

St. Michael-Albertville
Independent School District #885
Truth in Taxation Hearing for
Taxes Payable in 2016



STMA Schools



Tax Hearing Presentation

- State law requires that we present information on the current year budget and actual revenue and expenses for the prior year
- State law also requires that we present information on the proposed property tax levy, including:
 - The percentage increase over the prior year
 - Specific purposes and reasons for which taxes are being increased
- 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 2016
- D. Public Comments and Questions

As a result...

School District Revenues and Taxes Are 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 2016 taxes provide revenue for the calendar year 2016 budget.
- Schools - Budget year begins July 1st and coincides with school year. The 2016 taxes provide revenue for the 2016-2017 school fiscal year. Budget will be adopted in June 2016.



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
 - Building Construction
 - Debt Service
 - Trust

	Division of School Finance	DISTRICT REVENUES AND EXPENDITURES BUDGET FOR FY 2015 AND FY 2016	ED-00110-38
	1500 Highway 36 West		
	Roseville, MN 55113-4266		

GENERAL INFORMATION: Minnesota Statutes, section 123B.10, requires that every school board shall publish the subject data of this report.

District Name: Independent Sc District Number: 0885

FUND	FY 2015 BEGINNING FUND BALANCES	FY 2015 ACTUAL REVENUES AND TRANSFERS IN	FY 2015 ACTUAL EXPENDITURES AND TRANSFERS OUT	JUNE 30, 2015 ACTUAL FUND BALANCES	FY 2016 BUDGET REVENUES AND TRANSFERS IN	FY 2016 BUDGET EXPENDITURES AND TRANSFERS OUT	JUNE 30, 2016 PROJECTED FUND BALANCES	
General Fund/Restricted	\$ 1,344,879	\$ 3,420,882	\$ 3,126,391	\$ 1,639,370	\$ 3,244,353	\$ 3,030,239	\$ 1,853,484	
General Fund/Other	\$ 8,903,270	\$ 49,599,873	\$ 47,078,997	\$ 11,424,146	\$ 49,989,911	\$ 49,697,627	\$ 11,716,430	
Food Service Fund	\$ 1,312,631	\$ 2,500,385	\$ 2,436,392	\$ 1,376,624	\$ 2,853,942	\$ 2,769,233	\$ 1,461,333	
Community Service Fund	\$ 1,478,742	\$ 4,284,375	\$ 4,073,824	\$ 1,689,293	\$ 4,361,260	\$ 4,276,667	\$ 1,773,886	
Building Construction Fund	\$ 267	\$ 4,948	\$ 5,215	\$ -	\$ -	\$ -	\$ -	
Debt Service Fund	\$ 3,429,063	\$ 97,059,446	\$ 76,797,008	\$ 23,691,501	\$ 13,355,909	\$ 33,270,715	\$ 3,776,695	
Trust Fund	\$ 27,032	\$ 18,557	\$ 15,250	\$ 30,339	\$ 17,650	\$ 18,850	\$ 29,139	
Internal Service Fund	\$ -			\$ -			\$ -	
* OPEB Revocable Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
OPEB Irrevocable Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
OPEB Debt Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL - ALL FUNDS	\$ 16,495,884	\$ 156,888,466	\$ 133,533,077	\$ 39,851,273	\$ 73,823,025	\$ 93,063,331	\$ 20,610,967	
LONG-TERM DEBT	\$ -		CURRENT STATUTORY OPERATING DEBT PER MINNESOTA STATUTES, SECTION 123B.81					
Outstanding July 1, 2014	\$ 175,155,000		AMOUNT OF GENERAL FUND DEFICIT, IF ANY, IN EXCESS OF 2.5% OF EXPENDITURES 06/30/2015				\$	-
Plus: New Issues	\$ 77,025,000		COST PER STUDENT - AVERAGE DAILY MEMBERSHIP (ADM) 06/30/2015					
Less: Redeemed Issues	\$ 65,095,000		TOTAL OPERATING EXPENDITURES				\$	54,769,791.90
Outstanding June 30, 2015	\$ 187,085,000		FY 2015 TOTAL ADM SERVED + TUITIONED OUT ADM + ADJUSTED EXTENDED ADM					5,898.83
SHORT-TERM DEBT			FY 2015 OPERATING COST PER ADM				\$	9,284.86
Certificates of Indebtedness	\$ -							
Other Short-Term Indebtedness	\$ -							

The complete budget may be inspected upon request to the superintendent.

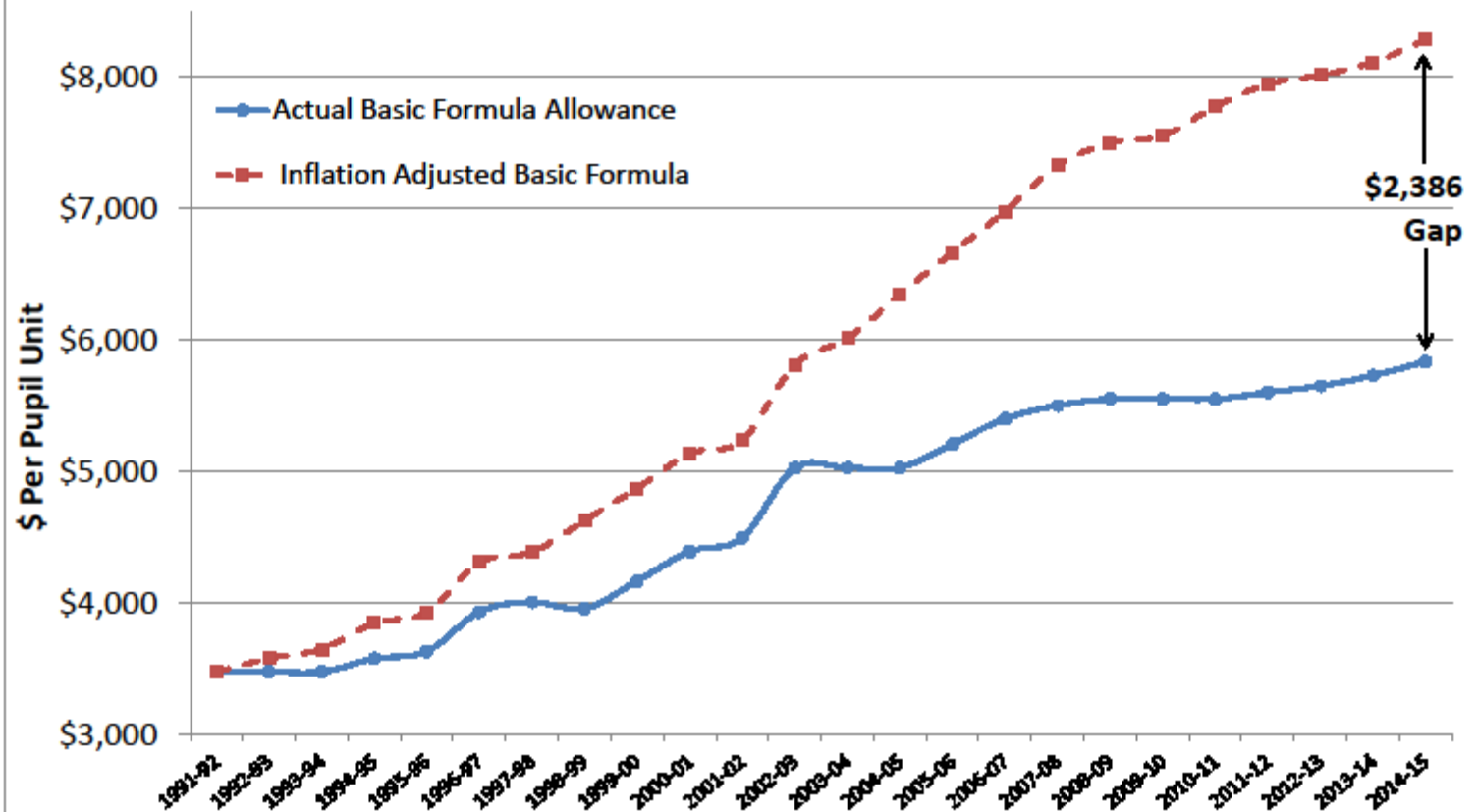
Comments:

* Other Post-Employment Benefits (OPEB)



The Basic Formula Has Not Kept Up With Inflation

The Basic Formula provides the majority of the funding that SEE districts receive from the state

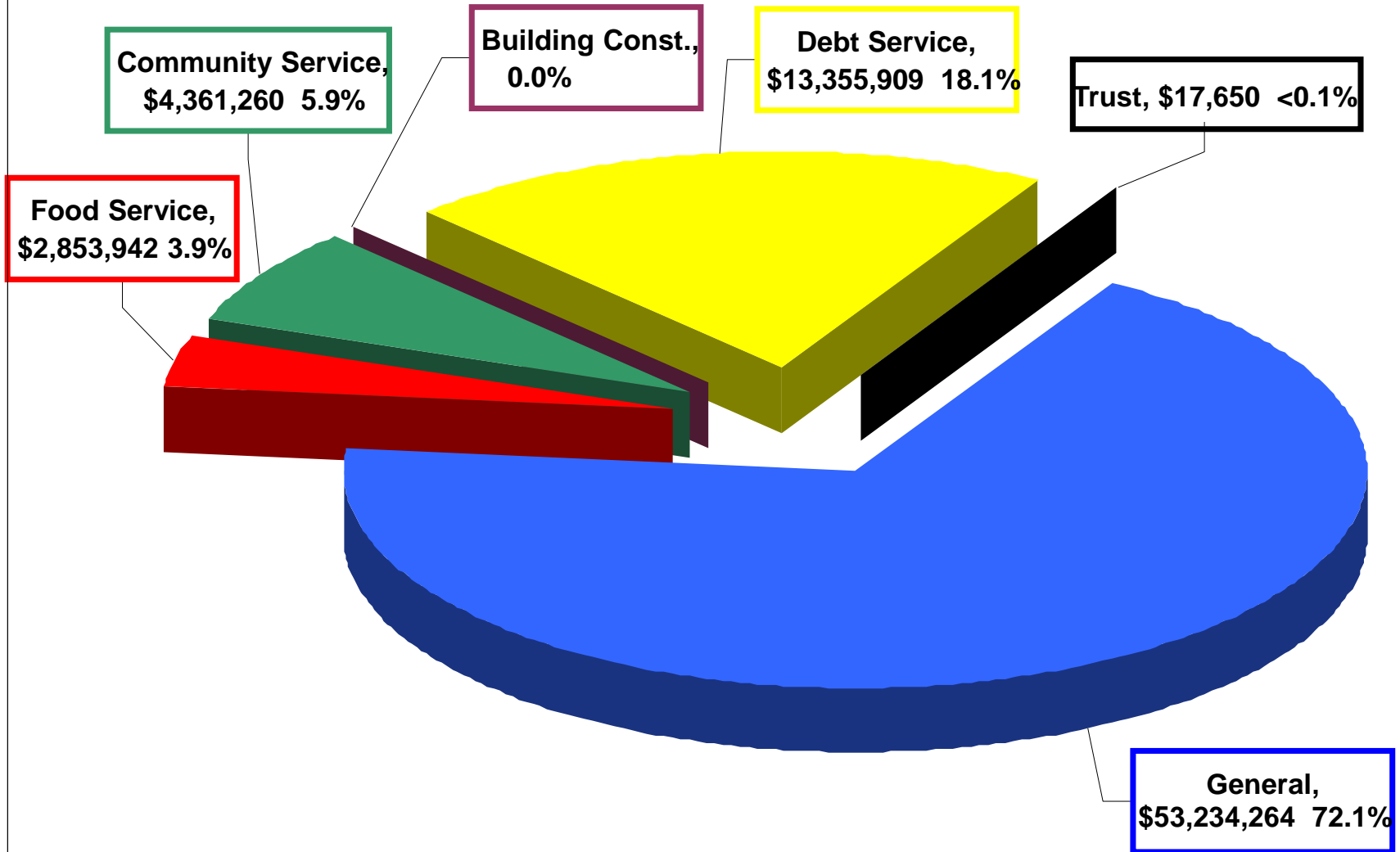


The Basic Formula is a per pupil dollar amount that a school district receives for every student that walks through the door. The Basic Formula is the critical funding source from the state and is intended to provide a high quality education for all students. On the graph, the bottom line shows the Basic Formula amount for each school year. The top line shows what the Basic Formula would be if it had merely kept up with inflation. **Minnesota spends \$2,445 less on each student in the classroom today that it did for the students in the early 1990s.** The gap is astounding and has eroded education opportunities for Minnesota school children.

Schools for Equity in Education www.schoolsforequity.org

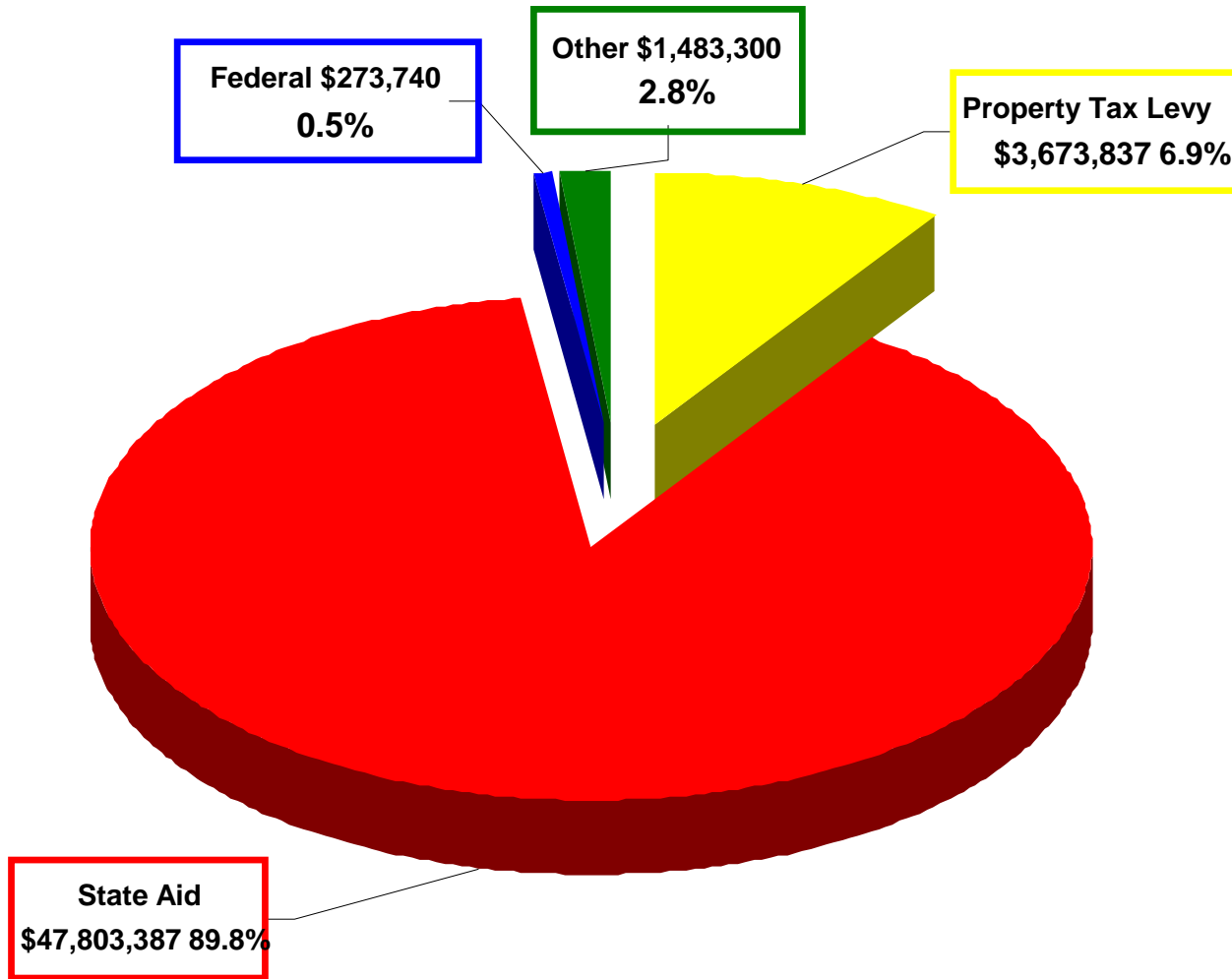
Data prior to 2014-15 has been adjusted to reflect the changes in pupil weightings made by the 2013 legislature.

Revenue - All Funds \$73,823,025 2015-2016 Budget



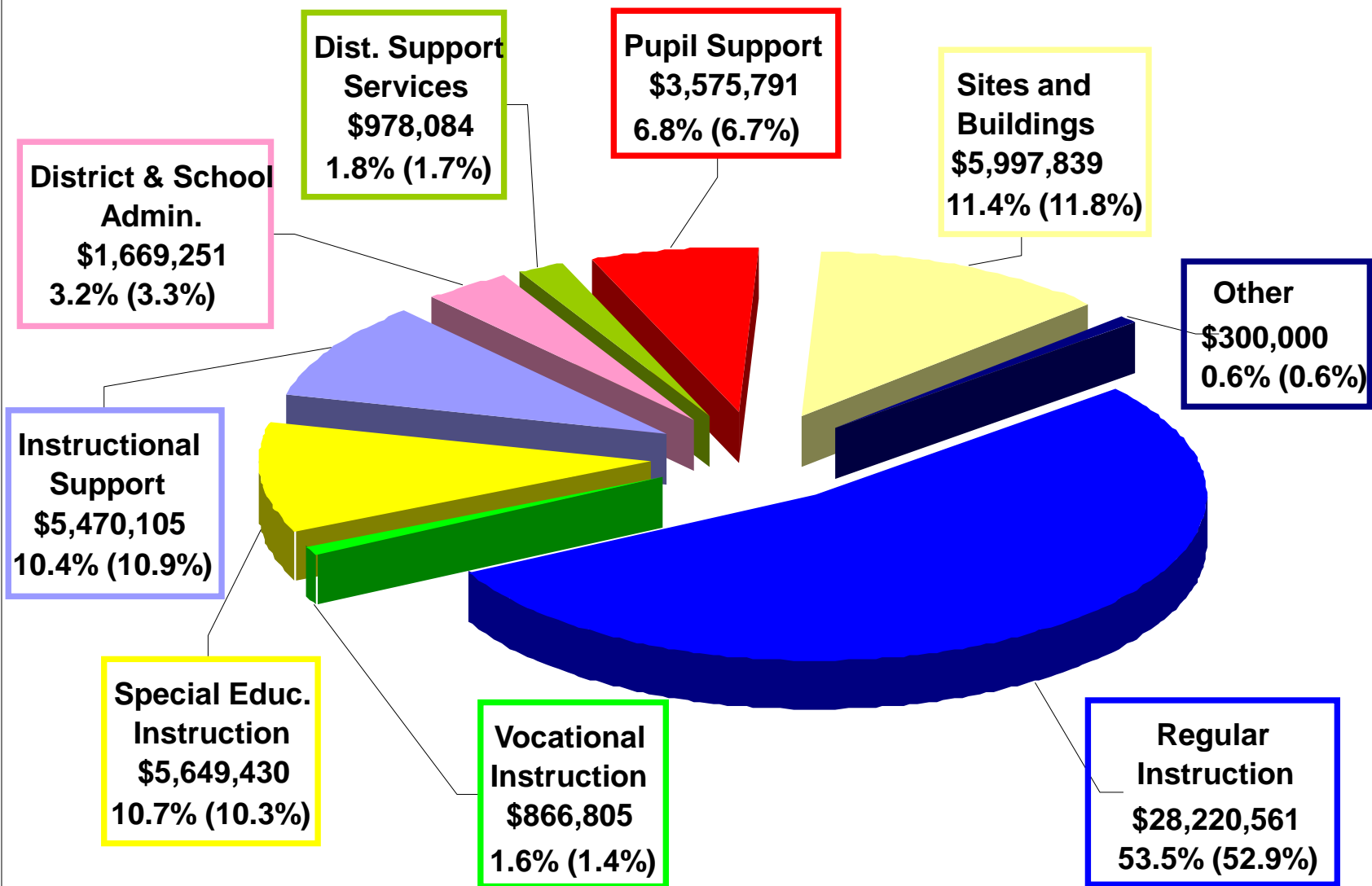
General Fund Budget Highlights

2015-2016 General Fund Budget \$53,234,264 Revenues by Major Source



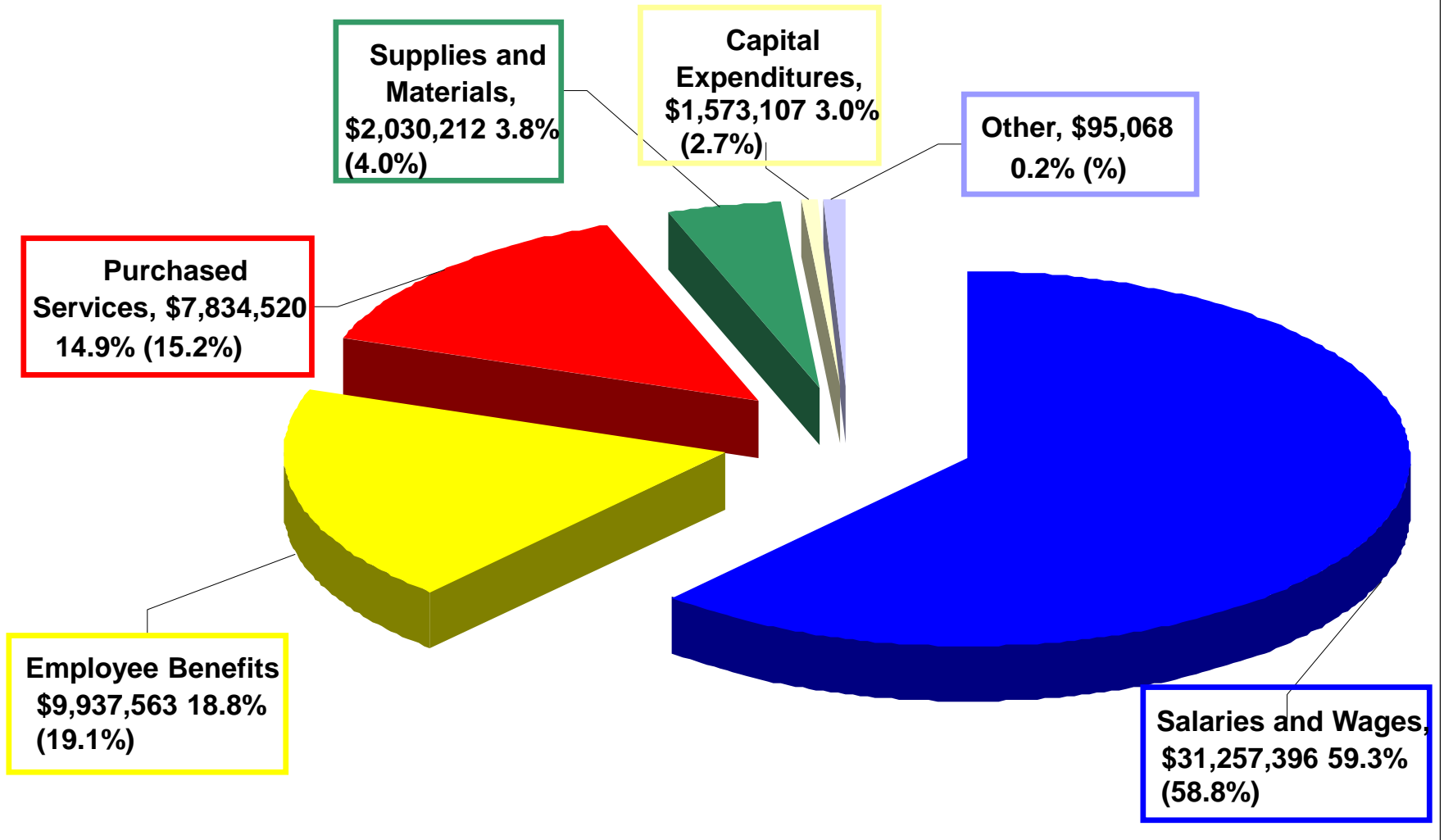
General Fund Budget Highlights

2015-2016 General Fund Budget Expenditures by Program Area - Budget \$52,727,866



General Fund Budget Highlights

2015-2016 General Fund Budget Expenditures by Object Category \$52,727,866





Proposed 2016 Property Tax Levy

- Determination of levy
- Comparison 2015 to 2016 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



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 2016

Schedule of events in approval of district's 2015 (Payable 2016) tax levy

- September 8 – Dept. of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- Sept 30: School board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- December 7: Public hearing on proposed levy at regular meeting
- Following hearing school board will certify final levy amounts



Proposed Property Tax Levy

Fund	Actual Levy Payable in 2015	Proposed Levy Payable 2016	\$ change	% Change
Voter Approved	\$ 537,656	\$ 464,364	\$ (73,292)	
Board Approved	\$ 47,485	\$ 46,807	\$ (678)	
Equity	\$ 492,470	\$ 529,368	\$ 36,898	
Local Option	\$ 1,447,537	\$ 1,558,695	\$ 111,158	
Transition	\$ 2,253	\$ 2,426	\$ 173	
Student Achievement	\$ 57,336	\$ 58,227	\$ 891	
Operating Capital	\$ 245,307	\$ 270,961	\$ 25,654	
Alternative Teacher Comp	\$ 236,406	\$ 266,971	\$ 30,565	
Reemployment	\$ 16,000	\$ 10,000	\$ (6,000)	
Safe Schools	\$ 230,119	\$ 236,693	\$ 6,574	
Career & Technical	\$ 52,064	\$ 63,832	\$ 11,768	
Health & Safety	\$ 330,239	\$ -	\$ (330,239)	
Deferred Maintenance	\$ 94,008	\$ -	\$ (94,008)	
Long Term Facilities	\$ -	\$ 243,363	\$ 243,363	
Building/Land Lease	\$ 57,081	\$ 57,004	\$ (77)	
Levy Adjustment for Prior Years	\$ 65,731	\$ 44,067	\$ (21,664)	
Total General Education	\$ 3,911,692	\$ 3,852,778	\$ (58,914)	-1.51%



Proposed Property Tax Levy

Basic Community Services	\$ 163,323	\$ 181,600	\$ 18,277	
Early Childhood	\$ 65,479	\$ 65,977	\$ 498	
School Age Child Care	\$ 30,000	\$ 25,000	\$ (5,000)	
Home Visiting	\$ 3,192	\$ 3,288	\$ 96	
Levy Adjustment for Prior Years	\$ 39,338	\$ 36,693	\$ (2,645)	
Total Community Services	\$ 301,332	\$ 312,558	\$ 11,226	3.73%
Voter Approved	\$ 8,571,523	\$ 8,705,692	\$ 134,169	
Levy Adjustment for Prior Years	\$ (980,740)	\$ (941,060)	\$ 39,680	
Total Debt Service	\$ 7,590,783	\$ 7,764,632	\$ 173,849	2.29%
Total All	\$11,803,807	\$ 11,929,968	\$ 126,161	1.07%



Overview of Proposed Levy Payable in 2016

- The total proposed levy for 2016 is higher than the 2015 levy by \$126,151 or 1.07%
- Proposed budget adopted in September is reduced from \$333,057 or 2.8% increase
- Statewide school district proposed levies increased 7.5%



Explanation of Levy Changes

- Category: Voter Approved Referendum
- Change: -\$73,292
- Use of funds: general operating expenses
- Reason for decrease – **formula driven**:
- Referendum Revenue is based upon the voter approved per pupil amount multiplied times adjusted pupil unit (students served).
 - Enrollment increase offset by adjustment of \$117,007 from prior years resulting in shift to state aid



Explanation of Levy Change

- Category: Equity
- Change: \$36,898
- Use of funds: general operating expenses
- Reason for increase – **formula driven**:
 - Enrollment increase
 - Disparity in STMA general education revenue changed compared to other school districts statewide



Explanation of Levy Change

- Category: Local Optional Revenue
- Change: \$111,258
- Use of funds: general operating expenses
- Reasons for increase – **formula driven**:
 - Enrollment increase
 - Decrease in percentage of equalization aid for state



Explanation of Levy Changes

- Category: Operating Capital Levy
- Change: \$25,654
- Use of funds: Equipment, Technology, Software, Textbooks
- Reason for increase – **formula driven**:
 - Age of facilities, enrollment increase and decrease in percentage of equalization aid



Explanation of Levy Change

- Category: Alternative Teacher Comp (Q-Comp)
- Change: \$30,565
- Use of funds: Educational Improvement Plan (teacher evaluation, training, performance goals and alternative pay system)
- Reason for increase – **formula driven**:
 - Enrollment increase and decrease in percentage of equalization aid



Explanation of Levy Change

- Category: Reemployment
- Change: -\$6,000
- Use of funds: Unemployment compensation
- Reason for decrease – **board decision**:
 - Fewer claims



Explanation of Levy Change

- Category: Safe Schools
- Change: \$6,574
- Use of funds: Safety maintenance, school resource officers
- Reason for increase – **formula driven**:
 - Enrollment increase



Explanation of Levy Change

- Category: Career and Technical
- Change: \$11,768
- Use of funds:
- Reason for increase – **formula driven**:
 - Increase in program costs



Explanation of Levy Change

- Category: Long Term Facilities
- Change: -\$180,884
- Use of funds: Building and grounds maintenance and repair
- Reason for decrease – **formula driven**:
- Replaces Deferred Maintenance and Health & Safety levies
 - New formula with state aid contributing a higher amount



Explanation of Levy Changes

- Category: Levy Adjustments for Prior Years
- Change: \$44,067
- Use of funds: Any of funds listed above
- Reason for increase – **formula driven**:
 - Adjustments recalculated for up to past three years because formulas are based upon estimates



Explanation of Levy Changes

- Category: Basic Community Education
- Change: \$18,277
- Use of funds: Community Education Programs
- Reason for increase – **formula driven**:
 - Change in census



Explanation of Levy Changes

- Category: School-Age Child Care
- Change: -\$5,000
- Use of funds: Children who require extra staff support in the Kids Play program
- Reason for decrease – **board decision**:
 - Decreased costs associated with serving students requiring extra staff support



Explanation of Levy Changes

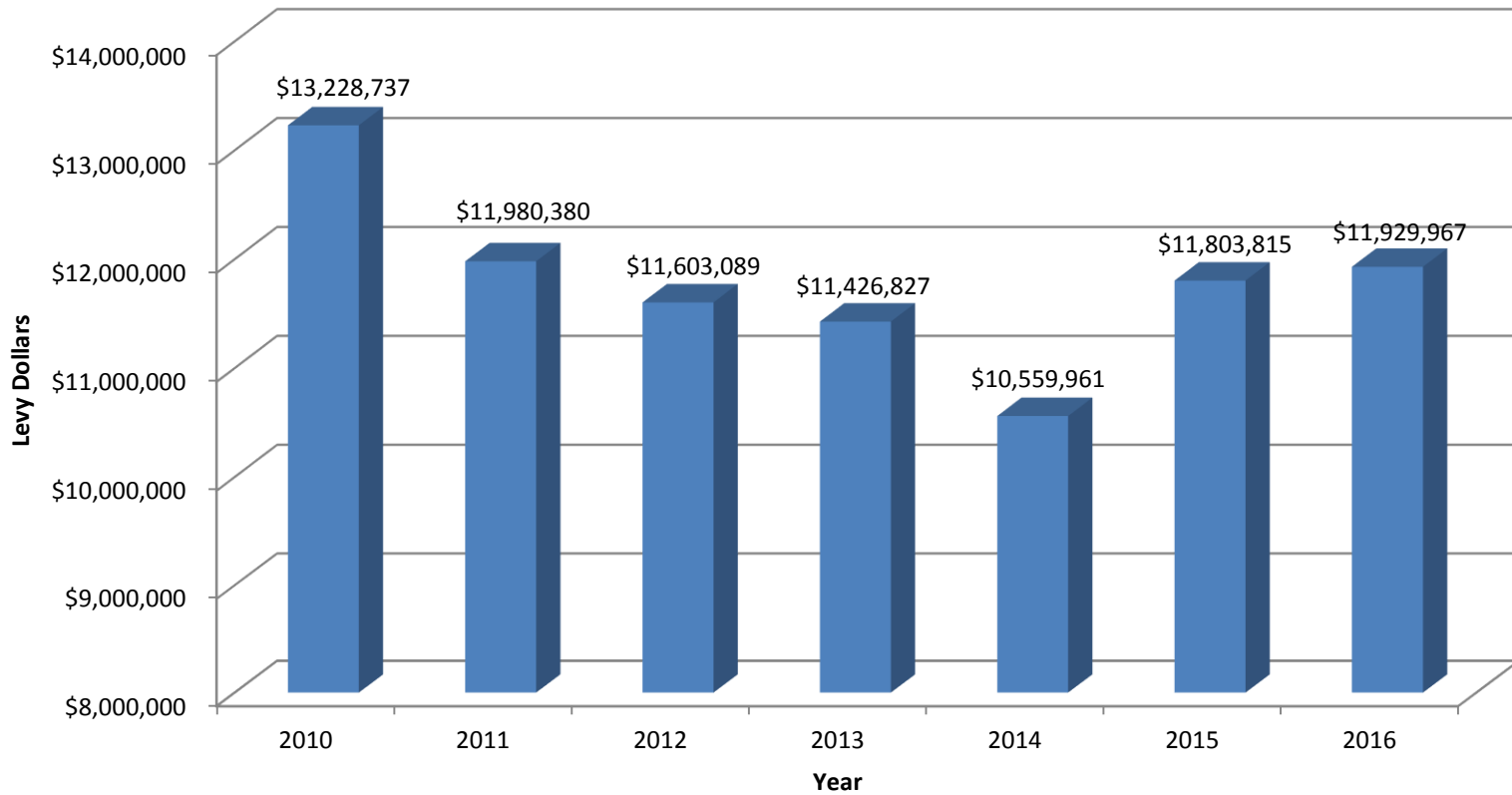
- Category: Debt Service
- Change: \$173,849
- Use of funds: Payment of voter approved bonds for buildings
- Reason for increase – voter approved and board adjustment
 - Decrease in percentage of equalization aid by state
 - Offset by decreasing amount of debt excess aid by \$988,993



Individual Tax Statements

- Net tax capacity increased statewide by 10%. Increase in taxable market value of property will also impact individual increases on tax statements

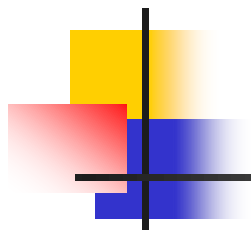
STMA Levy History





History Tax Capacity Rate

Certified Levy Payable Year Recognized	2010 2011 2012	2011 2012 2013	2012 2013 2014	2013 2014 2015	2014 2015 2016
School Maintenance	5.26%	5.12%	5.93%	6.57%	7.38%
Community Service	1.29%	1.51%	1.80%	1.54%	1.67%
Debt Service	44.82%	46.01%	49.48%	43.46%	42.04%
Total	51.37%	52.65%	57.21%	51.57%	51.09%



Public Comments and Questions