

St. Michael-Albertville  
Independent School District #885  
Truth in Taxation Hearing for  
Taxes Payable in 2015

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*STMA Schools*



# Tax Hearing Presentation

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- 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

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- 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 2015
- D. Public Comments and Questions

As a result...

## School District Revenues and Taxes Are Highly Regulated by the State

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- **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

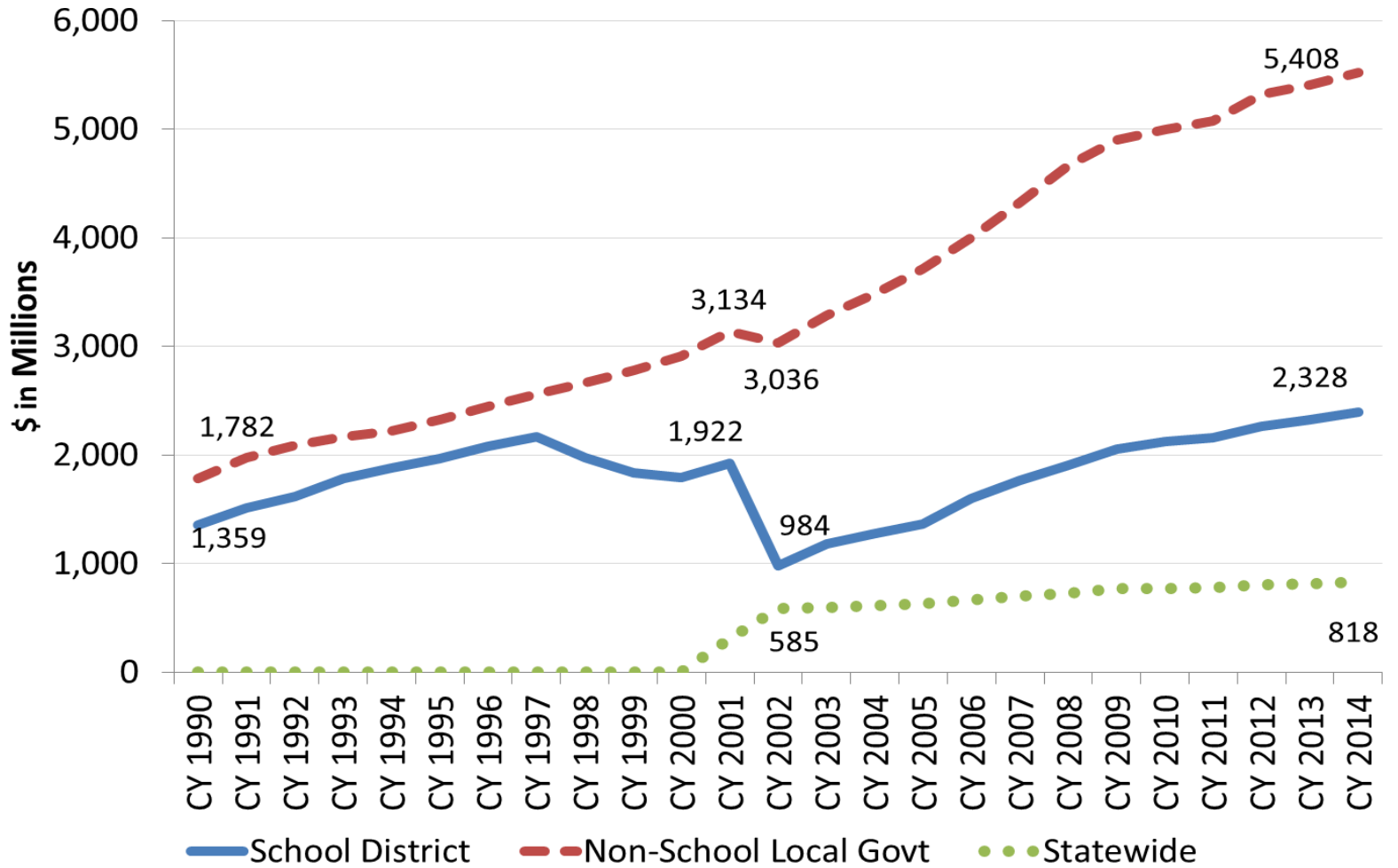


# Contrast of City/County to School District Levy Cycle

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- City/County - Budget Year is same as calendar year. The 2015 taxes provide revenue for the calendar year 2015 budget.
- Schools - Budget year begins July 1<sup>st</sup> and coincides with school year. The 2015 taxes provide revenue for the 2015-2016 school fiscal year. Budget will be adopted in June 2015.

# School vs Non-School Property Tax Levies, 1990-2014





# Change in Tax Levy Does not Determine Change in Budget

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- 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

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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

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- 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

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

District Name: St. Michael-Albertville Independent School District

District Number: 885

FUND	FY 2014 BEGINNING FUND BALANCES	FY 2014 ACTUAL REVENUES AND TRANSFERS IN	FY 2014 ACTUAL EXPENDITURES AND TRANSFERS OUT	JUNE 30, 2014 ACTUAL FUND BALANCES	FY 2015 BUDGET REVENUES AND TRANSFERS IN	FY 2015 BUDGET EXPENDITURES AND TRANSFERS OUT	JUNE 30, 2015 PROJECTED FUND BALANCES
General Fund/Restricted	\$ 1,824,845.27	\$ 1,839,766.92	\$ 2,474,117.02	\$ 1,190,495.17	\$ 1,904,384.00	\$ 1,893,698.00	\$ 1,201,181.17
General Fund/Other	\$ 7,288,189.65	\$ 46,106,201.13	\$ 44,336,736.27	\$ 9,057,654.51	\$ 48,735,998.00	\$ 48,147,316.00	\$ 9,646,336.51
Food Service Fund	\$ 1,588,997.18	\$ 2,413,721.45	\$ 2,690,087.30	\$ 1,312,631.33	\$ 2,595,641.00	\$ 2,569,428.00	\$ 1,338,844.33
Community Service Fund	\$ 1,143,539.69	\$ 4,724,533.66	\$ 4,389,331.34	\$ 1,478,742.01	\$ 4,173,595.00	\$ 4,212,111.00	\$ 1,440,226.01
Building Construction Fund	\$ 47,254.93	\$ 277.43	\$ 47,265.65	\$ 266.71	\$ -	\$ -	\$ 266.71
Debt Service Fund	\$ 3,116,474.24	\$ 13,627,127.98	\$ 13,314,538.76	\$ 3,429,063.46	\$ 14,182,742.00	\$ 13,471,639.00	\$ 4,140,166.46
Trust Fund	\$ 25,772.48	\$ 11,529.08	\$ 10,270.00	\$ 27,031.56	\$ 29,650.00	\$ 23,900.00	\$ 32,781.56
Internal Service Fund	\$ -			\$ -			\$ -
* OPEB Revocable Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB Irrevocable Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB Debt Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL - ALL FUNDS</b>	<b>\$ 15,035,073.44</b>	<b>\$ 68,723,157.65</b>	<b>\$ 67,262,346.34</b>	<b>\$ 16,495,884.75</b>	<b>\$ 71,622,010.00</b>	<b>\$ 70,318,092.00</b>	<b>\$ 17,799,802.75</b>
<b>LONG-TERM DEBT</b>			<b>CURRENT STATUTORY OPERATING DEBT PER MINNESOTA STATUTES, SECTION 123B.81</b>				
Outstanding July 1, 2013	\$ 180,575,000.00		AMOUNT OF GENERAL FUND DEFICIT, IF ANY, IN EXCESS OF 2.5% OF EXPENDITURES 06/30/2014		\$		-
Plus: New Issues	\$ -		COST PER STUDENT - AVERAGE DAILY MEMBERSHIP (ADM) 06/30/2014				
Less: Redeemed Issues	\$ 5,420,000.00		TOTAL OPERATING EXPENDITURES		\$		51,505,510.65
Outstanding June 30, 2014	\$ 175,155,000.00		FY 2014 TOTAL ADM SERVED + TUITIONED OUT ADM + ADJUSTED EXTENDED ADM		\$		5,738.51
<b>SHORT-TERM DEBT</b>			FY 2014 OPERATING COST PER ADM		\$		8,975.42

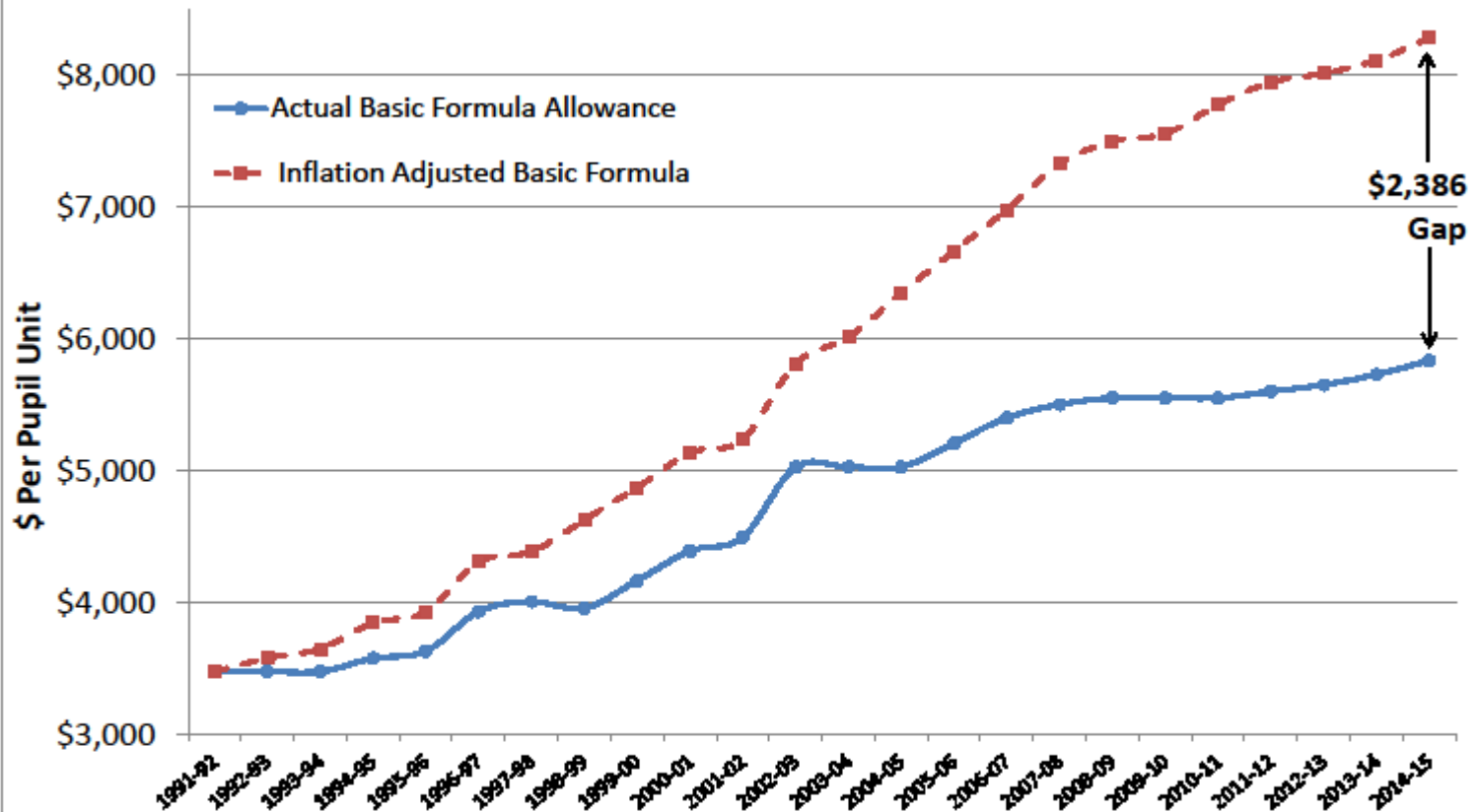
*The complete budget may be inspected upon request to the superintendent.*

Comments:



# 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



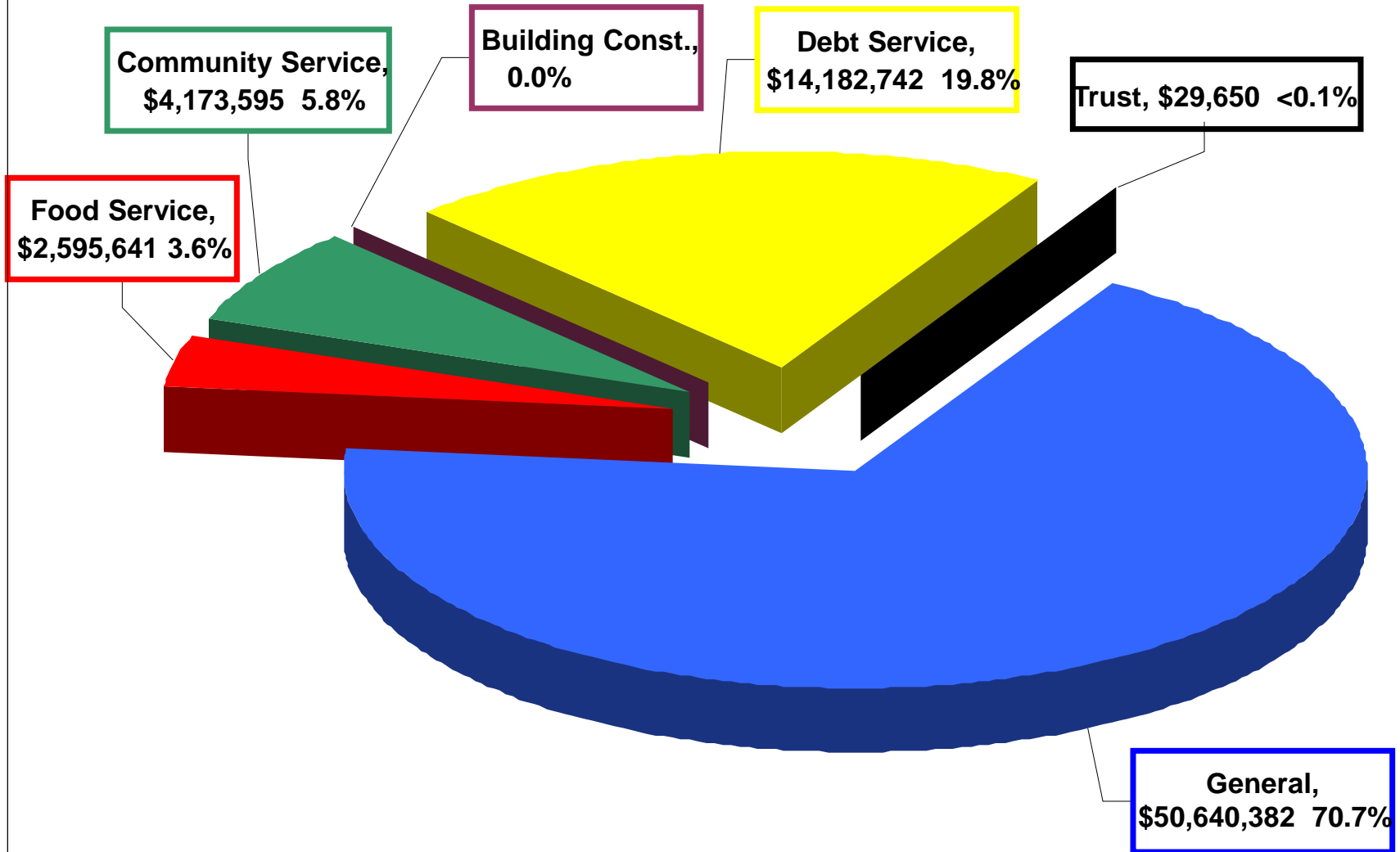
The Basic Formula is a per pupil dollar amount that a school district receives for every student that walks through the door. The Basic Formula is the critical funding source from the state and is intended to provide a high quality education for all students. On the graph, the bottom line shows the Basic 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](http://www.schoolsforequity.org)

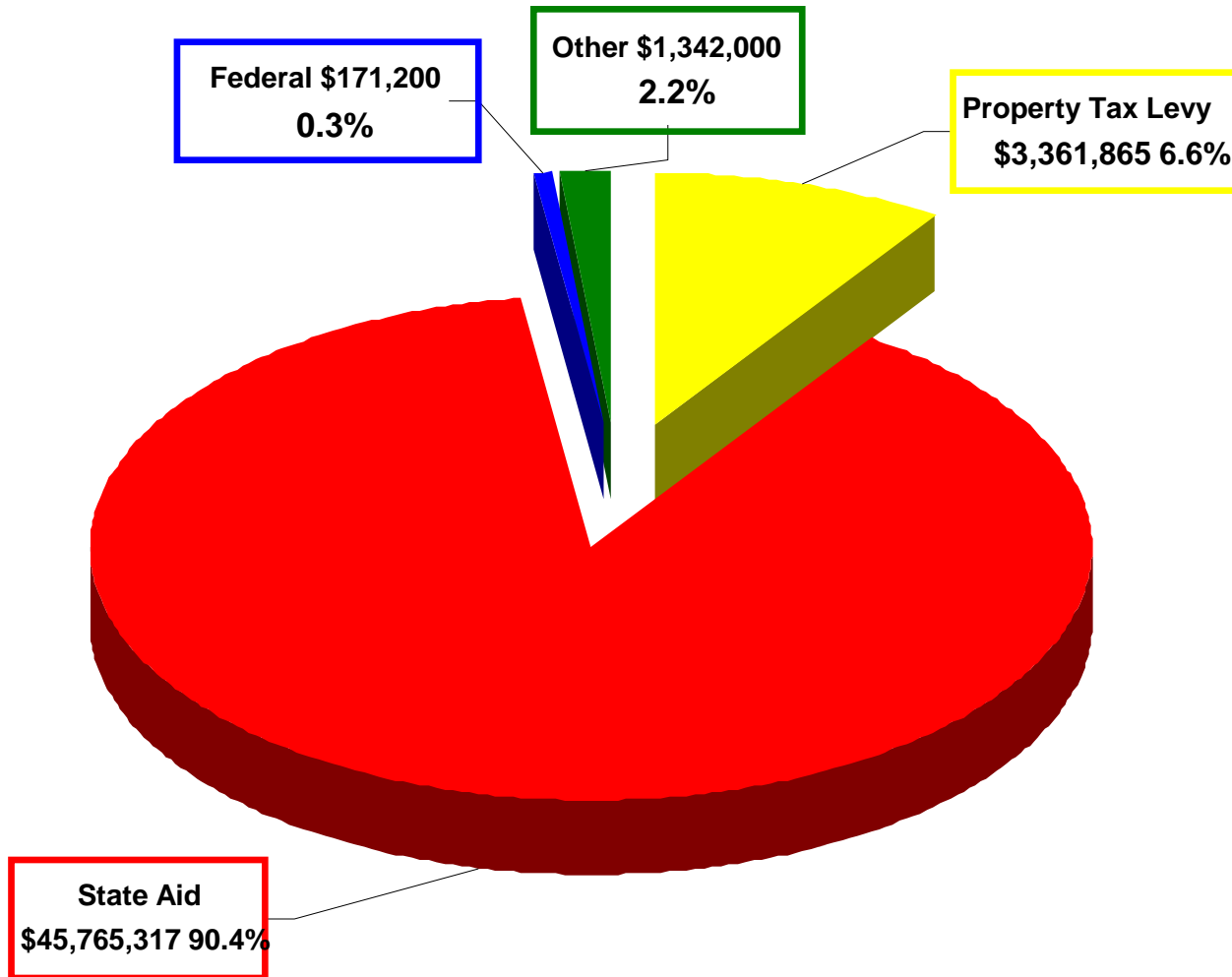
Data prior to 2014-15 has been adjusted to reflect the changes in pupil weightings made by the 2013 legislature.

# Revenue - All Funds \$71,622,010 2014-2015 Budget



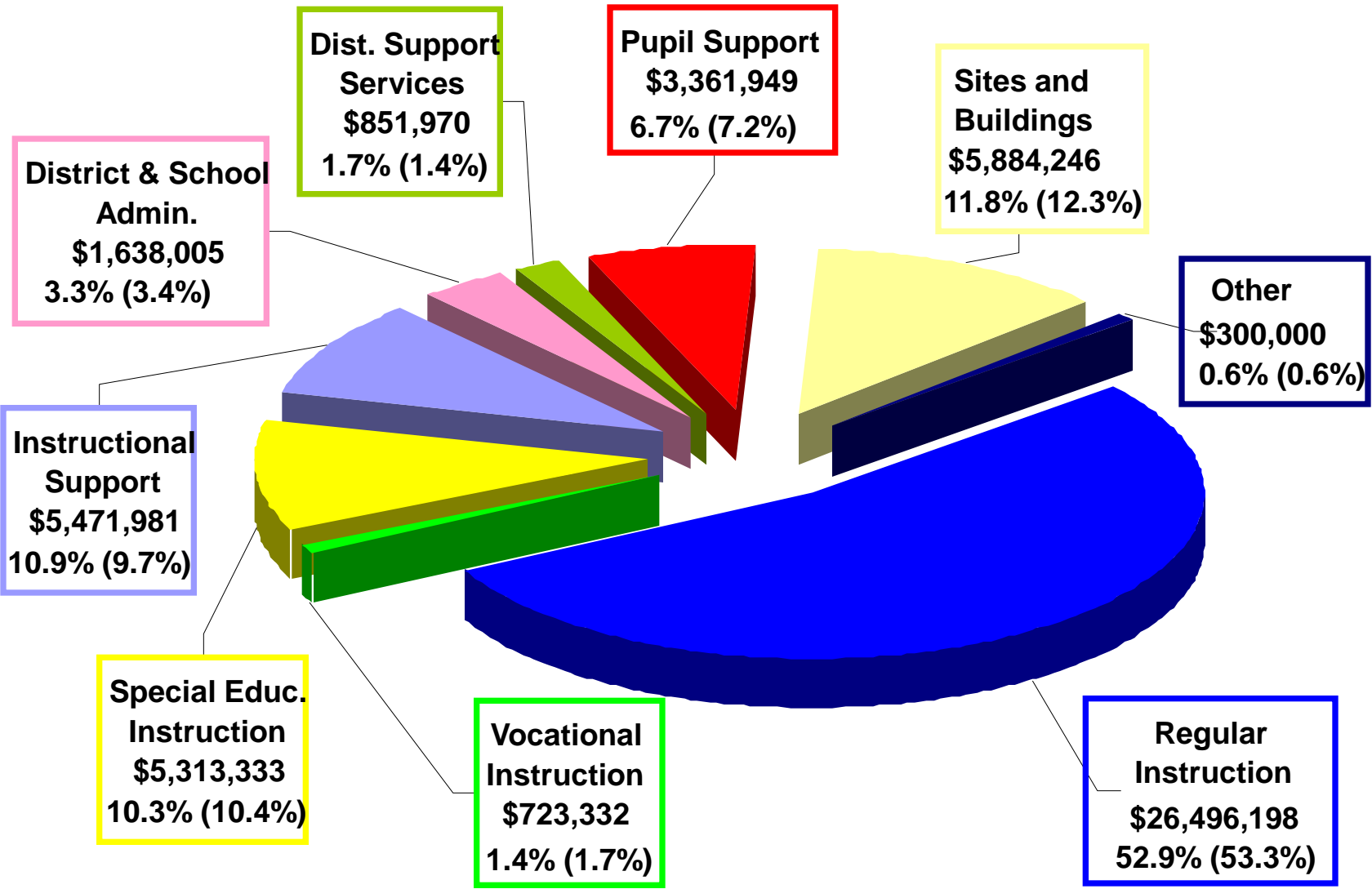
# General Fund Budget Highlights

## 2014-2015 General Fund Budget \$50,640,382 Revenues by Major Source



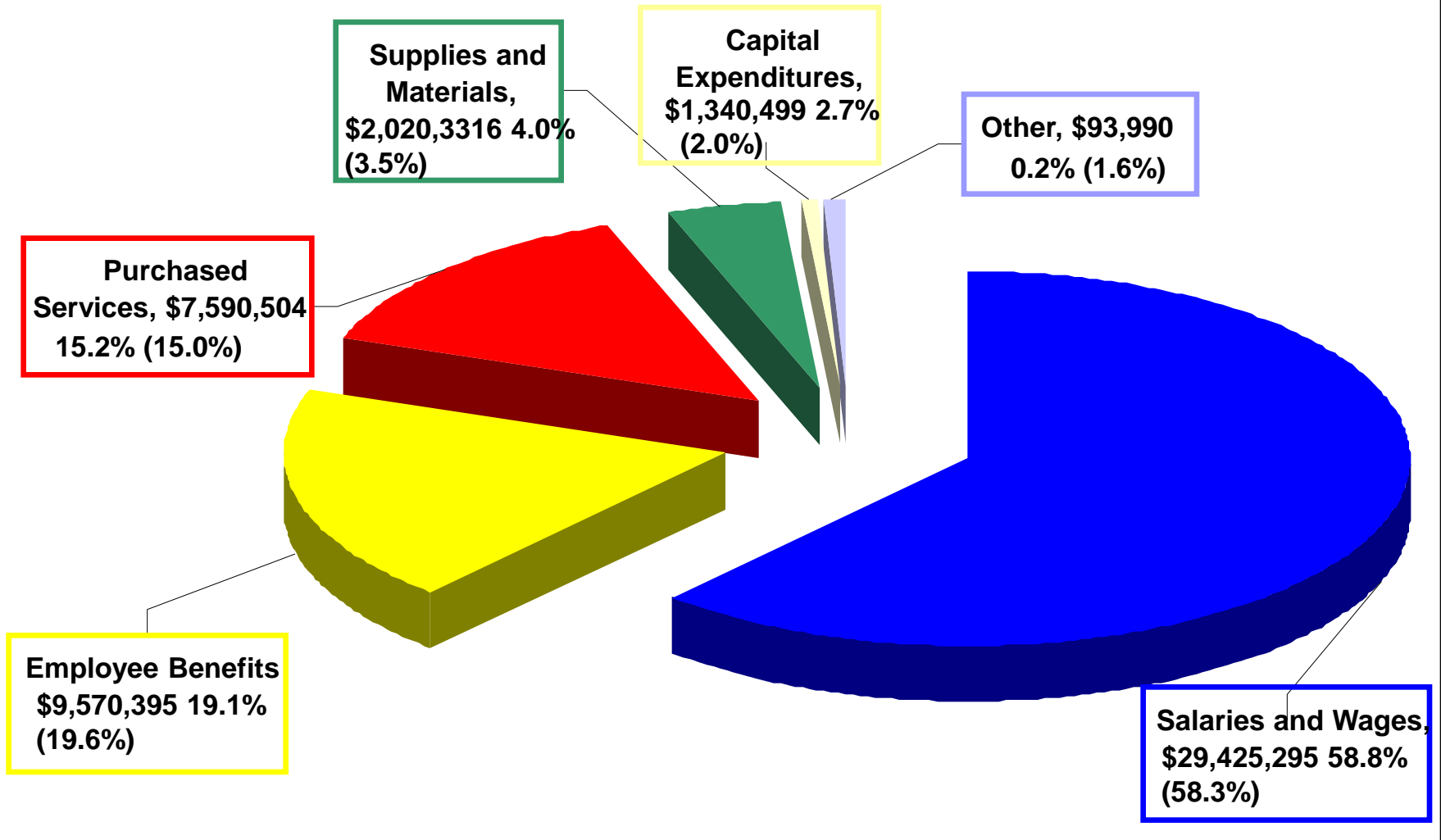
# General Fund Budget Highlights

2014-2015 General Fund Budget  
Expenditures by Program Area - Budget \$50,041,014



# General Fund Budget Highlights

2014-2015 General Fund Budget  
Expenditures by Object Category \$50,041,014





# Proposed 2015 Property Tax Levy

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- Determination of levy
- Comparison 2014 to 2015 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers





# Property Tax Background

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- 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

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- 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

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## 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 2015

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## Schedule of events in approval of district's 2014 (Payable 2015) tax levy

- September 18 – 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 1: Public hearing on proposed levy at regular meeting
- Following hearing school board will certify final levy amounts

Fund	Actual Levy Payable in 2014	Proposed Levy Payable in 2014	\$ Change	Notes/% Change
<b>General Fund</b>				
Voter Approved Referendum	\$1,142,231	\$ 537,656	-\$ 604,575	
Board Approved Referendum	NA	\$ 47,485	\$ 47,485	
Equity	\$ 386,127	\$ 492,470	\$ 106,343	
Local Optional	\$ 665,304	\$1,447,537	\$ 782,233	
Transition	\$ 2,068	\$ 2,253	\$ 185	
Student Achievement	\$ 53,502	\$ 57,336	\$ 3,834	
Operating Capital	\$ 214,695	\$ 245,307	\$ 30,612	
Alternative Teacher Comp (Q-Comp)	\$ 208,092	\$ 236,406	\$ 28,314	
Reemployment	\$ 15,000	\$ 16,000	\$ 1,000	
Safe Schools	\$ 227,462	\$ 230,119	\$ 2,657	
Career & Technical	\$ 45,122	\$ 52,064	\$ 6,942	
Health & Safety	\$ 184,229	\$ 330,239	\$ 146,010	
Deferred Maintenance	\$ 78,163	\$ 94,008	\$ 15,845	
Building/Land Lease	\$ 55,990	\$ 57,081	\$ 1,091	
Levy Adjustments for Prior Years	-\$ 16,122	\$ 65,731	\$ 81,853	
<b>TOTAL</b>	<b>\$3,261,865</b>	<b>\$3,911,699</b>	<b>\$ 649,834</b>	
<b>Community Service Fund</b>				
Basic Community Education	\$143,692	\$163,323	\$ 19,631	
Early Childhood Education	\$ 62,179	\$ 65,479	\$ 3,300	
School Age Child Care	\$ 20,000	\$ 30,000	\$ 10,000	
Home Visiting	\$ 3,208	\$ 3,192	-\$ 16	
Levy Adjustments for Prior Years	\$ 20,809	\$ 39,338	\$ 18,529	
<b>TOTAL</b>	<b>\$249,888</b>	<b>\$301,333</b>	<b>\$ 51,445</b>	
<b>Debt Service Fund</b>				
Voter Approved	\$7,056,061	\$ 8,571,523	\$1,515,462	
Adjustments for Prior Years	-\$ 7,854	-\$ 980,740	-\$ 972,887	
<b>TOTAL</b>	<b>\$7,048,207</b>	<b>\$ 7,590,783</b>	<b>\$ 542,575</b>	
<b>TOTAL LEVY CERTIFIED LEVY ALL FUNDS</b>	<b>\$10,559,961</b>	<b>\$11,803,815</b>	<b>\$1,243,854</b>	<b>11.8%</b>



# Overview of Proposed Levy Payable in 2015

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- The total proposed levy for 2015 is higher than the 2014 levy by \$1,243,853 or 11.8%
- Law requires that we explain the reasons for the major changes in the levy



# Explanation of Levy Changes

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- Category: Voter Approved Referendum
- Change: -\$604,575
- 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).
  - Local Optional Revenue (formerly Location Equity Revenue) changed from \$212 to \$424 and decreases voter approved referendum by amount equal to Location Optional Revenue





# Explanation of Levy Change

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- Category: Local Optional Revenue
- Change: \$782,233
- Use of funds: general operating expenses
- Reasons for increase – formula driven:
  - Legislature renamed Location Equity Revenue (LER) and identified an equal amount for all schools \$424/Pupil, replaces \$424 of referendum
  - No additional revenue for the district except what generated by enrollment increase
  - Decrease in percentage of equalization aid \$200,000



# Explanation of Levy Change

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- Category: Board Approved Levy
- Change: \$47,485
- Use of funds: general operating expenses
- Reasons for increase – board decision:
  - Maintained voter approved referendum balance after \$424 deducted and added \$24 per pupil to total \$300 – maximum permitted by board approval.
  - Maintain current educational program



# Explanation of Levy Change

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- Category: Equity
- Change: \$106,343
- Use of funds: general operating expenses
- Reason for increase – formula driven:
  - Disparity in STMA general education revenue increased compared to other school districts statewide



# Explanation of Levy Changes

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- Category: Operating Capital Levy
- Change: \$30,612
- 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

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- Category: Alternative Teacher Comp (Q-Comp)
- Change: \$28,314
- Use of funds: Educational Improvement Plan (teacher evaluation, training, performance goals and alternative pay system)
- Matched with \$294,136 in state aid
- Reason for increase – formula driven:
  - Enrollment increase and decrease in percentage of equalization aid



# Explanation of Levy Changes

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- Category: Health and Safety
- Change: \$146,010
- Use of funds: Building and grounds maintenance and repair for health and safety
- Reason for increase – board decision:
  - Approval of projects by state
  - Replacement of fire panel at Middle School West



# Explanation of Levy Change

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- Category: Deferred Maintenance
- Change: \$15,845
- Use of funds: Building and grounds maintenance and repair
- Reason for increase – formula driven:
  - Age of buildings
  - Decreases in the percentage of equalization aid



# Explanation of Levy Changes

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- Category: Levy Adjustments for Prior Years
- Change: \$81,853
- Use of funds: Any of funds listed above
- Reason for increase – formula driven:
  - Adjustments recalculated for up to past three years
  - Under-levying based upon estimates





# Explanation of Levy Changes

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- Category: Basic Community Education
- Change: \$19,631
- Use of funds: Community Education Programs
- Reason for increase – formula driven:
  - Decrease in tax capacity of district and increase in state aid
  - No increase in revenue



# Explanation of Levy Changes

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- Category: School-Age Child Care
- Change: \$10,000
- Use of funds: Children who require extra staff support in the Kids Play program
- Reason for increase – board decision:
  - Increased costs associated with serving students requiring extra staff support



# Explanation of Levy Changes

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- Category: Debt Service
- Change: \$542,575
- Use of funds: Payment of voter approved bonds for buildings
- Reason for increase – voter approved, excess aid board decision:
  - Increase in levy of \$1,515,462 because of decrease in percentage of equalization aid
  - Offset by decreasing amount of debt excess aid by \$980,887



# Tax Levy vs. Revenue

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\$649,834 General education levy increase, approximately \$375,000 in additional revenue with approximately \$200,000 board decision

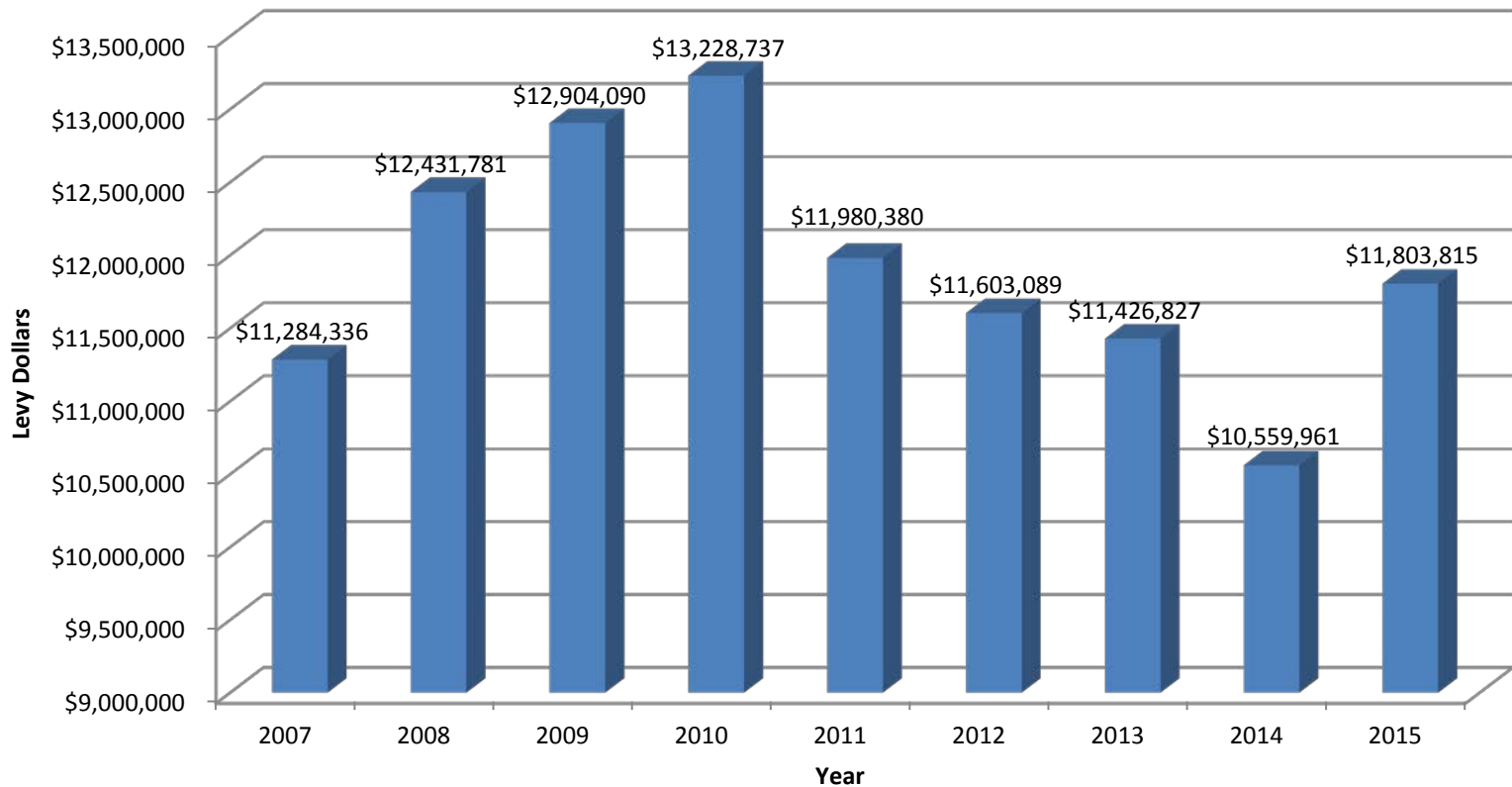


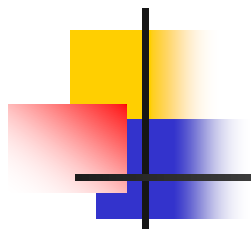
# Individual Tax Statements

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- Net tax capacity increased statewide by 8%. Increase in taxable market value of property will also impact individual increases on tax statements

# STMA Levy History





# Public Comments and Questions