

ISD 347 – Willmar, Minnesota

Willmar Public Schools

Board of Education

Truth in Taxation Hearing

November 29, 2005

5:30 p.m., Board Room, WEAC

ISD 347 – Willmar, Minnesota

Truth in Taxation Law

Minnesota's Truth in Taxation Law began back in 1988.

Requires cities, counties and school districts to follow two important steps before adopting a tax levy for the following year.

1. Mailed Notice to each property owner in the county including:

1. Tax levies proposed by city, county, and school district
2. What percent increase/(decrease) such a levy would mean in dollars

2. A “Truth in Taxation” public hearing for each taxing jurisdiction, including a specific public notice.

You are hear tonight as part of the school district's public hearing process.

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Truth in Taxation Public Hearing

EXAMPLE: Notice of Proposed Property Taxes

The School Board of Willmar Public Schools Independent School District 347 will hold a public hearing on its budget and on the amount of property taxes it is proposing to collect in 2006 to pay for the costs of the district for the 2006-2007 school year.

Attend the Public Hearing

All residents of the School District are invited to attend the public hearing of the School Board to express their opinions on the budget and on the proposed amount of 2006 property taxes. The hearing will be held on:

Tuesday, November 29, 2005, at 5:30 p.m.

Board Room, WEAC,

611 5th Street SW

Willmar, MN 56201

ISD #347 Truth in Taxation Hearing

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Requirements of the Truth in Taxation Hearing

- Current budget must be discussed.
- Discussion of taxes payable for the next year (2006).
- Provide and discuss information on the sources of revenue, and the distribution of the revenue and expenditures.
- The proposed percent increase (decrease) and the reasons for the change.
- Public must be given time to comment and ask questions.

- Minnesota Statute 275.065

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School District Budget

Current School Year

2005-2006

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School District Funds

The School District is required to account for money in different *funds*. Each fund has a definite purpose. The Tax Levy is a source of revenue for some of those funds.

1. General Fund (Levy and other revenue) Levy is 4.79% of revenues in 2005-2006

- a) Daily operating costs
 - Salaries and benefits
 - Utilities, supplies, etc.
- b) Includes operating referendum and General levies
- c) Health and Safety code compliance, handicap accessibility, asbestos removal, and safety requirements
- d) Capital Expenditures

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School District Funds (continued)

2. **Food Service Fund (No Levy)**

Contains revenue and expenditures for breakfast and lunch programs

3. **Community Ed Fund (Levy and other) Levy is 13.6% of total Revenues**

Accounts for the “Lifelong Learning” Programs in the District Levy
Based on:

- a) Adult population of the District
- b) Early Childhood levy is based on the number of children under 5 years of age.

4. **Debt Service Fund (Levy) Levy is generally about 85% of total revenues**

Collects money to pay off Principal and Interest Payments for building projects approved by the voters.

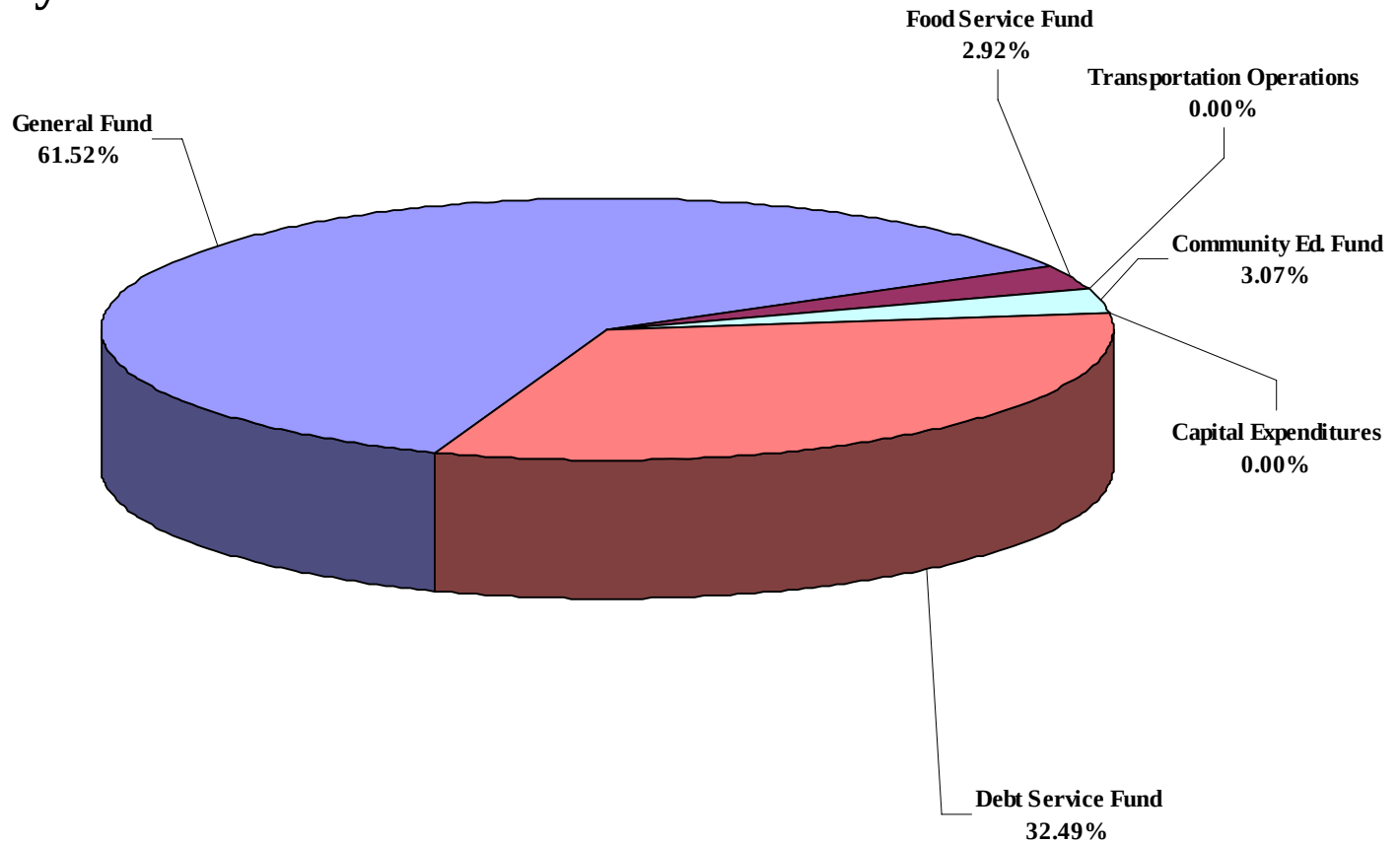
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Fiscal Year 2005 - 2006 Budget

		Food Service	Transportation	Community	Capital	Debt	
	General Fund	Fund	Operations	Ed. Fund	Expenditures	Service	
Revenues						Fund	Total
Levy	1,788,723			253,388		2,371,762	4,413,873
Misc. Local Revenue	1,799,555	652,049		724,650		16,982,631	20,158,885
State Aid	31,390,295	141,718		674,515		391,230	32,597,758
Federal Aid	2,405,617	978,334		213,633			3,597,584
Total Revenues	37,384,190	1,772,101	-	1,866,186	-	19,745,623	60,768,100
Expenses	General Fund	Food Service	Transportation	Community	Capital	Debt	Total
		Fund	Operations	Ed. Fund	Expenditures	Service	
Salaries/Benefits	29,227,447	782,186		1,436,057			31,445,690
Purchased Services	6,452,623	115,575		245,905			6,814,103
Supplies	1,677,157	813,956		83,000			2,574,113
Equipment/Bldg.	898,187	38,000		19,300			955,487
Improvements							-
Debt Service	45,001						45,001
Misc.	127,429	2,501		960		19,649,918	19,780,808
Total Expenses	38,427,844	1,752,218	-	1,785,222	-	19,649,918	61,615,202
Budget Balance	(1,043,654)	19,883	-	80,964	-	95,705	(847,102)

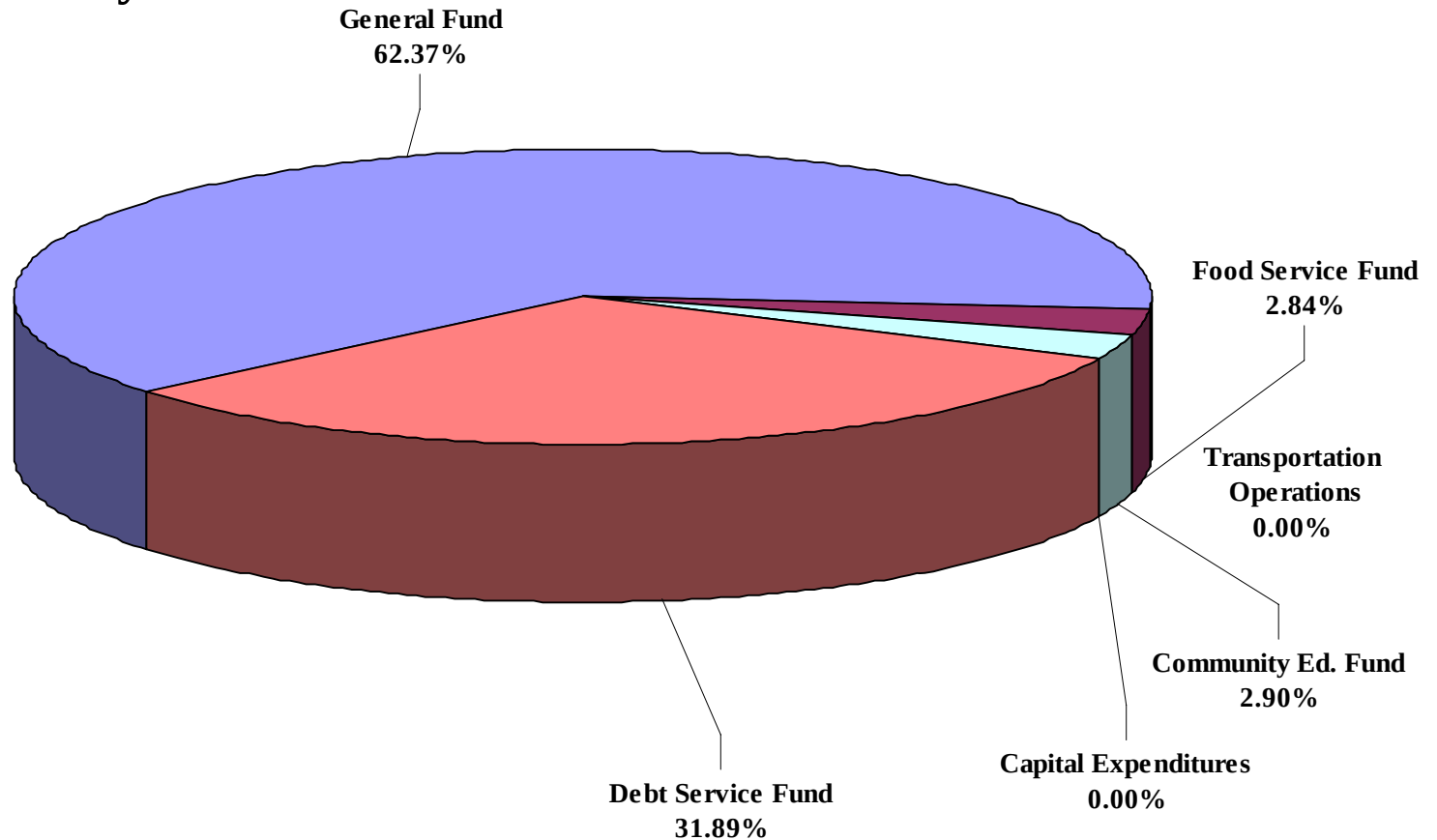
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Revenue by Fund



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Expenses by Fund



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How are your 2006 School Taxes Spent?

General Fund	46.53%
Provides funding for the District instructional programs, also regular and special education transportation and for the purchase of instructional equipment, building maintenance and Health & Safety.	
Community Education Fund	5.23%
Levy for Community Education Programs.	
Debt Service	48.24%
Levy for repayment of principal and interest on District debt.	
Total Levy Before Credits	100.00%

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How Much Revenue is
State Aid vs. Levy?

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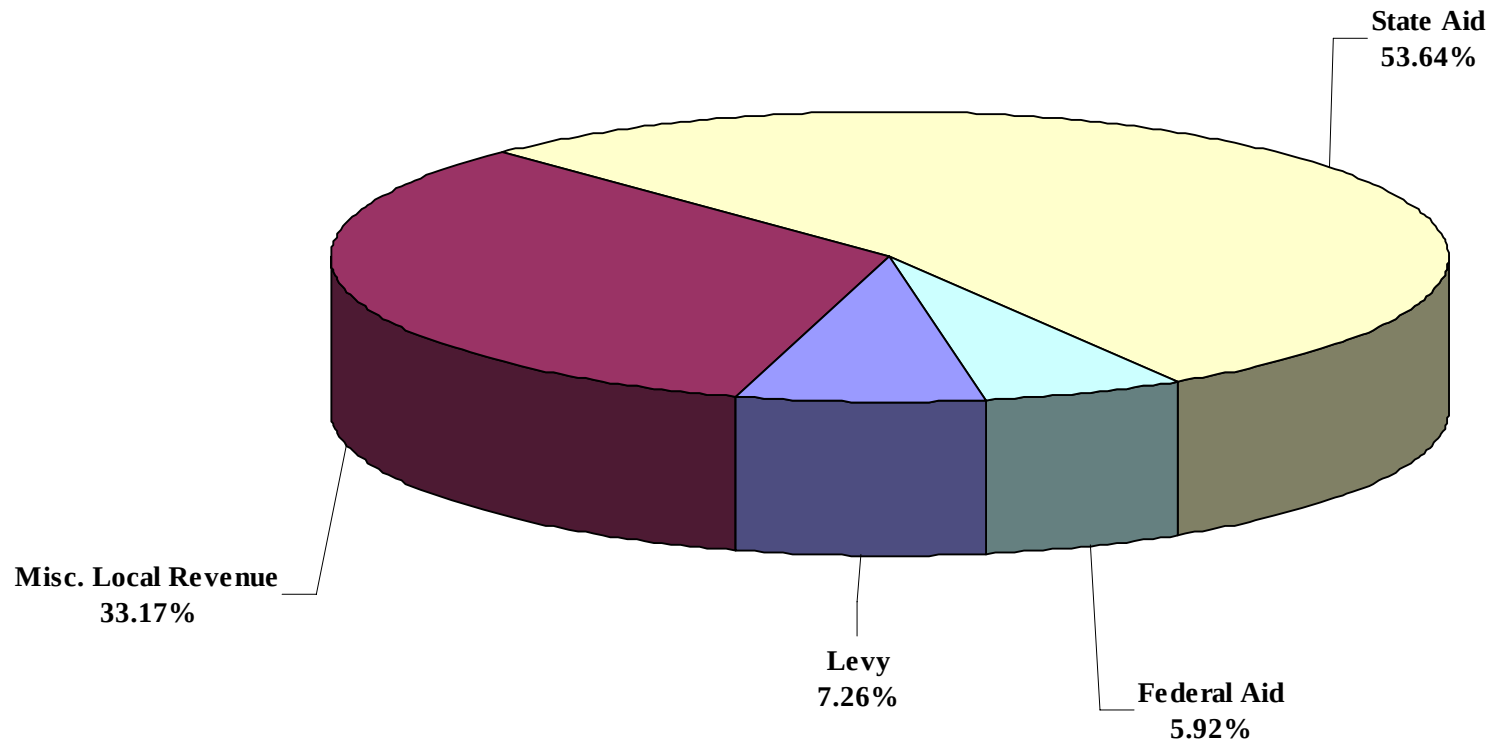
General Fund Changes in Basic Per Pupil Allowance

<u>Year</u>	<u>Total Basic Allocation</u>	<u>Percent Change</u>
1994-95	3,050	
1995-96	3,205	5.08%
1996-97	3,505	9.36%
1997-98	3,581	2.17%
1998-99	3,530	-1.42%
1999-00	3,740	5.95%
2000-01	3,964	5.99%
2001-02	4,068	2.62%
2002-03	4,601	13.10%
2003-04	4,601	0.00%
2004-05	4,601	0.00%
2005-06*	4,783	3.96%
2006-07*	4,974	3.99%

* Increased in the 2005 Special Session

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Revenue by Funding Type



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**How are my Property Taxes
Calculated?**

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How are My Property Taxes Calculated?

- Includes taxes for cities, township, counties and schools where the property is located
- Each local government sets its own levy and follows specific limits set by state law
- County sends out the bills, collects the taxes and sends the money back to each local government

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School District Levy

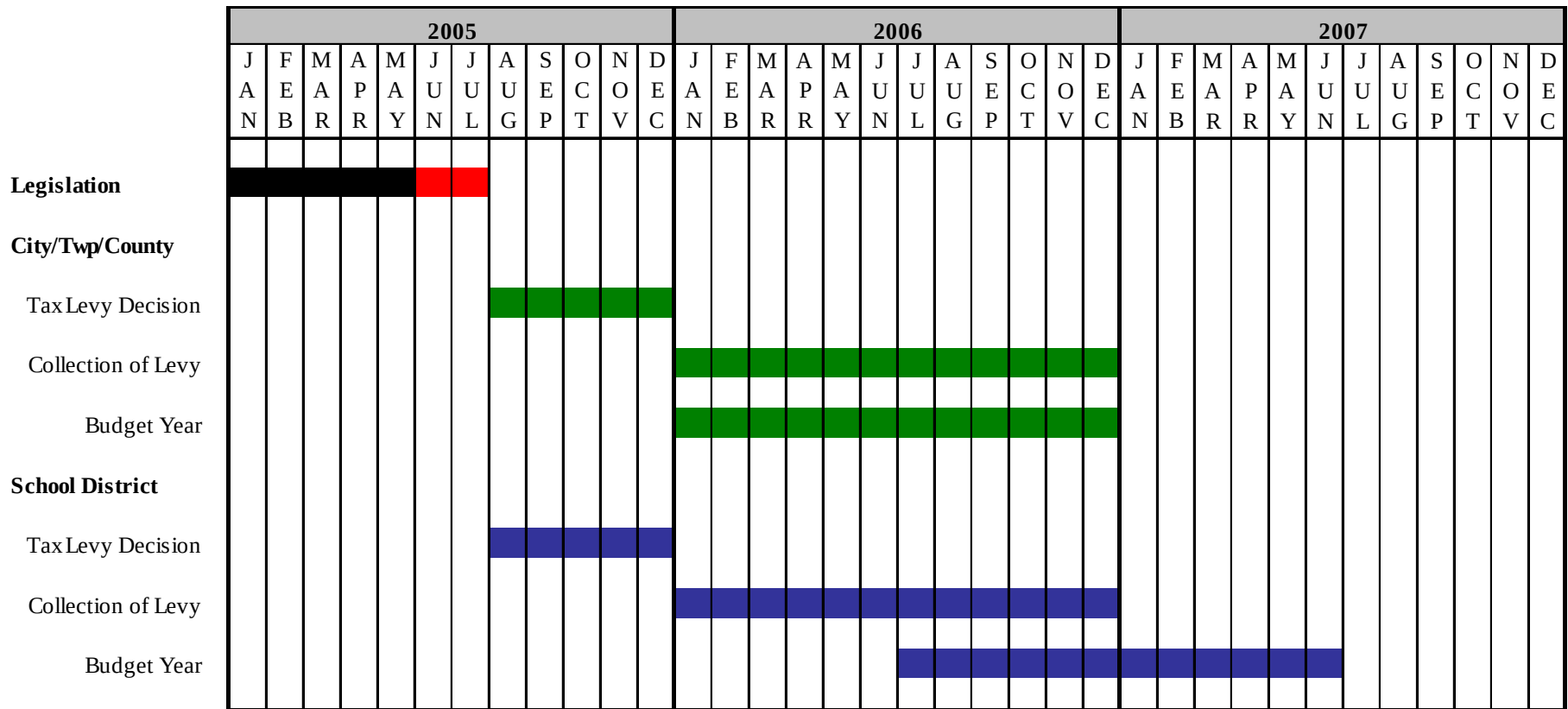
2005 Payable 2006

2006-2007 School Year

Fiscal Year 2007

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Contrast of City/Township/County Levy Cycle to School District Levy Cycle



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Authority for School Levies

A School District Tax Levy must be either:

Set by State Formula

or

Voter Approved

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State Approved Levies

1. May levy taxes within numerous categories
2. Each September the Minnesota Department of Education (MDE) calculates detailed levy limits for each school district, showing each of those categories
3. Several steps take place before actual impact to each taxpayer is determined
4. County or City Assessor determines the market value for each piece of property in the county

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State Approved Levies (continued)

5. The legislature establishes formulas to determine how much of the taxes should be paid by each “type” of property
6. County Auditor calculates the tax capacity for each parcel in the county, as well as the total tax capacity for each taxing jurisdiction
7. The Legislature has determined the maximum Levy Limits the schools can assess in each category
8. MDE breaks that down for each school district and gives the exact dollars a district can levy

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State Approved Levies (continued)

9. The School Board adopts a proposed levy in September, holds a public hearing, then finalizes the levy amount in December. Boards cannot approve an amount larger than what was approved in September
10. The County Auditor divides the final levy by the district's Net Tax Capacity (or Referendum Market Value) to establish rates.
11. County Auditor applies those rates to each parcel and prepares the final statements for mailing

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General education aid and levy formula

(1) NTC	2004	14,049,800
(2) Sales Ratio	2004	85.300%
(3) ANTC	2004	16,471,043
(4) AMCPU	2006 - 2007	4,583.58
(5) Formula Allowance	2006 - 2007	4,974.00
(6) General Education Revenue		22,798,726.92

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Your Proposed Property Tax Statement for 2006

	Certified Pay 2005 Levy	Less: Fiscal Disparity and Other Adj.	Actual Pay 2005 Property Tax
Voter Approved Levies	3,164,600.22	-	3,164,600.22
Other Local Levies	1,243,029.66	-	1,243,029.66
School District Total	4,407,629.88	-	4,407,629.88

	Estimated Pay 2006 Levy	Less: Fiscal Disparity and Other Adj.	Estimated Pay 2006 Property Tax
Voter Approved Levies	3,495,930.50	-	3,495,930.50
Other Local Levies	1,672,176.79	-	1,672,176.79
School District Total	5,168,107.29	-	5,168,107.29

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The School District Levy is
increasing by:

\$760,477.41

or

17.25%

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School District Levy (continued)

Why did the **levy** increase by 17.25%?

1. Summer 2005 Legislation
 - a) Equity Funding
 - b) Operating Capital
 - c) Q-Comp – does not affect the Levy this year
2. Health and Safety
 - a) State approved capital projects related to health and Safety
3. Voter Approved Operating Levies

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School District Levy (continued)

Why did the **levy** increase by 17.25%?

4. Adjustments to Prior Years
 - a) Each year many levies are based on estimates of enrollment, values and expenses and are then adjusted as updates of actual figures become known
5. Voter Approved Debt Service
6. Increases in property value create a related increase in the amount expected to be paid locally
7. This levy both increases and reduces the amount of state aid in the formulas established by the legislature

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What are the main variables that cause **property tax increases and decreases?**

1. Items from the previous slides
2. Changes in enrollment
3. Changes in market values
4. Changes in class rates/history
5. Market Value Credit and Market Value Agricultural Credit

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Changes in Market Value

The market values are final and are not a subject for the upcoming budget hearings. They were discussed at the local board of review and county board of equalization hearings held earlier this year. The final taxable market values may reflect a reduction under the limited value law. If this property is a qualifying homestead, the final taxable market values may exclude improvements which you made to this property.

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Changes in Market Value

2004 Value versus 2005 Value
Average Home Value Comparisons

10.0% Increase
in RMV or
an increase
\$100,000 ↗ \$110,000

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Legislation breaks property into numerous categories

Residential

Homestead

Non Homestead

Apartments

Commercial/Industrial

Seasonal Recreational

Agricultural

Homestead

Non Homestead

Other (handicapped, low income, etc)

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Minnesota Property Tax Class Rate Information

Payable 2006 from MN Statute 273.13, 273.1384 and 273.1391

Class	Property Type	Local Tax Class Rate	Available Credits **	State Tax Class Rate	Notes
1a & 1d	<u>Residential Homestead:</u> Up to \$500,000 > \$500,000	1.000% 1.250%	MV-HSTD TAC-HSTD		Class 1a is real estate which residential and used for homestead purposes and class 1d is similar with an agricultural designation
4bb	<u>Residential Non-homestead:</u> Single Unit Up to \$500,000 > \$500,000	1.000% 1.250%			Class 4bb is nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational or a single family dwelling, garage, and surrounding one acre of property on a non-homestead farm
4b	2-3 unit and undeveloped land	1.250%			Class 4b is residential real estate containing less than four units that does not qualify as class 4bb
4a & 4d	<u>Market Rate Apartments:</u> Regular, Small City and Low Income	1.250%			Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more.
3a	<u>Commercial/Industrial/Public Utility:</u> Up to \$150,000 Over \$150,000 Electric Generation Machinery	1.500% 2.000% 2.000%		1.500% 2.000% -	Commercial and industrial property and utility real and personal property is class 3a.
1c***	<u>Seasonal Recreational:</u> Commercial Homestead Resorts Up to \$500,000 (tier one) \$500,001 to \$2.2 million (tier two) Over \$2.2 million (tier three)	0.055% 1.000% 1.250%	MV-HSTD TAC-HSTD	- -	Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year.
4c	Commercial Seasonal Resorts Up to \$500,000 Over \$500,000	1.000% 1.250%		1.000% 1.250%	Class 4c property is devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days.
4c	Non-commercial Residential Up to \$76,000 \$76,000 - \$500,000 > \$500,000	1.000% 1.000% 1.250%	* * *	0.400% 1.000% 1.250%	Depending on meeting commercial use tests, property will then be classified as a commercial seasonal resort or non-commercial residential (cabins).
1b	<u>Disabled Homestead:</u> Up to \$32,000 > \$32,000 use applicable info from 1a or 2a property	0.450%			Class 1b has many income and other restrictions to qualify
2a	<u>Agricultural Land & Buildings:</u> Homestead Up to \$115,000 \$115,000 - \$600,000 Over \$600,000	0.550% 0.550% 1.000%	* * *	MV-HSTD TAC-HSTD AGMV-HSTD	Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property.
2b	Non-homestead	1.000%	*		Class 2b property is real estate rural in character and can be used for growing timber, wood products, non-homesteaded ag land, etc...
Notes: * Exempt from referendum market value tax ** MV-HSTD - market value credit for homesteads - maximum credit \$304 - shared between all net tax capacity taxing jurisdictions TAC-HSTD - taconite homestead credit - maximum credit \$315.10 in 66% area or \$289.80 in 57% area - shared between all net tax capacity taxing jurisdictions AGMV-HSTD - class 2a agricultural homestead is eligible for an agricultural credit limited to \$345. *** For taxes payable in 2006, a three-tier class rate for class 1c property was used. The 1c property was removed so the area outside the box would no longer be classified as class 4c property. If any class 1c homestead resort property has market value in tier three, the entire property must meet the requirements for classification as a class 4c resort to qualify for classification as class 1c. The value of class 1c property in tier three only is subject to the state general tax.					

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ISD #347 Truth in Taxation Hearing

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**Market Value Credit
Payable 2005 and 2006**

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Market Value Credit Payable 2005 and 2006

The Basics

The market value homestead credit is equal to .4 percent of the market value of the home up to a \$304 maximum credit. The credit is phased-out for home values in excess of \$76,000 up to a homestead valued at \$414,000.

This means that the credit is reduced by \$9 dollars for every \$10,000 of home value in excess of \$76,000.

Homestead Residential Property

Property Value	(1)	150,500
Credit equals .004	(2)	0.40%
Max Credit ≤ 304 or $(1) * (2)$	(3)	304
Phase-out (excess of 76,000 of value)	(4)	74,500
Phase-out factor equals .0009	(5)	0.09%
Phase-out amount $(4) * (5)$	(6)	67
Total Credit $(3) - (6)$	(7)	237

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Market Value Agricultural Credit Payable 2005 and 2006

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Market Value Agricultural Homestead Credit Payable 2005 and 2006 The Basics

Agricultural Homestead property is eligible for a credit equal to .3 percent of the first \$115,000 of the properties market value up to a \$345 maximum. The credit is phased-out by .05% of the market value in excess of \$115,000, subject to a maximum reduction of \$115.

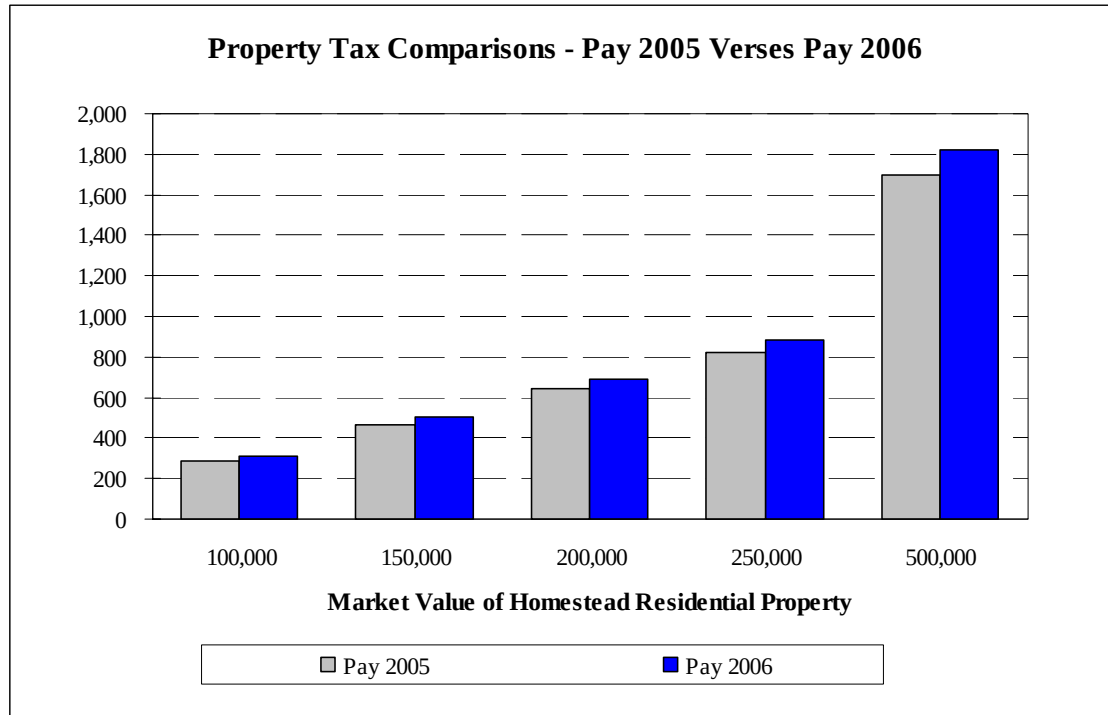
Agricultural Homestead Property (Land)

Acreage - Less One Acre	(1)	159
Value per Acre	(2)	2,000
Value (1) * (2)	(3)	318,000
Credit equals .003	(4)	0.30%
Max Credit < = 345 or (3) * (4)	(5)	345
Value in excess of \$115,000 (3) - 115,000	(6)	203,000
Phase-out factor equals .0005	(7)	0.05%
Max Reduction < = 115 or (6) * (7)	(8)	102
Credit (5) - (8)	(9)	244

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How do these changes impact the
Taxpayers?

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Market Value of Property	Certified Pay 2005 Levy	School Portion - Market Value Credit	Pay 2005	Estimated Pay 2006	School Portion - Market Value Credit	Pay 2006	Increase/ (Decrease)
100,000	340	(55)	285	365	(54)	311	26
150,000	509	(46)	463	547	(45)	502	38
200,000	679	(37)	642	729	(37)	693	51
250,000	849	(29)	820	912	(28)	883	63
500,000	1,698	0	1,698	1,823	0	1,823	125

The average school portion - market value credit for Pay 2005 is 19.36%

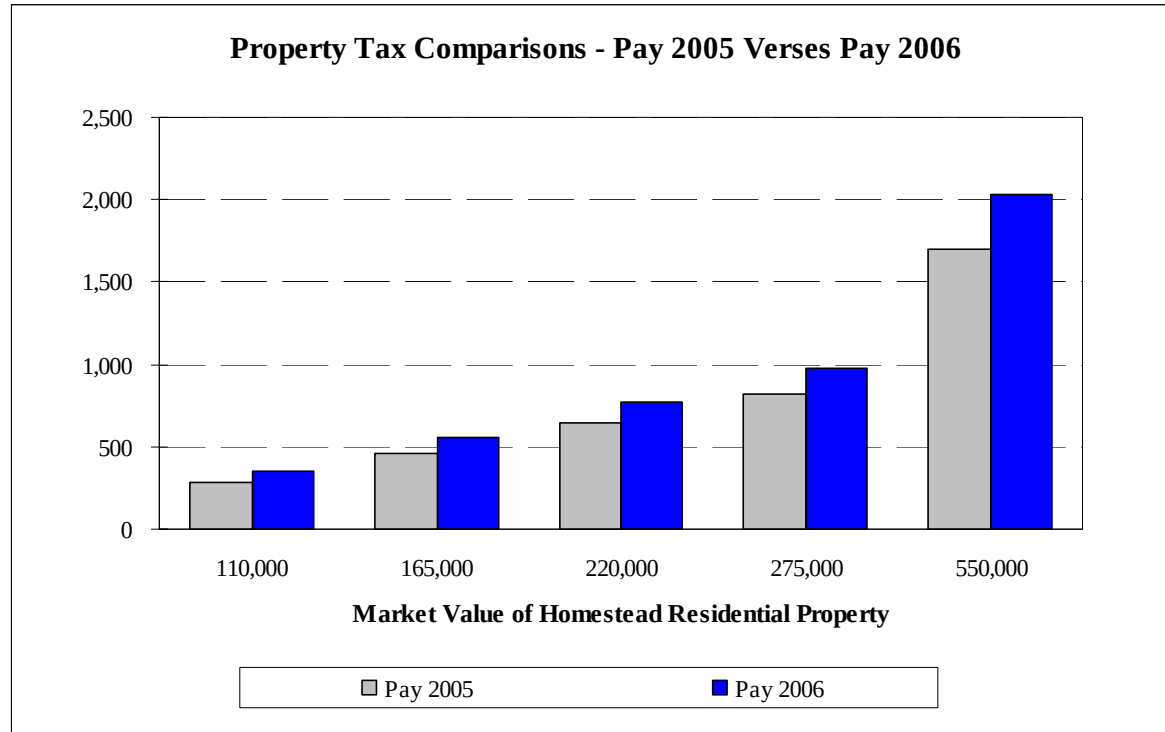
The average school portion - market value credit for Pay 2006 is 19.10%

Actual credit on your particular property will depend on the final School District, City/Township and County rates.

The above information is based on average seen in your District.

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Chart below reflects property value appreciation in the amount of 10.00% therefore,
the value of the home in Pay 2005 is 100,000 and the value of the home in Pay 2006 is 110,000



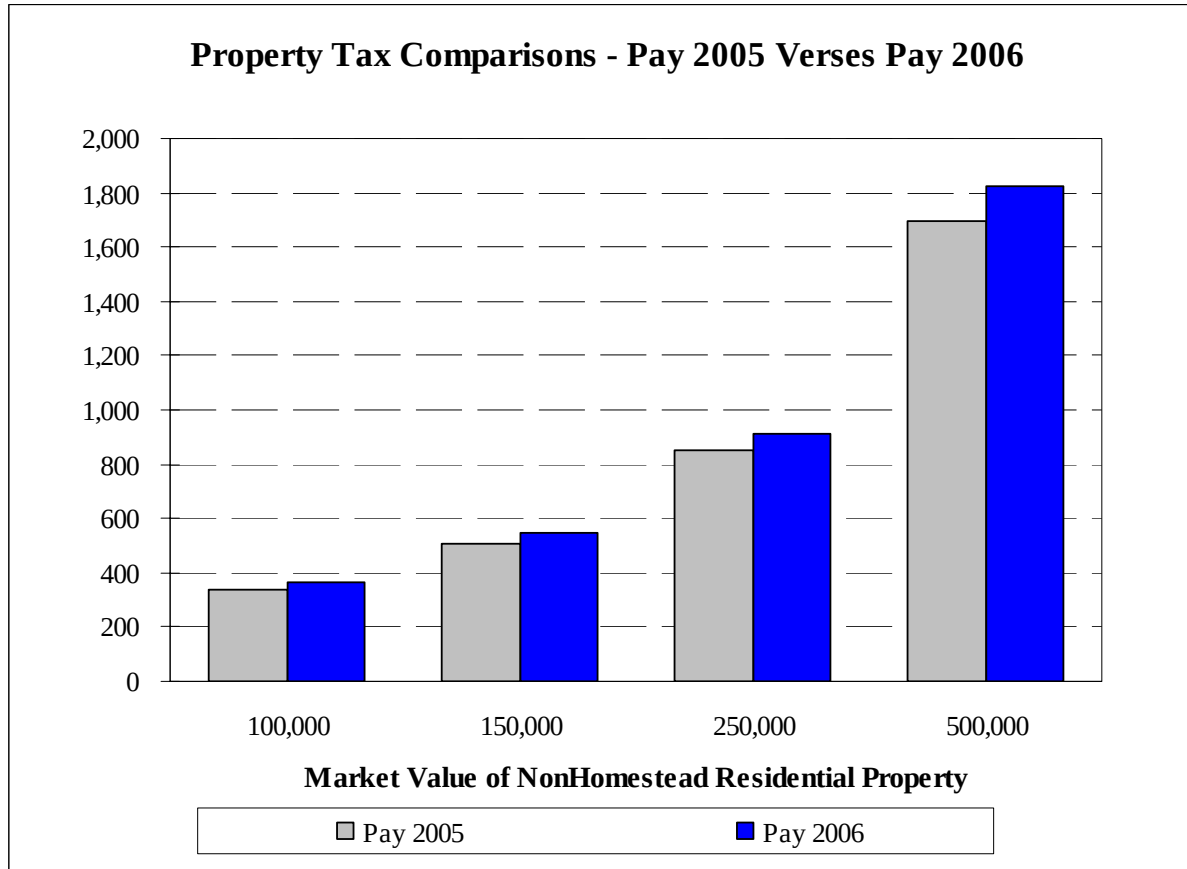
Market Value of Property	Certified Pay 2005 Levy	School Portion - Market Value Credit	Pay 2005	Estimated Market Value Pay 2006	School Portion - Market Value Credit	Pay 2006	Increase/ (Decrease)
110,000	340	(55)	285	401	(52)	349	64
165,000	509	(46)	463	602	(43)	559	95
220,000	679	(37)	642	802	(33)	769	127
275,000	849	(29)	820	1,003	(24)	979	158
550,000	1,698	0	1,698	2,035	0	2,035	337

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The average school portion - market value credit for Pay 2005 is 19.36%

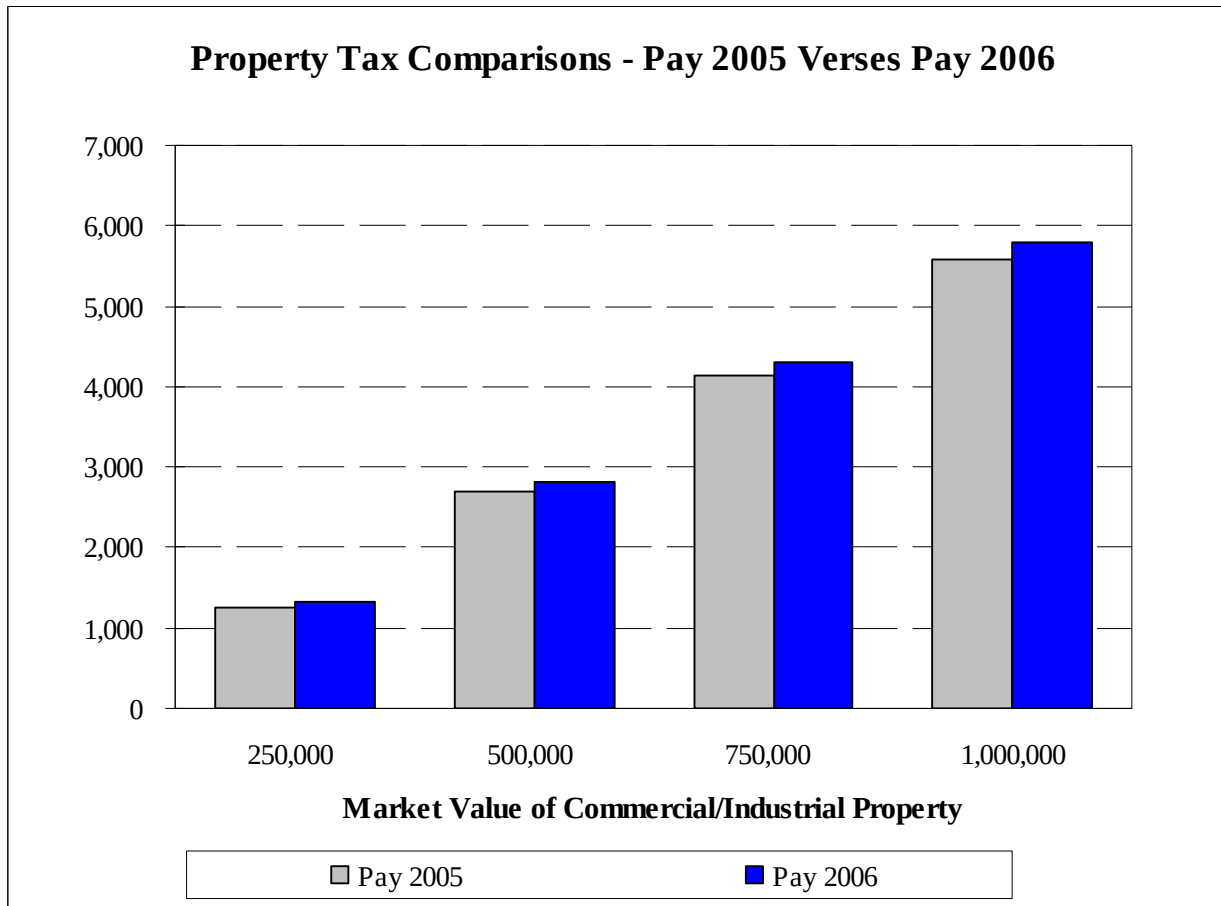
The average school portion - market value credit for Pay 2006 is 19.10%

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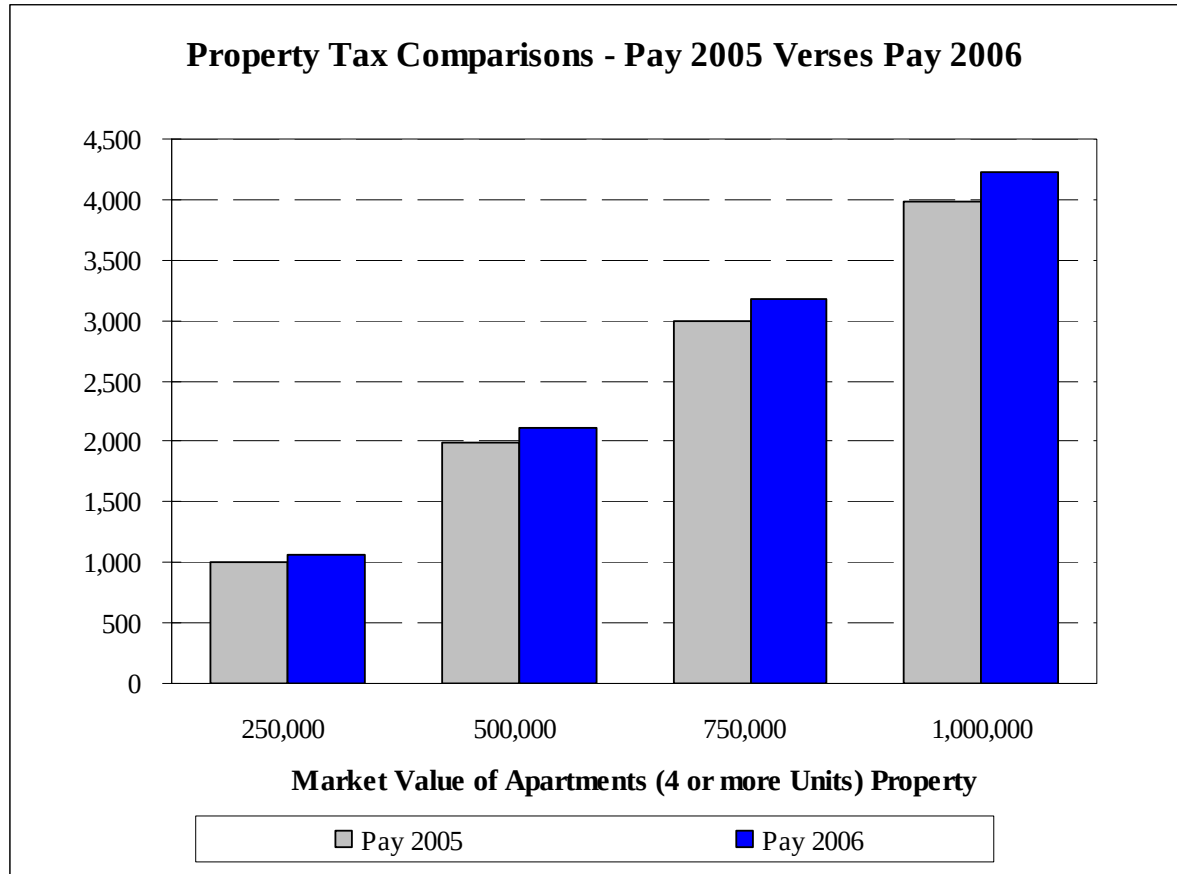
Market Value of Property	Pay 2005	Pay 2006	Increase/ (Decrease)
100,000	340	365	25
150,000	509	547	38
250,000	849	912	63
500,000	1,698	1,823	125

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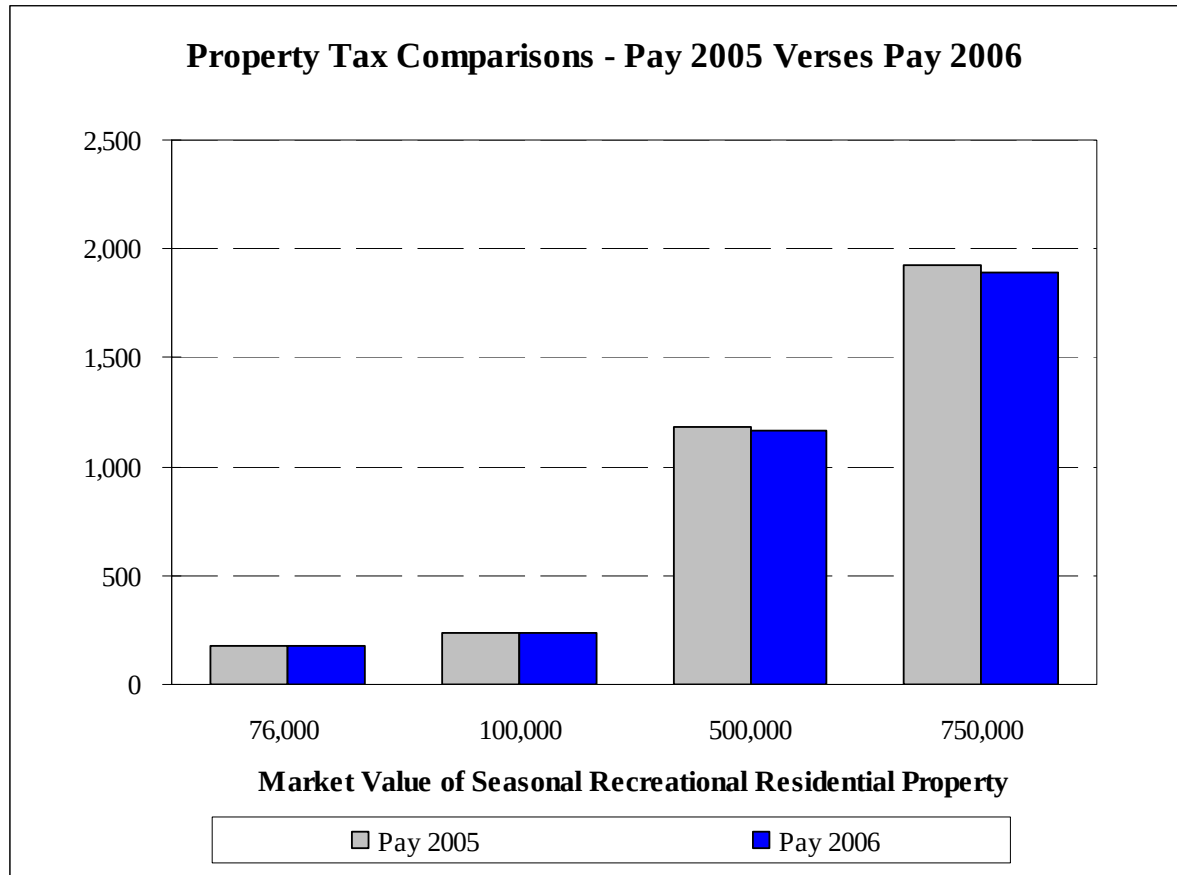
Market Value of Property	Pay 2005	Pay 2006	Increase/ (Decrease)
250,000	1,264	1,319	56
500,000	2,705	2,814	109
750,000	4,146	4,308	161
1,000,000	5,588	5,802	214

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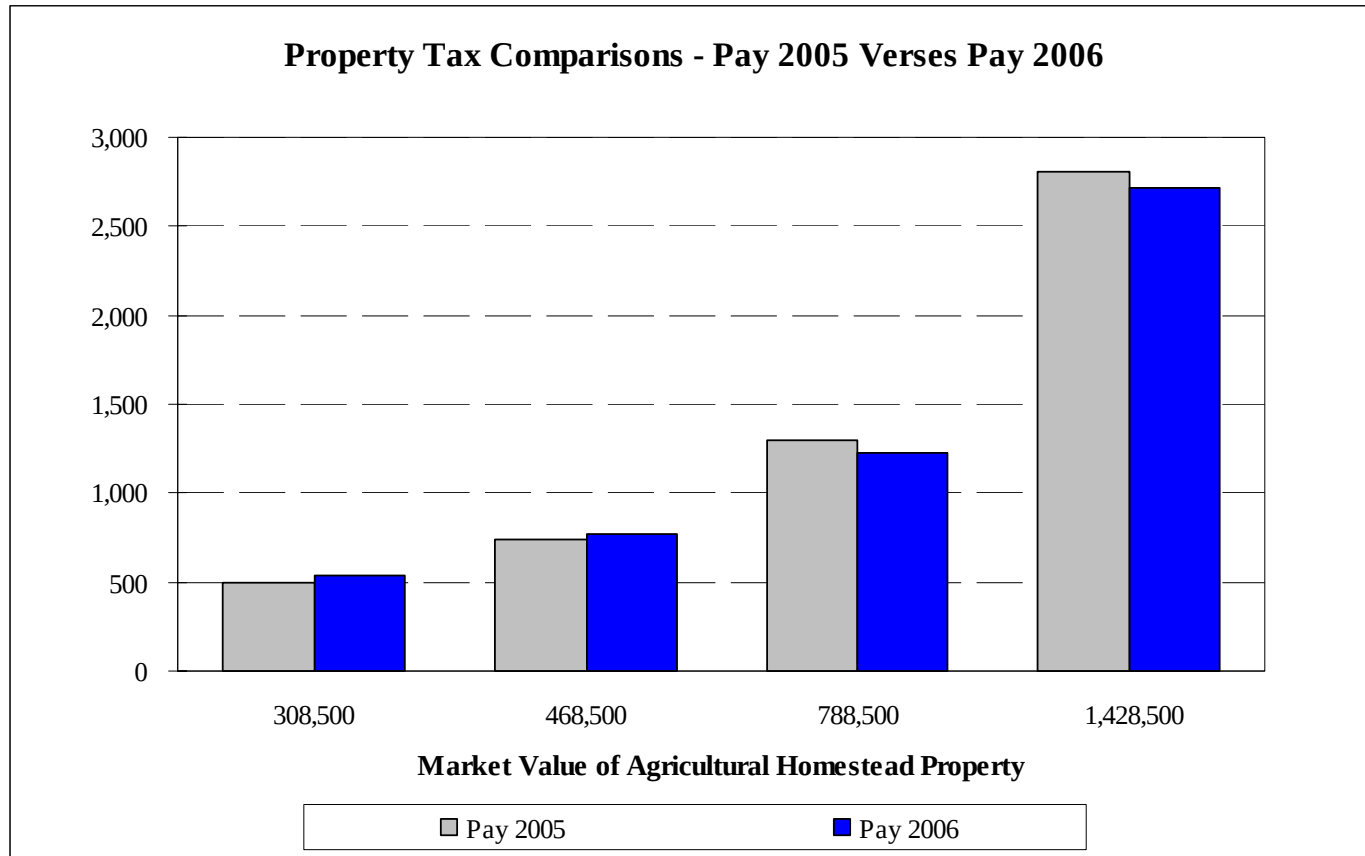
Market Value of Property	Pay 2005	Pay 2006	Increase/ (Decrease)
250,000	997	1,057	60
500,000	1,994	2,114	120
750,000	2,991	3,172	180
1,000,000	3,988	4,229	241

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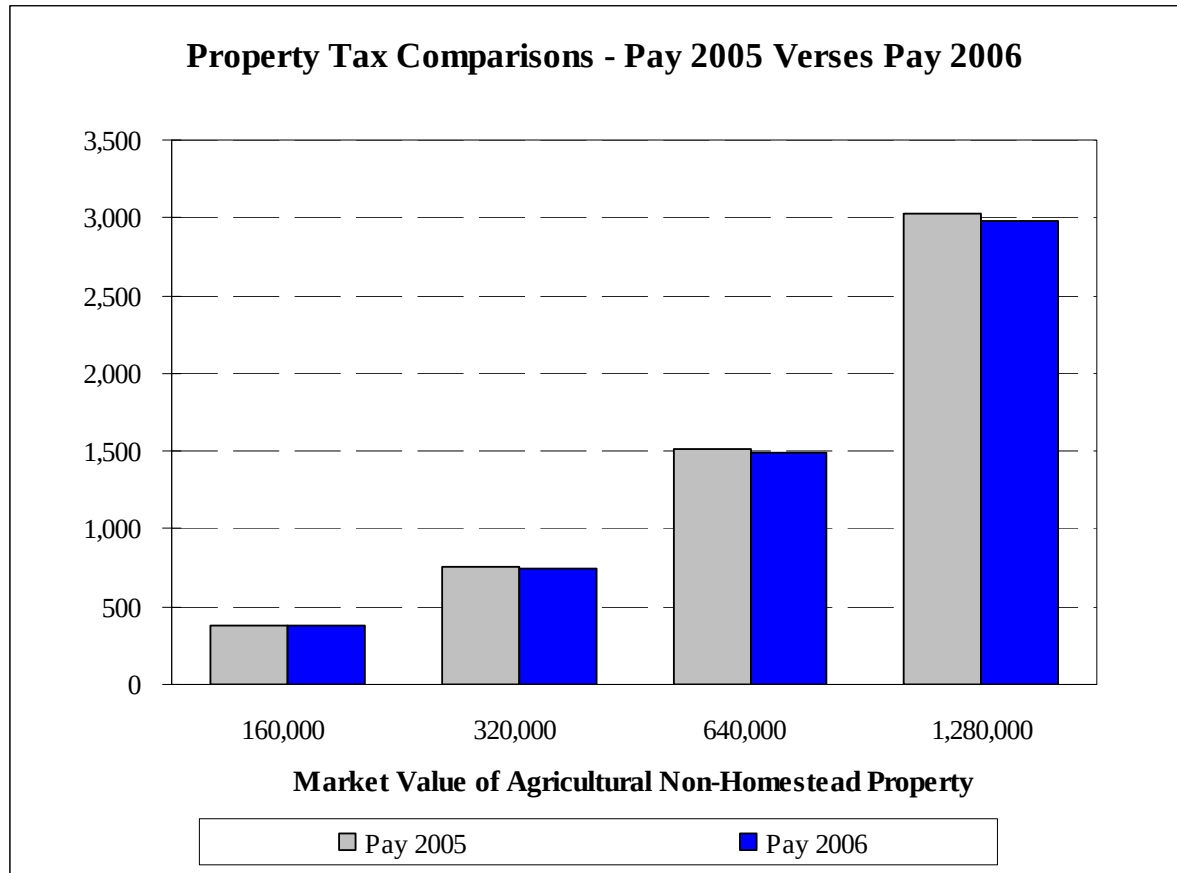
Market Value of Property	Pay 2005	Pay 2006	Increase/ (Decrease)
76,000	180	177	(3)
100,000	237	233	(4)
500,000	1,185	1,165	(20)
750,000	1,925	1,893	(32)

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Acres	Market Value of Property	Certified		School Portion -		School Portion -		Increase/ (Decrease)
		Pay 2005	Levy	Market Value	Pay 2005	Estimated Market Value	Pay 2006	
80	308,500	608	(108)	500	644	(107)	537	37
160	468,500	832	(93)	739	865	(92)	773	33
320	788,500	1,383	(90)	1,293	1,317	(89)	1,228	(65)
640	1,428,500	2,899	(90)	2,809	2,809	(89)	2,719	(90)

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Acres	Market Value of Property	Pay 2005	Pay 2006	Increase/ (Decrease)
80	160,000	379	373	(6)
160	320,000	758	746	(13)
320	640,000	1,516	1,491	(25)
640	1,280,000	3,033	2,983	(50)

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Available Property Tax Refunds for Interested Parties

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Property Tax Refunds

Two different refunds available from the State. Both may reduce your net taxes; however

YOU MUST COMPLETE THE FORMS

For help with the forms and instructions contact:

Your tax professional

Minnesota Department of Revenue (651) 296-4444

www.taxes.state.mn.us

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Property Tax Refunds

Regular Refund (Circuit Breaker)

1. Your household income up to approximately \$85,000
2. You owned and live in your home on January 2, 2006

Maximum Refund was \$1,590 for 2005

Form M1PR

ISD 347 – Willmar, Minnesota

Property Tax Refunds

Special Refund (Targeting)

1. No income limitations
2. Net property tax must increase 12% AND more than \$100

Refund is 60% of increase of 12% with \$100 floor and maximum of \$1,000

Form M1PR Schedule 1

ISD 347 – Willmar, Minnesota

EXAMPLE:

Whereas, Pursuant to Minnesota Statutes the School Board of Independent School District No. 347 – Willmar, Minnesota, is authorized to make the following proposed tax levies for general purposes:

General Fund	2,404,935
Community Service	270,111
Debt	2,493,061
Total Proposed Tax Levy	5,168,107
Less Fiscal Disparity Adjustments	-
Net Proposed School Tax Levy	5,168,107

Now Therefore, Be it resolved by the School Board of Independent School District No. 347 – Willmar, Minnesota, that the levy to be levied in 2005 to be collected in 2006 is set at \$ 5,168,107. The clerk of the ISD 347 School Board is authorized to certify the proposed levy to the County Auditor of Kandiyohi County, Minnesota.

ISD 347 – Willmar, Minnesota

Questions and Comments

Please contact us at:

Bob Haines 320-231-8511

hainesb@willmar.k12.mn.us

Kathy Leedom 320-231-8510

kleedom@willmar.k12.mn.us

District Finance Web Site: www.willmar.k12.mn.us

Click on At a Glance, District Services, then Finance

ISD 347 – Willmar, Minnesota

School Board Members

Mike Carlson, Vice Chair 320-235-8788

mikelcm@en-tel.net

Wayne Lenzmeier, Director 320-235-8357

wlenzmeier@msn.com

Shawn Mueske, Treasurer 320-214-9134

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