

St. Michael-Albertville School District, No 885

Public Hearing for Taxes Payable in 2017



WELCOME

December 5, 2016

Presented by:

Dr. Ann-Marie Foucault

Superintendent

Tax Hearing Presentation

Public Meeting

- Must be held after Nov. 25th and no later than Dec. 28th at 6:00 PM or later
- May be part of regularly scheduled meeting and may adopt final levy at this meeting

Tax Hearing Presentation

State law requires that we present:

- Information on the current year budget and actual revenue and expenses for the prior year
- Information on the proposed property tax levy
- The percentage change over the prior year
- Specific purposes and reasons for which taxes are being increased
- And offer the public an opportunity to comment and ask questions

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 2017
- D. Public Comments and Questions

Public Education is Strong in Minnesota...

- In Minnesota, state law now requires 100% of juniors and seniors be offered the ACT at no cost
- In 2016 92% of Minnesota graduates took the ACT with an average composite score of 21.1
- The national composite score for 2016 is 20.8 based on 64% of 2016 graduating seniors taking the ACT

Success Story - Academics

2016 MCA Test Results

Percentage Meeting or Exceeding Standards

	Math	Reading	Science	Avg % Meeting or Exceeding Standards
St. Michael-Albertville	81.3%	70.6%	69.5%	73.8%
State Average	59.0%	58.2%	47.9%	55.0%

2016 ACT Test Results

	Percent Taking ACT Test	Avg Eng	Avg Math	Avg Reading	Avg Sci	Avg Comp
St. Michael-Albertville	98.8%	21.5	23.1	21.5	22.5	22.3
State Average	92.0%	20.0	21.2	21.3	21.3	21.1
National Average	64.0%	20.1	20.6	21.3	20.8	20.8

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

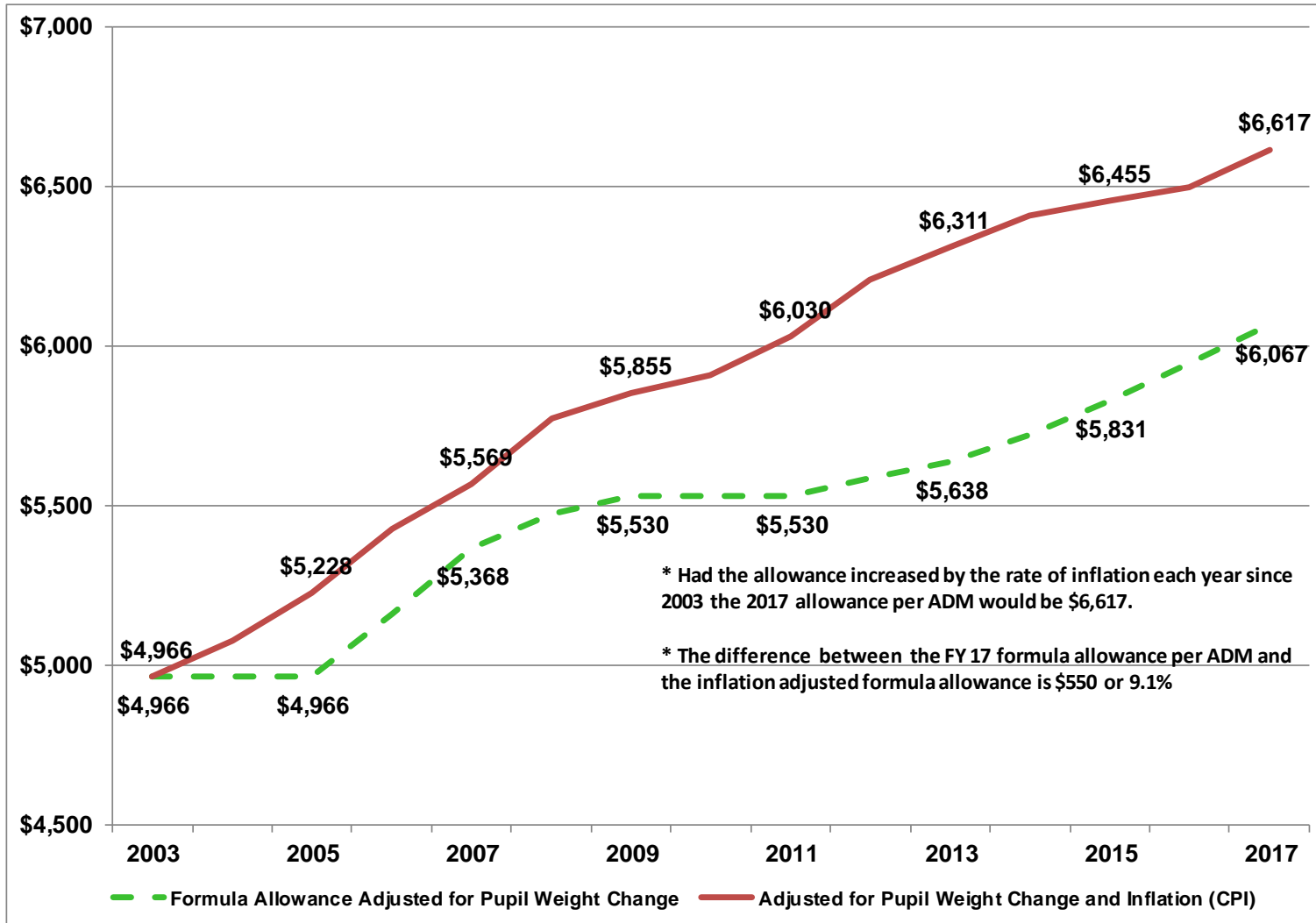
- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil
- **State sets** tax policy for local schools
- **State sets** maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by the voters)
- **State authorizes** school board to levy up to \$724 per pupil unit (\$300 board referendum and \$424 in local optional revenue)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

Basic General Education Formula Lags Inflation

- Since 2003, the state General Education Revenue formula has not kept pace with inflation
- For FY 2016 and FY 2017, Legislature approved an increase of 2% per year
 - \$117 per pupil unit in FY 2016
 - An additional \$119 for FY 2017
- Per-pupil allowance for Fiscal Year 2017 would need to increase by another \$550 (9.1%) to have kept pace with inflation

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2017
Adjusted for Pupil Weight Change and Inflation (CPI)



Underfunding of special education costs a drain on funding for regular classroom programs

- MDE reports the cost of providing special education programs on average was 40% underfunded, necessitating a transfer of \$679 per pupil from regular program resources to support an underfunded program mandated by state and federal law.
- The 2015 Legislature increased special education funding for the 16-17 Biennium by approximately \$180 million, reducing the regular program subsidy from \$679 to \$507 per pupil.
- Primary options for districts to bridge the 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

Average referendum authority per pupil is increasing

- In 1993, 65% of districts had referendum revenue averaging \$332 per pupil
- For 2016-17, 331 of 331 districts have referendum revenue and/or local optional revenue authority averaging \$1,262 per pupil
 - 20.8% of general education formula allowance
 - Of this amount, \$853 is board approved or voter approved operating referendum, and \$409 is Local Optional Revenue
 - Our district lags behind these averages by a total of \$538 per pupil, with \$300 of referendum authority and \$424 of local optional revenue

Change in Tax Levy Does not Determine Change in Budget

- Tax levy is based on many state-determined formulas plus voter approved referendums
- 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
- An increase in school taxes does not always correlate to an equal increase in the budget

Contrast of City/County to School District Levy Cycle

- City/County - Budget Year same as calendar year
 - 2017 tax levy provides revenue for the calendar year 2017 budget
- Schools - Budget year begins July 1st and coincides with school year
 - 2017 tax levy provides revenue for the 2017-2018 school fiscal year
 - Budget will be adopted in June 2017

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, 5 funds:
 - General
 - Food Service
 - Community Service
 - Debt Service
 - Trust

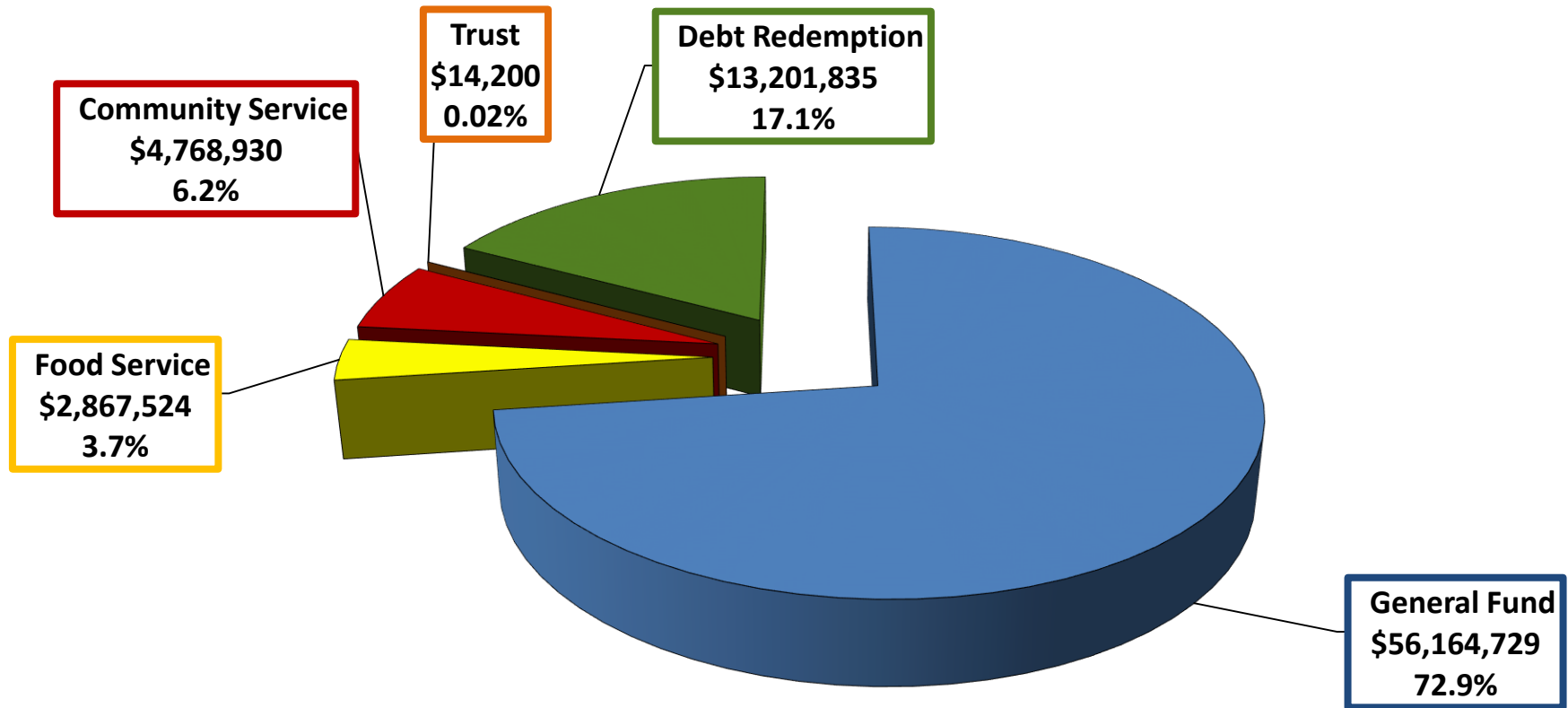
St. Michael-Albertville Independent School District No. 885
District Revenues and Expenditures
Actual for FY 16, Budget for FY 17

FUND	FISCAL 2016 BEGINNING FUND BALANCES	2015-16 ACTUAL REVENUES AND TRANSFERS IN	2015-16 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30,2016 ACTUAL FUND BALANCE	2016-17 BUDGET REVENUES AND TRANSFERS IN	2016-17 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30,2017 PROJECTED FUND BALANCE
General Fund/Restricted	\$1,288,678	\$2,978,566	\$2,421,585	\$1,845,659	\$2,762,286	\$2,720,229	\$1,887,716
General Fund/Other	11,774,838	53,357,244	51,289,272	13,842,810	53,402,443	53,163,296	14,081,957
Food Service Fund	1,376,624	2,689,044	2,735,230	1,330,438	2,867,524	2,968,254	1,229,708
Community Service Fund	1,689,293	4,811,197	4,474,038	2,026,452	4,768,930	4,711,602	2,083,780
Debt Service Fund	23,691,502	51,107,649	70,711,597	4,087,554	13,201,835	13,383,075	3,906,314
Trust Fund	30,339	16,190	11,600	34,929	14,200	16,150	32,979
Total All Funds	\$39,851,274	\$114,959,890	\$131,643,322	\$23,167,842	\$77,017,218	\$76,962,606	\$23,222,454

St. Michael-Albertville Independent School District No. 885

Revenue All Funds

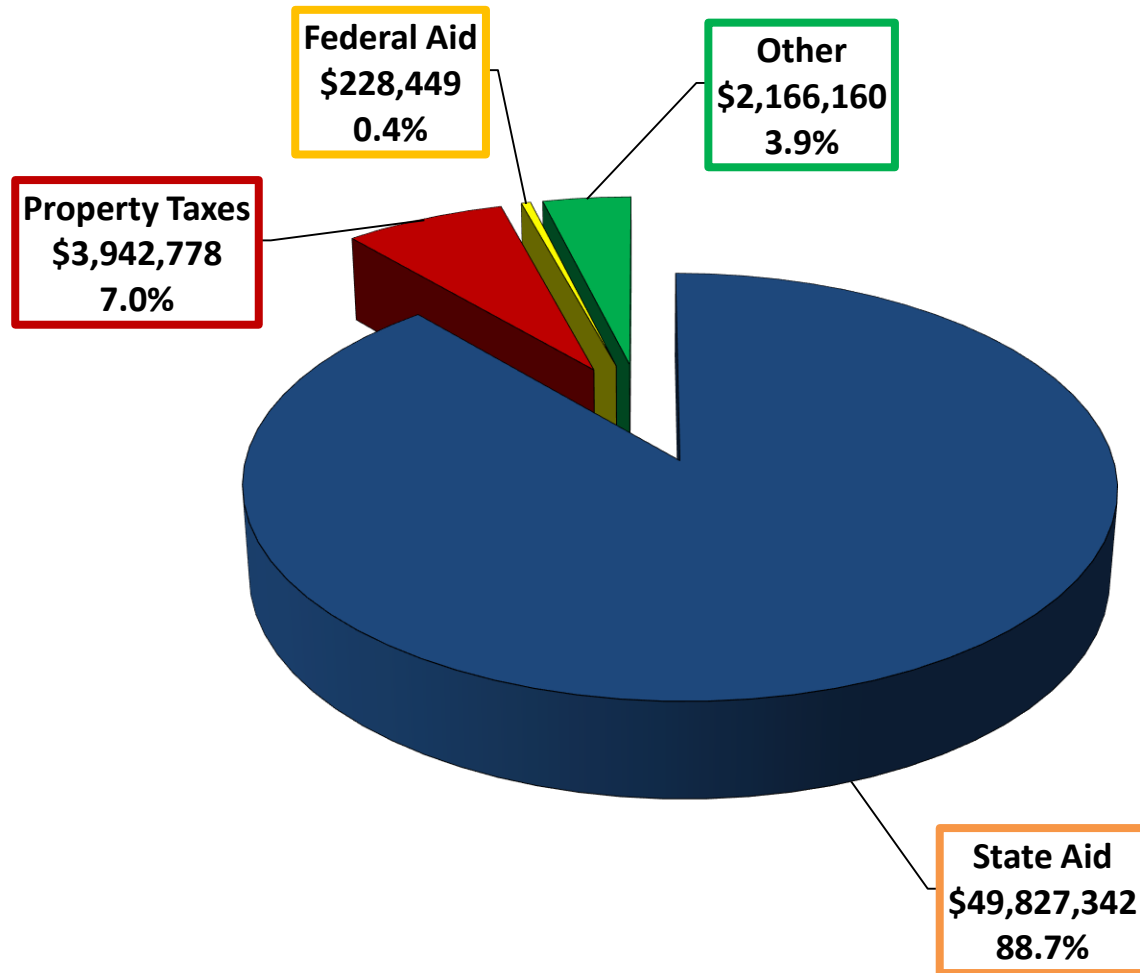
2016-17 Budget \$77,017,218



St. Michael-Albertville Independent School District No. 885

General Fund Revenue

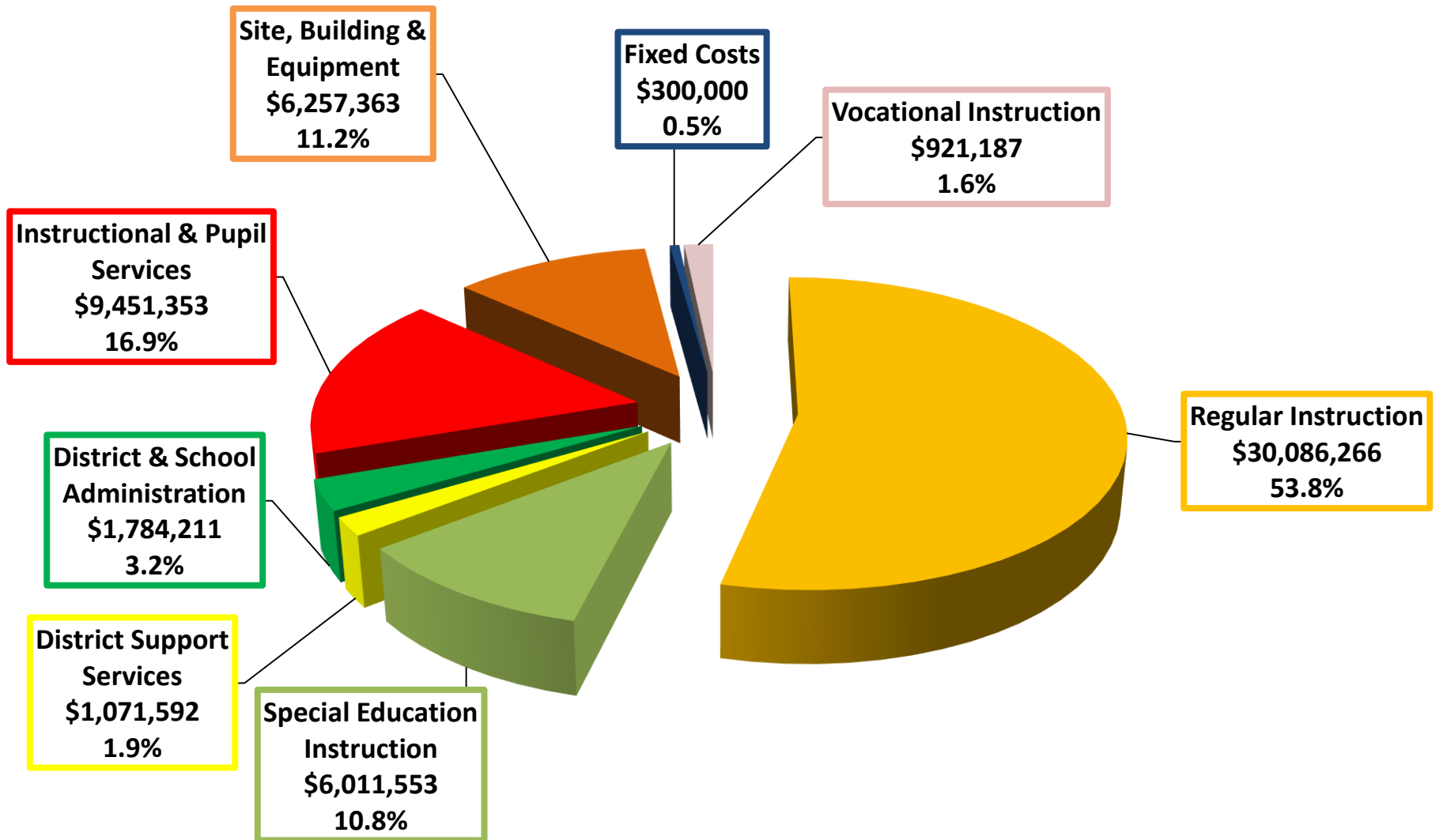
2016-17 Budget \$56,164,729



St. Michael-Albertville Independent School District No. 885

General Fund Expenditures by Program

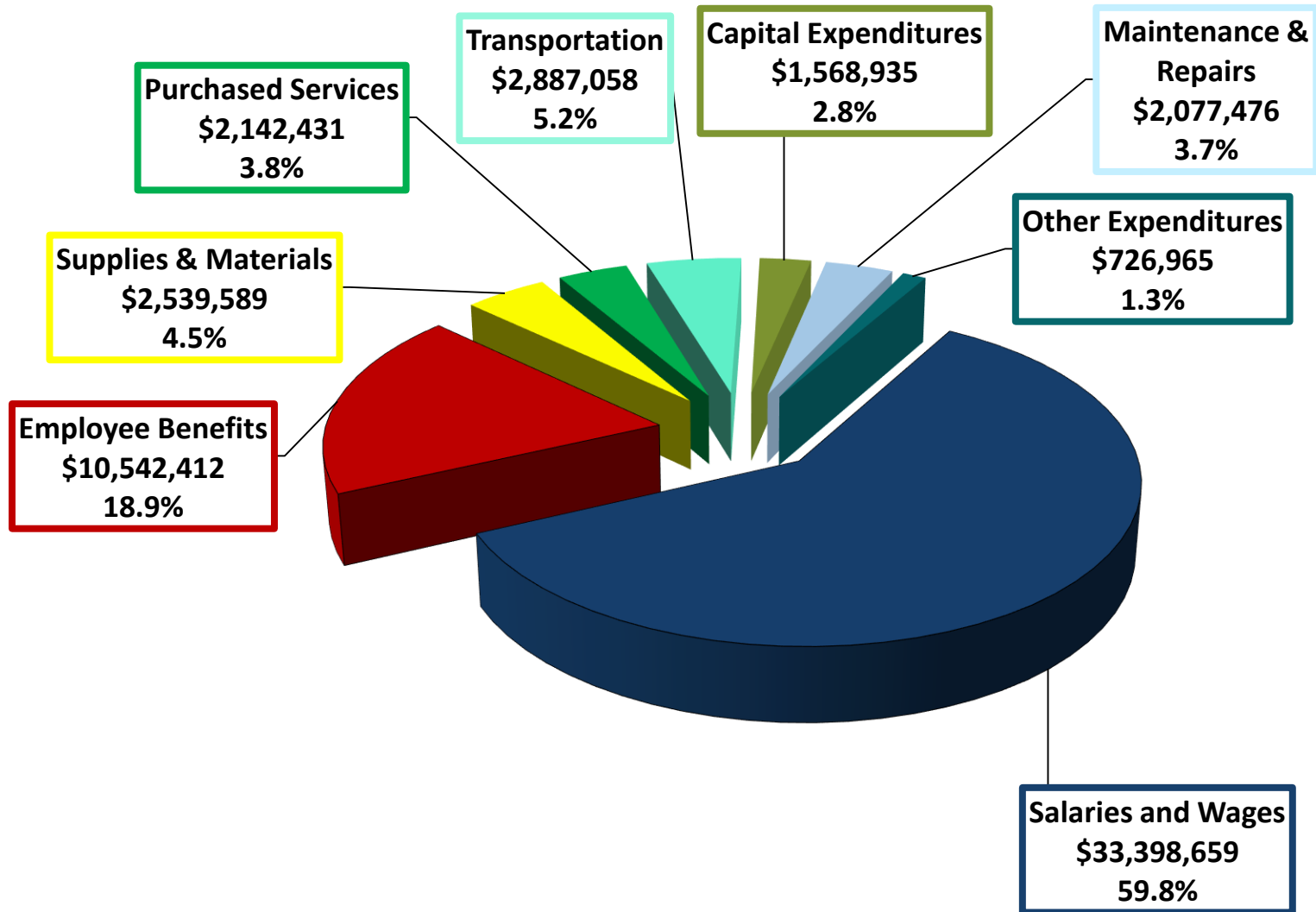
2016-17 Budget \$55,883,525



St. Michael-Albertville Independent School District No. 885

General Fund Expenditure by Object

2016-17 Budget \$55,883,525



Proposed 2017 Property Tax Levy

- Determination of levy
- Comparison of 2016 to 2017 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers

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



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 2017

THIS IS NOT A BILL. DO NOT PAY.

Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2016	2017
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
Step	PROPOSED TAX		
2	Proposed Tax		\$1,467.52
Step	PROPERTY TAX STATEMENT		
3	Coming in 2017		
<p>The time to provide feedback on PROPOSED LEVIES is NOW</p> <p><i>It is too late to appeal your value without going to Tax Court.</i></p>			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2016	Proposed 2017
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 9, 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 1, 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	December 2, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$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 2017 may be higher than the proposed amount shown on this notice.</i>			
Total excluding any special assessments		\$1,341.31	\$1,467.52 9.0%

School District Property Taxes

- Each school district may levy taxes in over 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 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.



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.*

* 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 2017

Schedule of events in approval of district's 2016 (Payable 2017) tax levy

- September 8: Dept. of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- October 3: School board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- December 5: Public hearing on proposed levy at regular meeting
- Following hearing school board will certify final levy amounts

St. Michael-Albertville School District

Comparison of Proposed Tax Levy Payable in 2017 to Actual Levy Payable in 2016

Fund	Levy Category	Actual Levy Payable in 2016	Proposed Levy Payable in 2017	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$592,344	\$687,225	\$94,881	
	Board Approved Referendum	46,807	13,715	(33,092)	
	Local Optional Levy	1,558,695	1,709,378	150,683	
	Equity	529,368	631,497	102,129	
	Student Achievement Levy	58,227	27,880	(30,347)	
	Alternate Teacher Compensation	266,971	273,267	6,296	
	Operating Capital	270,961	206,249	(64,711)	
	Long Term Facilities Maintenance	243,363	410,207	166,844	
	Instructional Lease Levy	57,004	57,067	62	
	Safe Schools	236,693	247,961	11,268	
	Other	76,258	84,443	8,185	
	Levy Adjustments	(83,914)	(3,155)	80,759	
	Total, General Fund	\$3,852,777	\$4,345,735	\$492,958	12.8%
Community Service Fund					
	Basic Community Education	\$181,600	\$181,600	\$0	
	Early Childhood Family Education	65,977	65,239	(737)	
	School-Age Child Care	25,000	30,000	5,000	
	Other	3,288	915	(2,373)	
	Levy Adjustments	36,693	28,822	(7,871)	
	Total, Community Service Fund	\$312,558	\$306,577	(\$5,981)	-1.9%
Debt Service Funds					
	Voter Approved Debt Service	\$8,705,692	\$8,616,248	(\$89,444)	
	Reduction for Debt Excess	(937,686)	(774,718)	162,968	
	Levy Adjustments	(3,373)	335	3,709	
	Total, Debt Service Fund	\$7,764,632	\$7,841,865	\$77,233	1.0%
Total Levy, All Funds		\$11,929,967	\$12,494,177	\$564,210	4.7%
Subtotal by Truth in Taxation Categories:					
	Voter Approved Levies	\$8,349,376	\$8,587,915	\$238,539	
	Other Levies	<u>\$3,580,591</u>	<u>\$3,906,262</u>	<u>\$325,671</u>	
	Total	\$11,929,967	\$12,494,177	\$564,210	4.7%

Factors Causing Changes from 2016 to 2017

Many 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

Overview of Proposed Levy Payable in 2017

- The total 2017 proposed property tax levy will increase from 2016 by \$564,210, or 4.7%
- State law requires that we explain the reasons for the major increases in the levy
- We will also explain some of the decreases in specific levies

Explanation of Levy Changes

- Category: Referendum Revenue (incl. voter-approved and board-approved)
- Change: +\$61,789
- Use of funds: Any general operating expense
- Reason for increase:
 - Revenue for both years is \$300 per pupil
 - Revenue and tax levy increased because projected enrollment increased

Explanation of Levy Changes

- Category: Local Optional Revenue
- Change: +\$150,683
- Use of funds: Any general operating expense
- Reason for increase:
 - Revenue for both years is \$424 per pupil
 - Revenue and tax levy increased because projected enrollment increased

Explanation of Levy Changes

- Category: Equity Revenue
- Change: +\$102,129
- Use of funds: Any general operating expense
- Reason for increase:
 - State increased revenue by \$50 per pupil for all districts outside of the seven-county Twin Cities area
 - Projected enrollment increased

Explanation of Levy Changes

- Category: Operating Capital
- Change: -\$64,711
- Use of funds: Technology, facility maintenance, other capital expenses
- Reason for decrease:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - State changed funding formulas to cause a reduction in tax levies and offsetting increase in state aid - no net change in revenue
 - This change was made to partially offset increase in the Long Term Facilities Maintenance Levy

Explanation of Levy Changes

- Category: Long Term Facilities Maintenance
- Change: +\$166,844
- Use of funds: Deferred maintenance and health and safety
- Reason for increase:
 - New state funding formula, began with taxes payable in 2016 – replaced prior deferred maint. and health and safety funding
 - Intended to provide increased funding for critical facility maintenance projects
 - Funding is being “phased in” over 3 years – district revenue increasing from \$676,000 for fiscal year 2017 to \$1.1 million for 2018
 - Almost 2/3 of funding provided through state aid; remainder through property taxes

Explanation of Levy Changes

- Category: Adjustments for Prior Years – General Fund
- Change: +\$80,759
- Use of funds: general operating expenses
- Reason for increase:
 - The 2016 levy included a number of negative adjustments to levies made in prior years, primarily due to changes in estimated enrollment
 - The 2017 levy does not include similar negative adjustments

Explanation of Levy Changes

- Category: Debt Service
- Change: +\$77,233
- Use of funds: Annual required payment of principal and interest on voter approved bonds
- Reason for increase:
 - State-required “reduction for debt excess” is less than in 2016

Impact on Taxpayers

Following are a table and graphs showing examples of changes in the school district portion of property taxes from 2014 to 2017

- Examples include school district taxes only
- All examples are based on a 12.46% increase in property value over this period
 - Actual changes in value may be more or less than this for any parcel of property
 - These figures are intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties

Impact on Taxpayers

- Figures for 2017 are preliminary estimates, based on the best data available now – final figures could change slightly
- Estimates were prepared by Ehlers, the district's financial advisors

St. Michael-Albertville School District

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 12.5% Cumulative Changes in Property Value from 2014 to 2017 Taxes

Type of Property	Estimated Market Value for 2014 Taxes	Actual Taxes Payable in 2014	Estimated Market Value for 2015 Taxes	Actual Taxes Payable in 2015	Estimated Market Value for 2016 Taxes	Actual Taxes Payable in 2016	Estimated Market Value for 2017 Taxes	Estimated Taxes Payable in 2017	Change in Taxes 2014 to 2017	Change in Taxes 2016 to 2017
Residential Homestead	\$133,386	\$746	\$141,389	\$808	\$145,631	\$807	\$150,000	\$836	\$90	\$29
	155,617	903	164,954	975	169,903	972	175,000	1,004	101	32
	177,848	1,059	188,519	1,141	194,175	1,137	200,000	1,172	113	35
	200,079	1,215	212,084	1,308	218,447	1,302	225,000	1,341	126	39
	222,310	1,372	235,649	1,474	242,718	1,466	250,000	1,509	137	43
	266,772	1,684	282,779	1,807	291,262	1,796	300,000	1,846	162	50
	311,234	1,997	329,909	2,140	339,806	2,126	350,000	2,183	186	57
	355,697	2,310	377,038	2,473	388,350	2,456	400,000	2,519	209	63
	400,159	2,623	424,168	2,801	436,893	2,776	450,000	2,841	218	65
	444,621	2,921	471,298	3,112	485,437	3,084	500,000	3,156	235	72
Commercial/ Industrial	\$222,310	\$2,220	\$235,649	\$2,377	\$242,718	\$2,366	\$250,000	\$2,399	\$179	\$33
	444,621	4,827	471,298	5,136	485,437	5,099	500,000	5,149	322	50
	666,931	7,434	706,947	7,896	728,155	7,833	750,000	7,899	465	66
	889,241	10,041	942,596	10,656	970,874	10,567	1,000,000	10,649	608	82
	1,778,483	20,469	1,885,192	21,695	1,941,748	21,503	2,000,000	21,649	1,180	146
Agricultural Homestead *	\$444,621	\$1,648	\$471,298	\$1,763	\$485,437	\$1,751	\$500,000	\$1,780	\$132	\$29
	889,241	2,794	942,596	2,967	970,874	2,943	1,000,000	2,952	158	9
	1,333,862	3,941	1,413,894	4,170	1,456,311	4,135	1,500,000	4,123	182	-12
	1,778,483	5,347	1,885,192	5,374	1,941,748	5,327	2,000,000	5,295	-52	-32
	2,667,724	9,933	2,827,788	9,670	2,912,621	9,131	3,000,000	9,397	-536	266
Agricultural Non-Homestead (dollars per acre)	\$4,446	\$22.93	\$4,713	\$24.07	\$4,854	\$23.84	\$5,000	\$23.44	\$0.51	-\$0.40
	5,335	27.51	5,656	28.89	5,825	28.60	6,000	28.13	0.62	-0.47
	6,669	34.39	7,069	36.11	7,282	35.75	7,500	35.16	0.77	-0.59
	8,003	41.27	8,483	43.33	8,738	42.91	9,000	42.19	0.92	-0.72

Tax Rates				
Tax Capacity Rate	51.570	51.082	49.103	46.876
Referendum Market Value Rate	0.14126	0.14950	0.14430	0.16252

* For agricultural homestead property, figures above are for property in Monticello Township. Since the portion of the agricultural homestead credit deducted from school district taxes varies across municipalities, school taxes may be slightly different than shown above for agricultural homestead property in other portions of the school district.

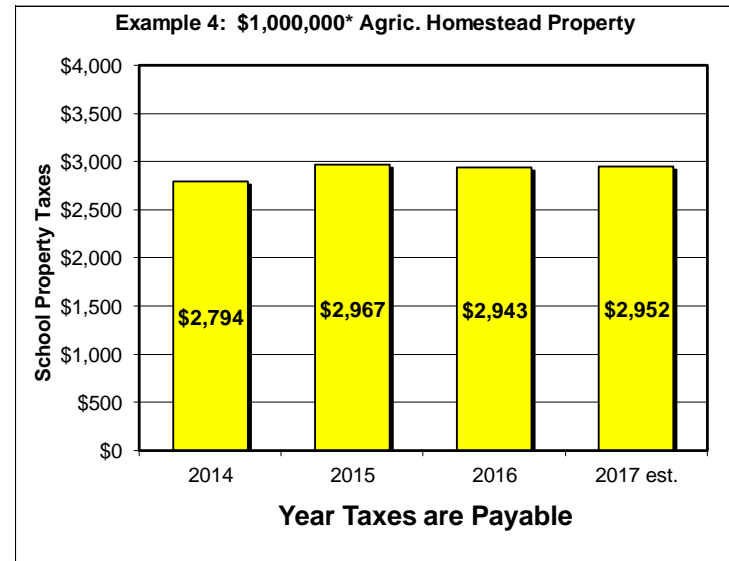
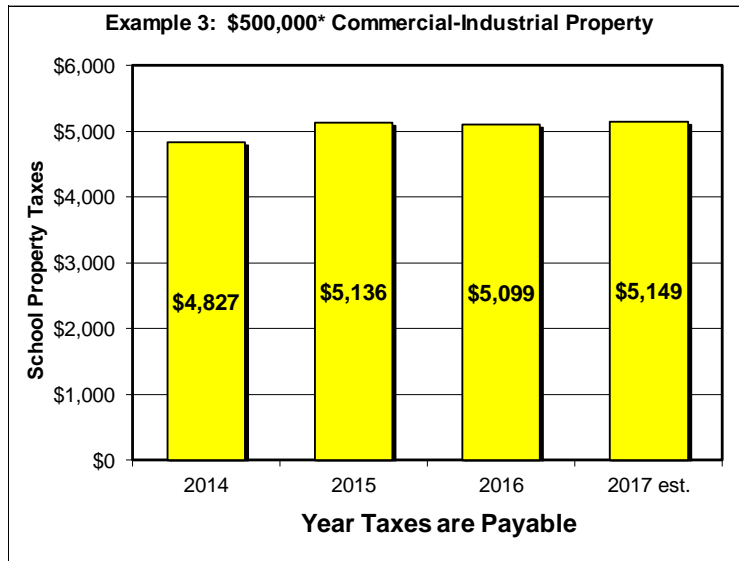
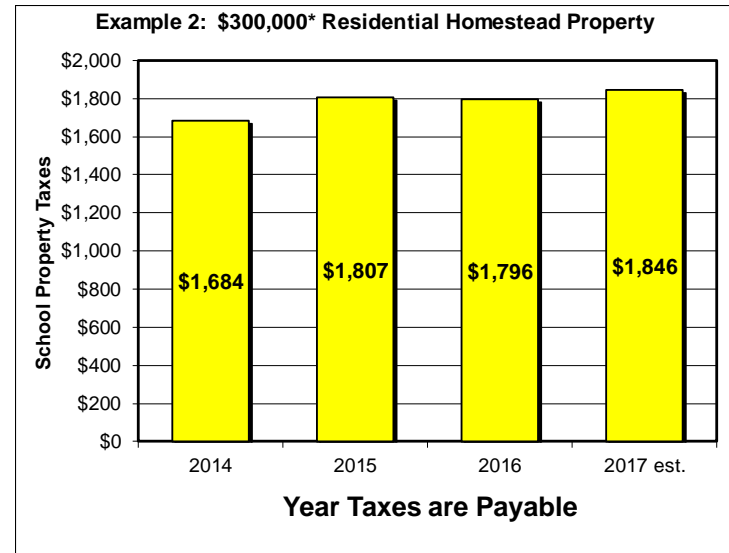
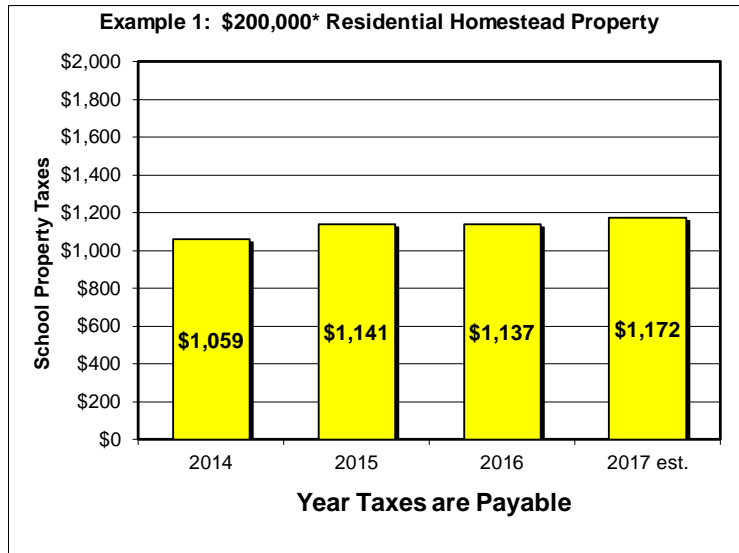
General Notes

- The figures 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.
- All estimates of taxes payable in 2017 taxes are preliminary, based on the best data available as of the date above.
- For all examples of properties, taxes are based on changes in taxable market value of 6.0% from 2014 to 2015 taxes, 3.0% from 2015 to 2016, and 3.0% from 2016 to 2017.
- For agricultural homestead property, the value assumed for the house, garage, and one acre was \$177,848 for 2013 taxes and \$200,000 for 2016 taxes.

St. Michael-Albertville School District

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 12.5% Cumulative Changes in Property Value from 2014 to 2017 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 2017. Taxes are calculated based on changes in market value of 6.0% from 2014 to 2015 taxes, 3.0% from 2015 to 2016, and 3.0% from 2016 to 2017.

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.revenue.state.mn.us

State Property Tax Refunds

- Minnesota Property Tax Refund (aka “Circuit Breaker” Refund)
 - Has existed since 1970s
 - Available to all owners of homestead property
 - Annual income must be approx. \$107,930 or less (income limit is higher if you have dependents)
 - Refund is a sliding scale, based on total property taxes and income
 - Maximum refund is \$2,640
 - Especially helpful to those with lower incomes
 - Fill out state tax form M-1PR

State Property Tax Refunds

- Special Property Tax Refund
 - Available for all homestead properties with a gross tax increase of at least 12% (increase must exceed \$100) over the prior year
 - Refund is 60% of the amount by which the tax increase exceeds the greater of 12% or \$100, up to a maximum of \$1,000
 - No income limits
 - Fill out state tax form M-1PR

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with a household income of \$60,000 or less to defer a portion of the property taxes on their home
- Taxes paid in any year limited to 3% of household income for year before entering deferral program; this amount does not change in future years
- Additional taxes are deferred, but not forgiven
- State charges interest up to 5% per year on deferred taxes and attaches a lien to the property
- The deferred property taxes plus accrued interest must be paid when the home is sold or the homeowner(s) dies

Next Steps

- Board will accept public comments and questions on proposed levy
- Board will certify the 2017 property tax levy

Public Comments and Questions