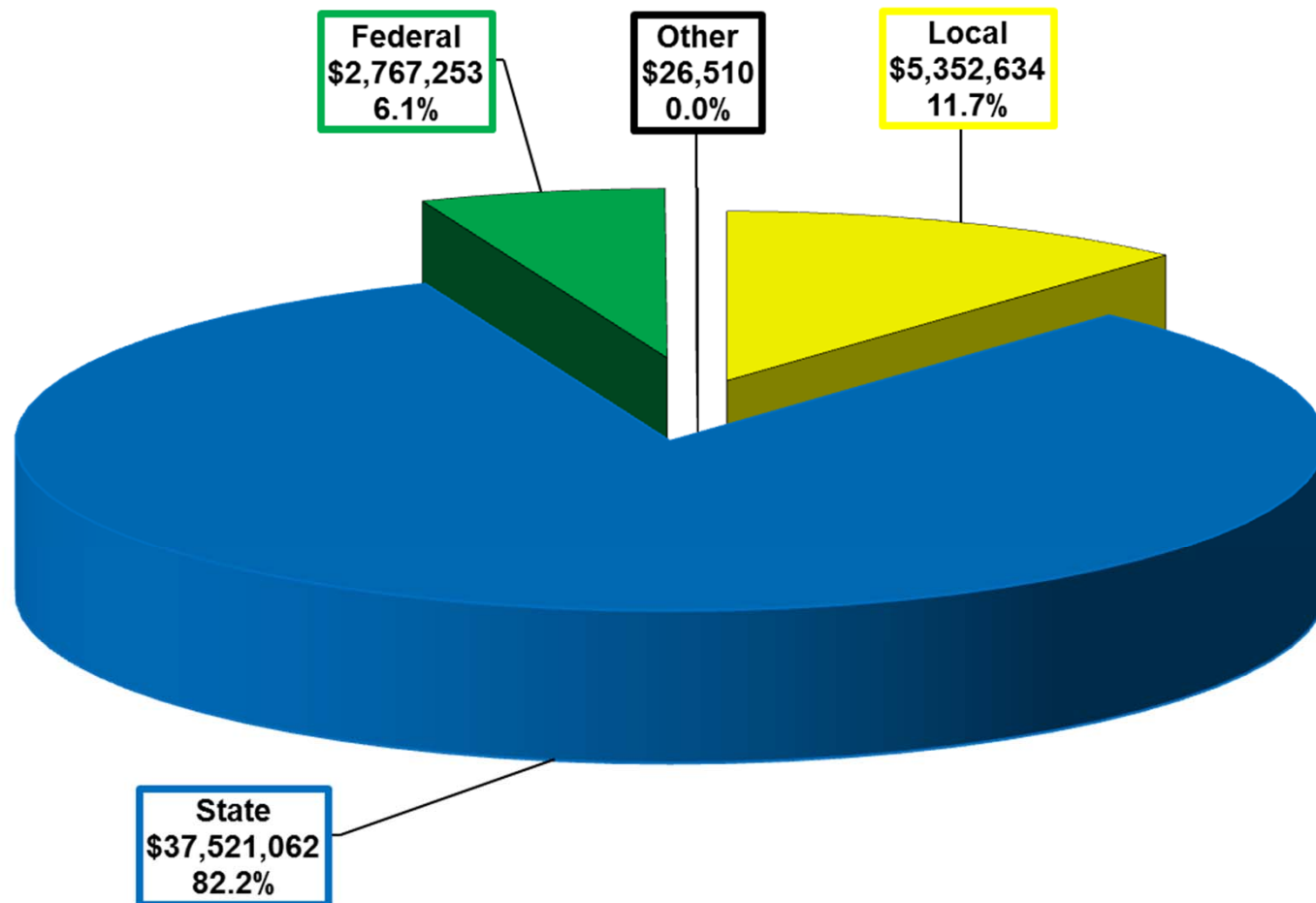
Budget Information

- All school districts' budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 6 funds:
 - General
 - Food Service
 - Community Service
 - Debt Service
 - Trust
 - Internal Service

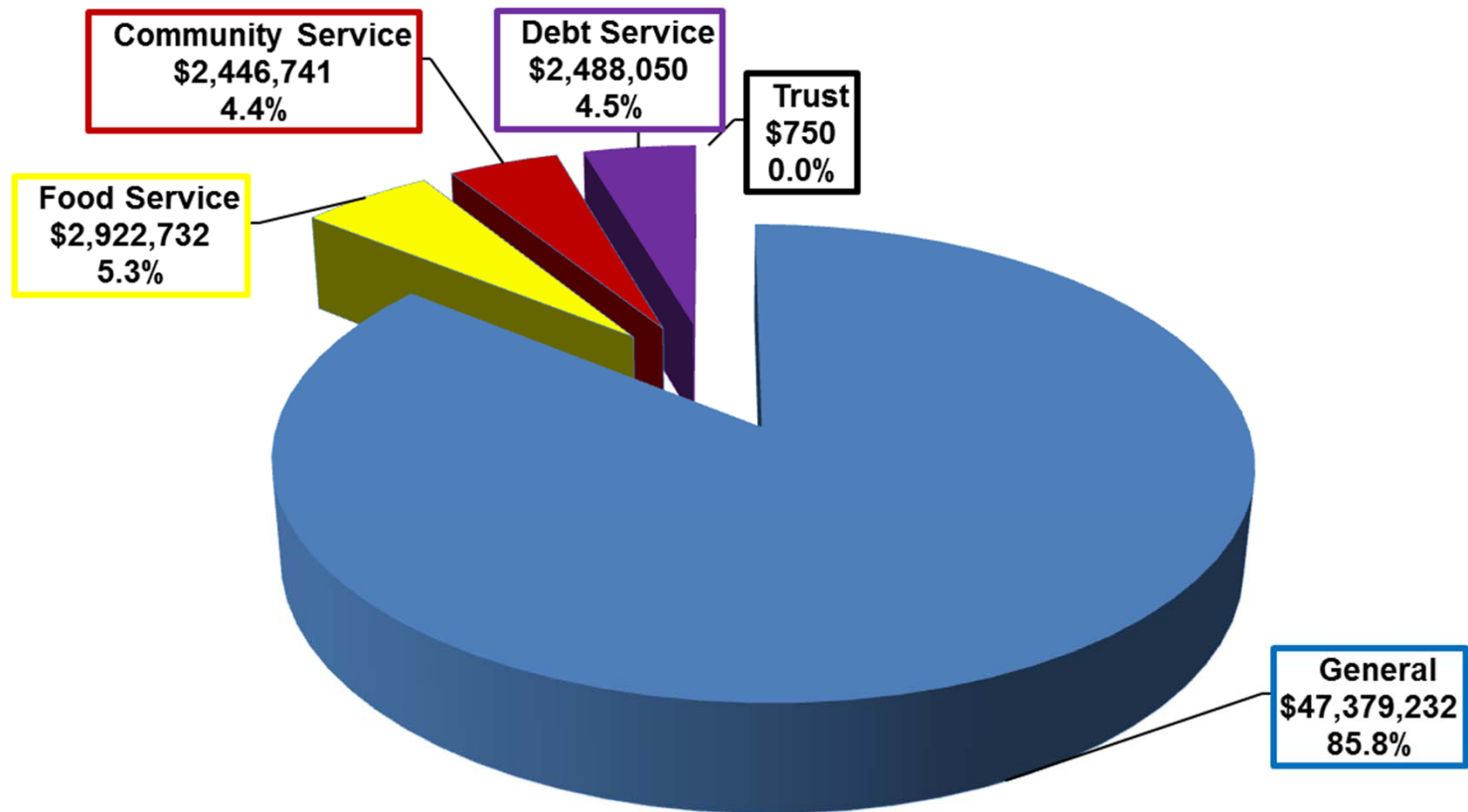
**Willmar Public Schools
Revenue - All Funds
2013-14 Budget \$53,291,803**



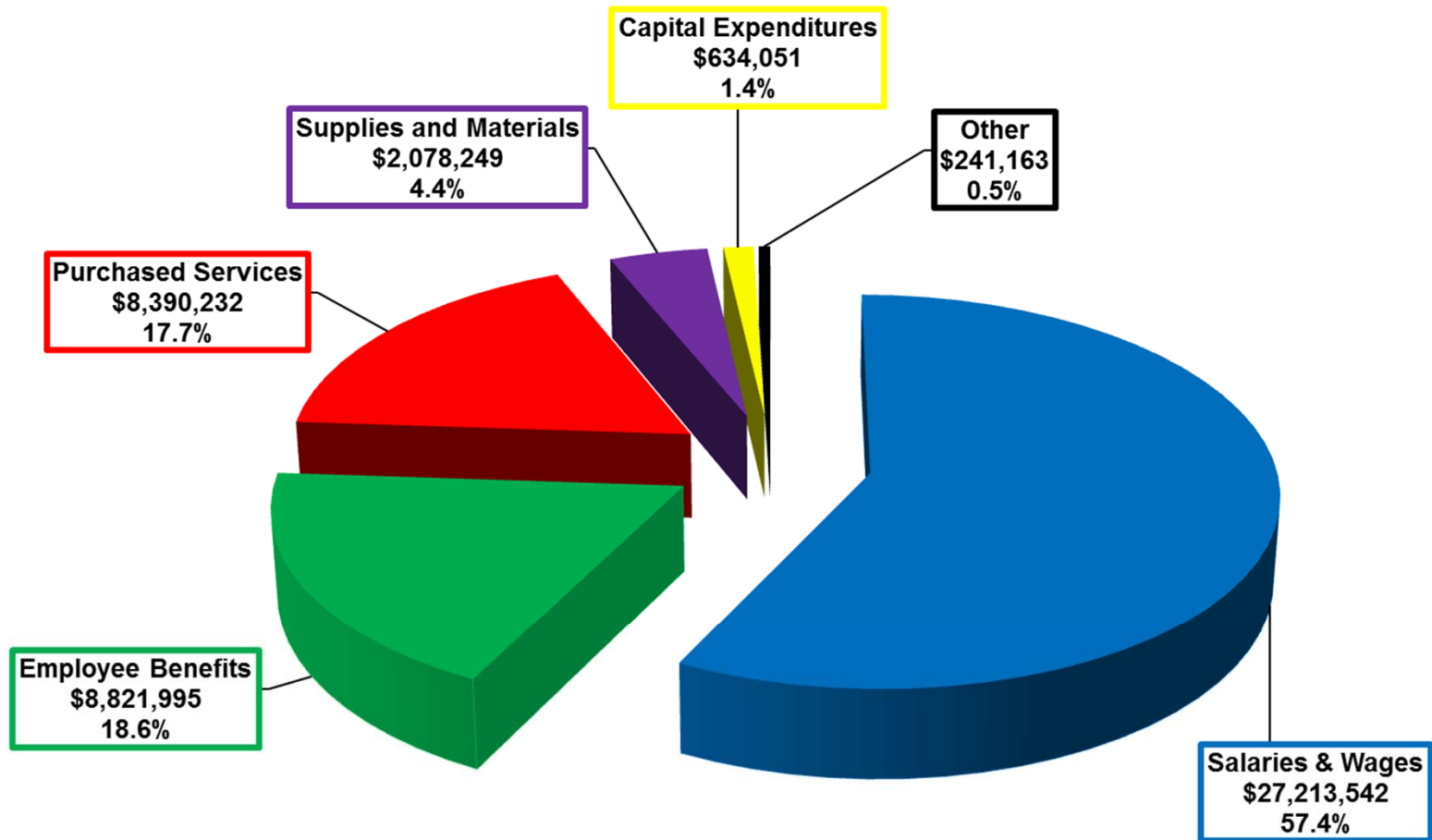
**Willmar Public Schools
General Fund Revenue
2013-14 Budget \$45,667,459**



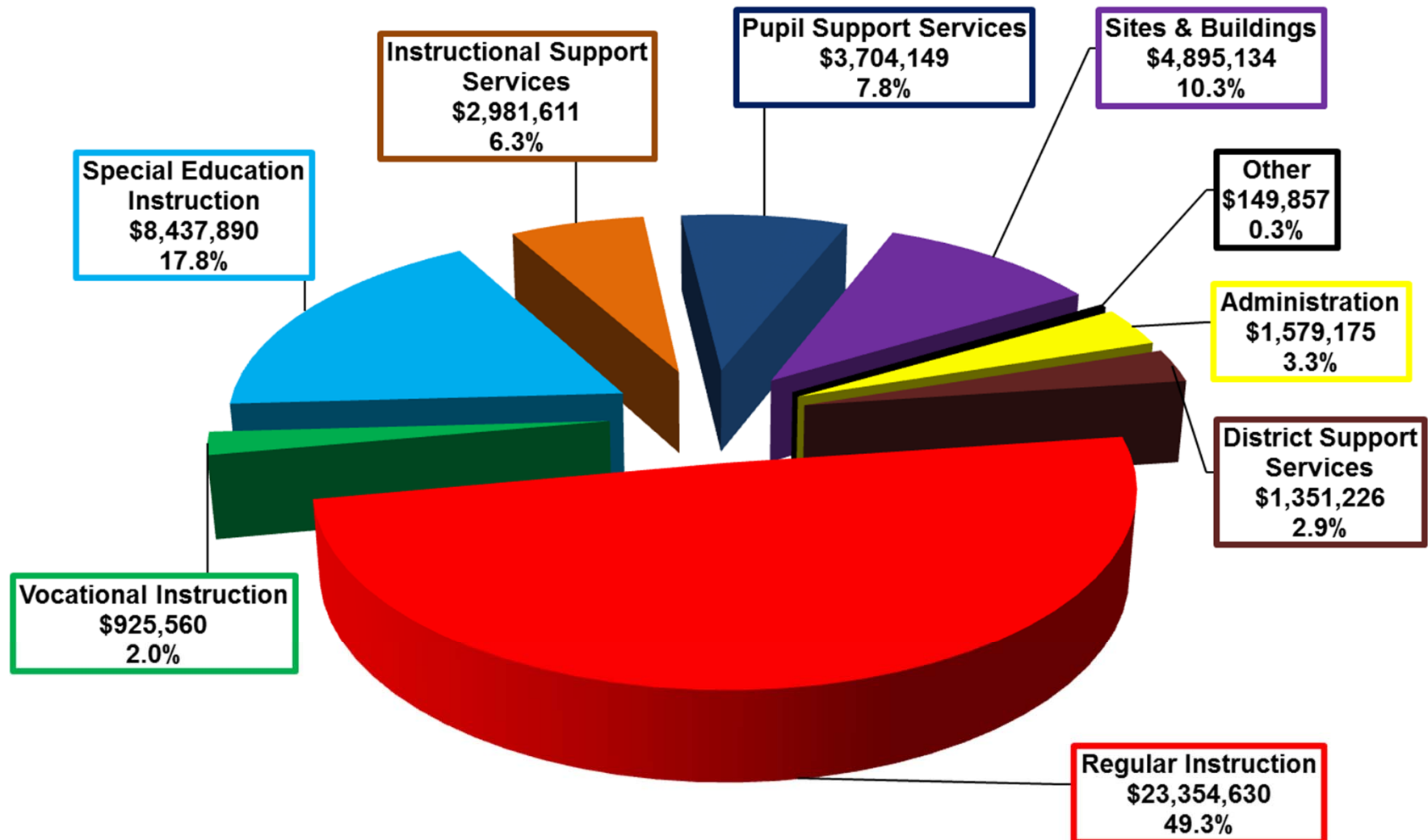
**Willmar Public Schools
Expenditures - All Funds
2013-14 Budget \$55,237,505**



**Willmar Public Schools
General Fund Expenditures by Object
FY 2013-14 Budget \$47,379,232**



**Willmar Public Schools
General Fund Expenditures by Program
2013-14 Budget \$47,379,232**



Property Tax Background

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



School District Property Taxes

- Each school district may levy taxes in up to 30 different categories
- “Levy limits” (maximum levy amounts) for each category are set either by:
 - State law, or
 - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district



Property Tax Background

School District Property Taxes

- Key steps in the process are summarized on the next slide
- Any of these steps may affect the taxes on a parcel of property, but the 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**.



Proposed Levy Payable in 2014

Schedule of events in approval of district's 2013 (Payable 2014) tax levy

- Mid-September: MN Department of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- September 23: School board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- December 9: Public hearing on proposed levy at regular meeting
- December 9: Following hearing, school board will certify final levy amounts



Overview of Proposed Levy Payable in 2014

- The total 2014 proposed property tax levy will decrease from 2013, by 27.25% or \$1,845,643
- Law requires that we explain the reasons for the major changes in the levy

Adjusted Pupil Units

- Legislation changed the pupil unit weighting factors.

Weights for Pupil Units	FY 2008 – FY 2014	FY 2015 & Later
HCP-Kindergarten	1.000	1.000
AD-Kindergarten	0.612	1.000
Grades 1-3	1.115	1.000
Grades 4-6	1.060	1.000
Grades 7-12	1.300	1.200

Willmar Public Schools

Comparison of Proposed Tax Levy Payable in 2014 to Actual Levy Payable in 2013

Funding Levy Category	Actual Levy - FY 14	Proposed Levy - FY 15	FY 15	FY 15
	Payable in 2013	Payable in 2014	\$ Change	% Change
General Fund				
Voter Approved Referendum	\$2,210,952	\$1,171,892	(\$1,039,060)	
Location Equity	0	584,824	584,824	
Equity	312,911	332,108	19,197	
Student Achievement	0	73,185	73,185	
Operating Capital	433,295	326,737	(106,558)	
Integration (& Achievement)	178,547	221,063	42,517	
Deferred Maint/Health & Safety	392,639	504,060	111,420	
Other	487,654	458,566	(29,088)	
Adjustments for Prior Years	(39,975)	(15,058)	24,917	
Total General Fund	\$3,976,023	\$3,657,377	(\$318,646)	-8.0%
Community Service Fund				
Basic Community Education	\$189,355	\$189,355	\$0	
Early Childhood Family Education	85,476	85,054	(423)	
School-Age Child Care	73,041	101,047	28,006	
Other	3,227	3,074	(153)	
Adjustments for Prior Years	793	(1,632)	(2,425)	
Total Community Service Fund	\$351,892	\$376,897	\$25,005	7.1%
Debt Service Fund				
Voter Approved Debt Service	\$2,610,300	\$1,102,500	(\$1,507,800)	
Abatement Adjustments	1,561	74	(1,487)	
Reduction for Excess Fund Balance	(166,298)	(209,012)	(42,714)	
Total Debt Service Fund	\$2,445,564	\$893,562	(\$1,552,002)	-63.5%
Total Levy, All Funds	\$6,773,479	\$4,927,836	(\$1,845,643)	-27.2%

Explanation of Levy Changes

- Category: Voter Approved Referendum
- Change: -\$1,039,060
- Reason for decrease:
 - Pupil unit weighting conversion less alternative attendance adjustment changed the referendum from \$700/RMCPU to \$762.95/APU. This change still generates the same referendum revenue.
 - The total referendum authority per APU is reduced by \$212/APU for location equity (part of general levy) leaving referendum authority at \$550.95/APU.
 - Aid/levy split – percentage covered by levy decreased from 64.3% to 47.1%.

Explanation of Levy Changes

- Category: Location Equity
- Change: +\$584,824
- Reason for increase:
 - Location equity is \$212/APU that was formerly classified as referendum revenue.

Explanation of Levy Changes

- Category: Student Achievement
- Change: +\$73,185
- Reason for increase:
 - New levy. Student Achievement levy is similar to the old general education levy from the pre-Ventura days.
 - Levy equals 0.35% of the District's adjusted net tax capacity.

Explanation of Levy Changes

- Category: Operating Capital
- Change: -\$106,558
- Reason for decrease:
 - Total operating capital revenue increased but the portion paid for with levy dollars decreased from 44.3% to 32.5%.

Explanation of Levy Changes

- Category: Integration and Achievement
- Change: +\$42,517
- Reason for increase:
 - Integration revenue changed to Integration and Achievement revenue.
 - The total revenue went up approximately \$137,900. Levy covers 30% of the revenue.

Explanation of Levy Changes

- Category: Deferred Maintenance/Health & Safety
- Change: +\$111,420
- Reason for increase:
 - Health & Safety levy is based on projects reported over a three year period.
 - Estimated costs for FY 2015.
 - Change in estimated costs for FY 2013 and FY 2014.

Explanation of Levy Changes

- Category: School-Age Child Care
- Change: +\$28,006
- Reason for increase:
 - School-age child care is estimated and adjusted based on budgeted and actual numbers.

Explanation of Levy Changes

- Category: Voter Approved Debt Service
- Change: -\$1,507,800
- Use of funds: Payments on bonds.
- Reason for crease:
 - This is the last levy to pay off the SH bonds. The last payment is significantly less than prior payments.

Explanation of Levy Changes

- Category: Reduction for Debt Service Excess
- Change: -\$42,714
- Use of funds: Payments on bonds
- Reason for increase:
 - Districts are required to levy at 105% of their debt service payment amounts to cover delinquencies in tax collections.
 - Since delinquencies are generally less than 5%, most districts gradually build up fund balances in their debt service funds.
 - Formulas in state law determine adjustments to the tax levy for debt excess balances.
 - The state-required levy reduction for 2014 is more than in 2013.

Other Factors Causing Changes

- Many other factors can cause the tax bill for an individual property to increase or decrease from year to year:
 - Changes in value of the individual property
 - Changes in the total value of all property in the district
 - Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors



State Property Tax Refunds

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms
- For help with the forms and instructions:
 - Consult your tax professional, or
 - Visit the Department of Revenue web site at www.taxes.state.mn.us



Next Steps

- Board will accept public comments and questions on proposed levy
- Board action to certify the 2014 school tax levy



Public Comments and Questions