



PUBLIC HEARING
2016-17 BUDGET
AND PROPOSED 2017
PROPERTY TAXES

Marshall County Central School District

**Information on Changes
to School Property Taxes**

December 2016

Factors Affecting Proposed Taxes

- The Big Picture
- Reading your Proposed Tax Statements
- Market and State Factors Affecting Proposed Taxes
- School District Factors Affecting Proposed Taxes
- Questions

The Big Picture

- ❑ Establish overall tax policy for state.
- ❑ Sole authority to create levy options for school districts.
- ❑ Controls school levy parameters including amount of state aid and tax bases used for levies.

State Legislature and Governor's Administration



School Board's Fit in Big Picture

- ❑ Participate in state education programs for district's children, financed entirely by levies or combination of levy and state aid.
- ❑ Ask voters to approve referendums for general operations and major capital projects.

School Board



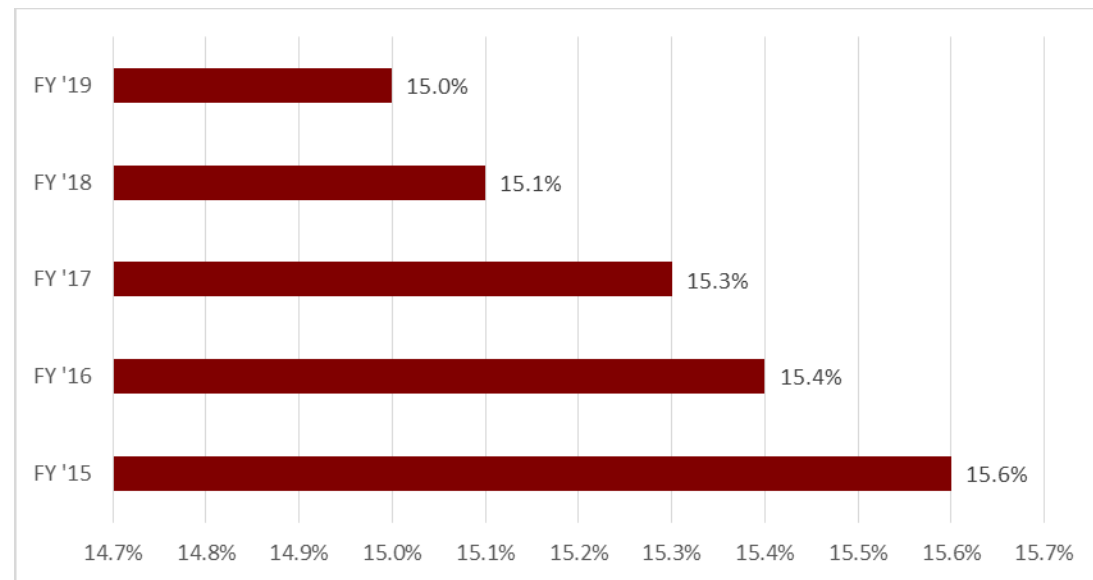
(Source: KDVI, 9/21/13, Culver, Indiana Community School Board)

Taxes Decline as Percent of Statewide Personal Income

- ❑ Total Revenue by Minnesota's state and local governments as percentage of total personal income of MN residents.
- ❑ Current trends predicted to decline in FY '18 & FY '19

Minnesota's Price of Government

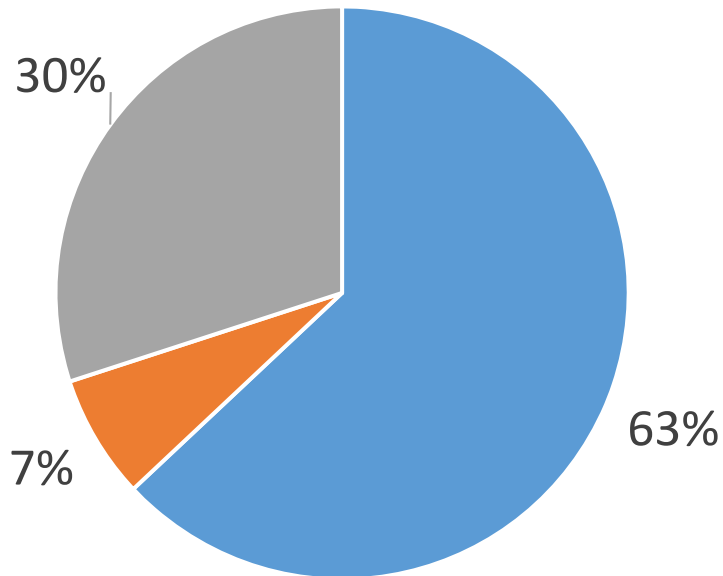
State and Local Revenues as % of MN Personal Income



(Data source, MN Department of Management and Budget, 2016)

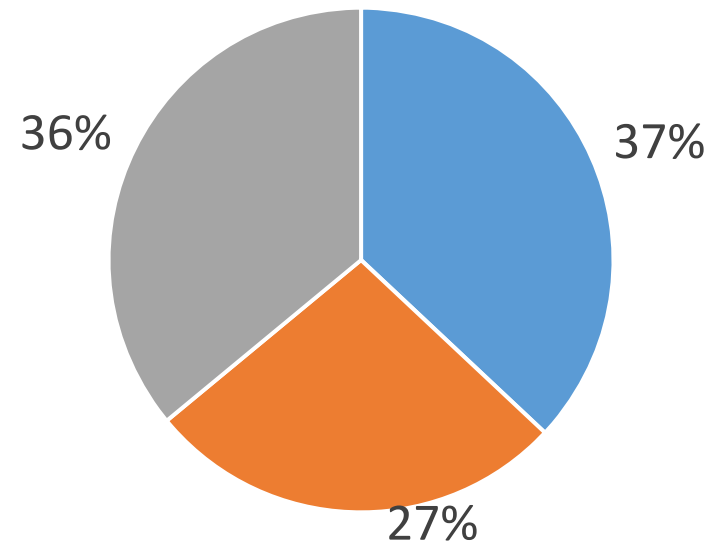
Schools Depend on State Aid

Who Collects Taxes?



■ State ■ School Districts ■ Other Local

Who Spends Tax Dollars?

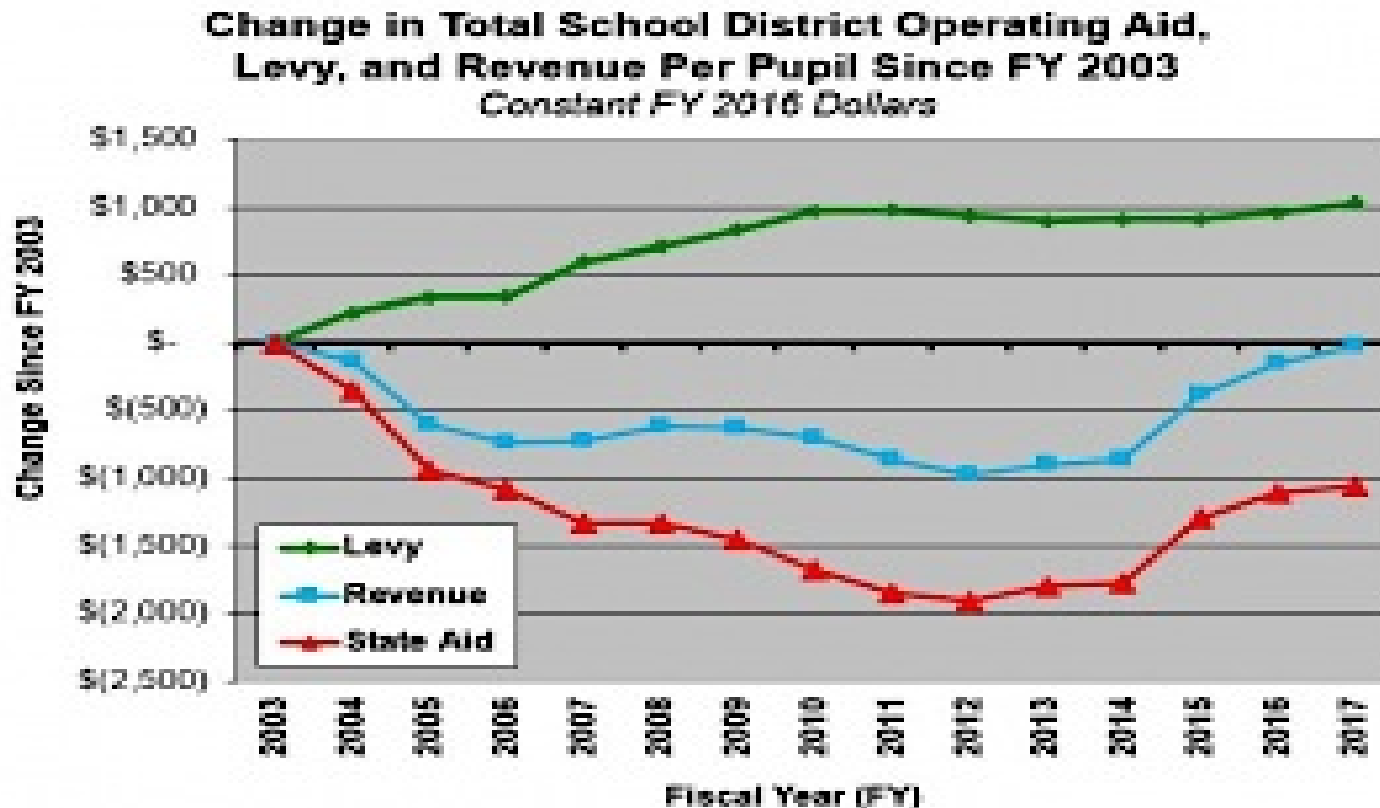


■ State ■ School Districts ■ Other Local

Basic Education Formula & Equalization

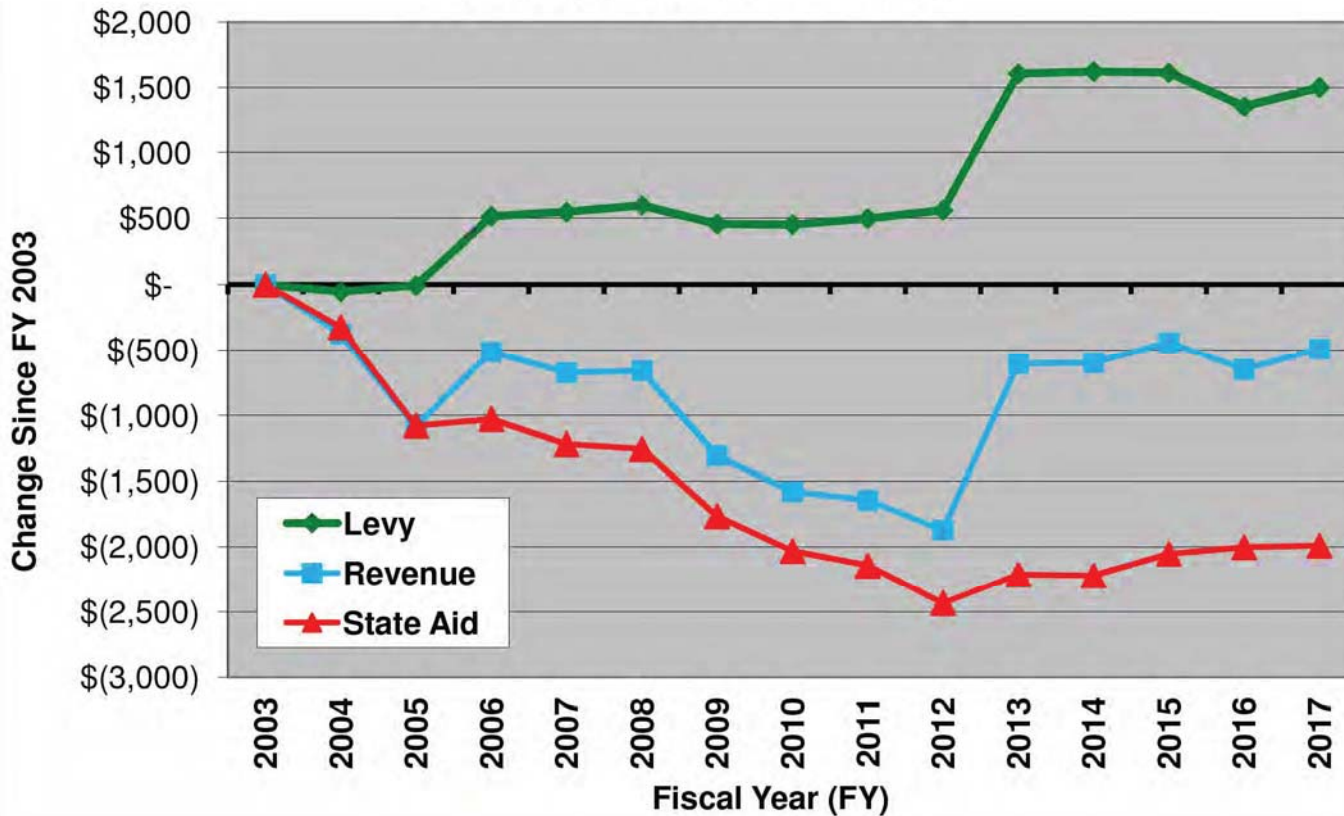
- ❑ MN Supreme Court in 1993 upheld Minnesota Constitution that created fundamental right to “general and uniform system of education”; required State funding to ensure each student receives adequate education.
- ❑ Since 2003 and Governor Ventura’s “Big Plan,” Minnesota has provided basic level of school funding in two fundamental ways:
 - ❑ Providing 100% of basic education formula
 - ❑ Using equalization factors for various property tax-supported formulas intended to equalize “tax effort” required of residents to provide basic education for children in community regardless of wealth of community -- defined as “tax capacity per student.”
- ❑ *Should work in principle* -- except since 2003 neither basic formula nor equalization factors kept up with inflation and market values.

Formula Lost \$1,061 in Buying Power Levy Increase Avg. \$1,031 per Pupil

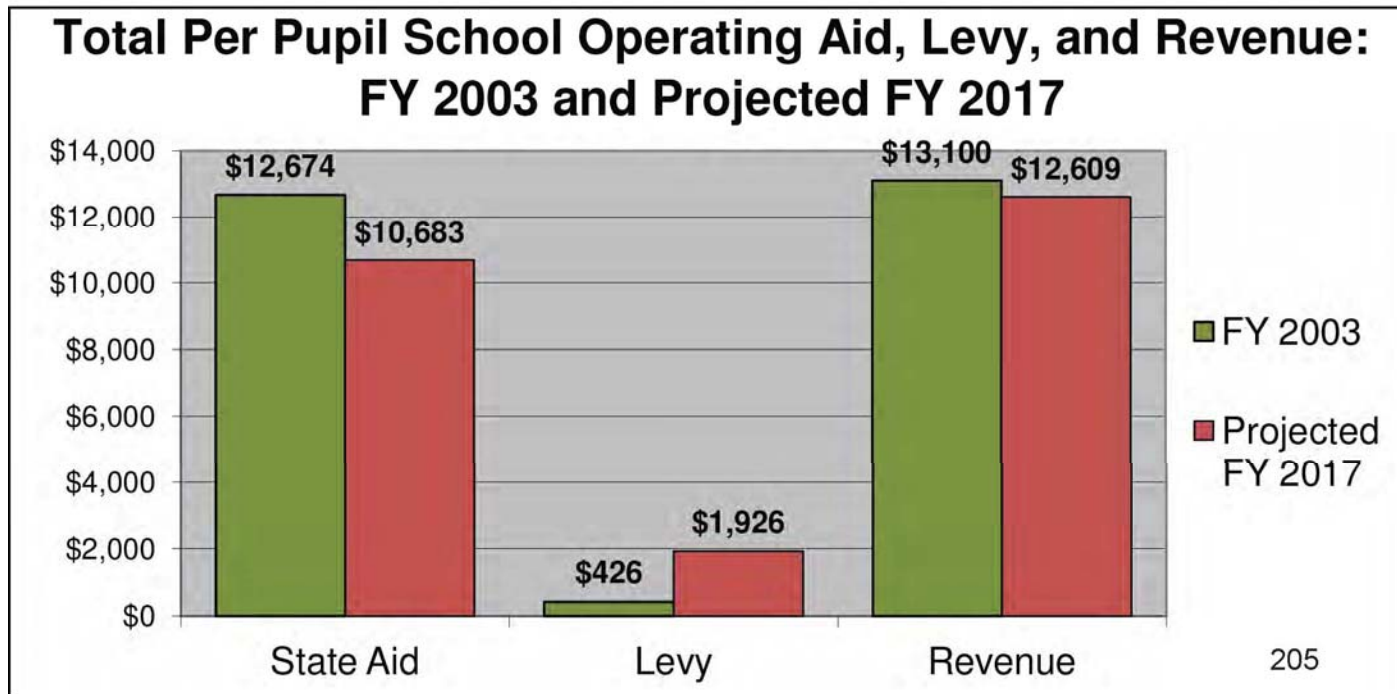


Marshall County Central's Funding History

Change in Per Pupil School Operating Aid, Levy, and Revenue Since FY 2003



Marshall County Central's Funding History



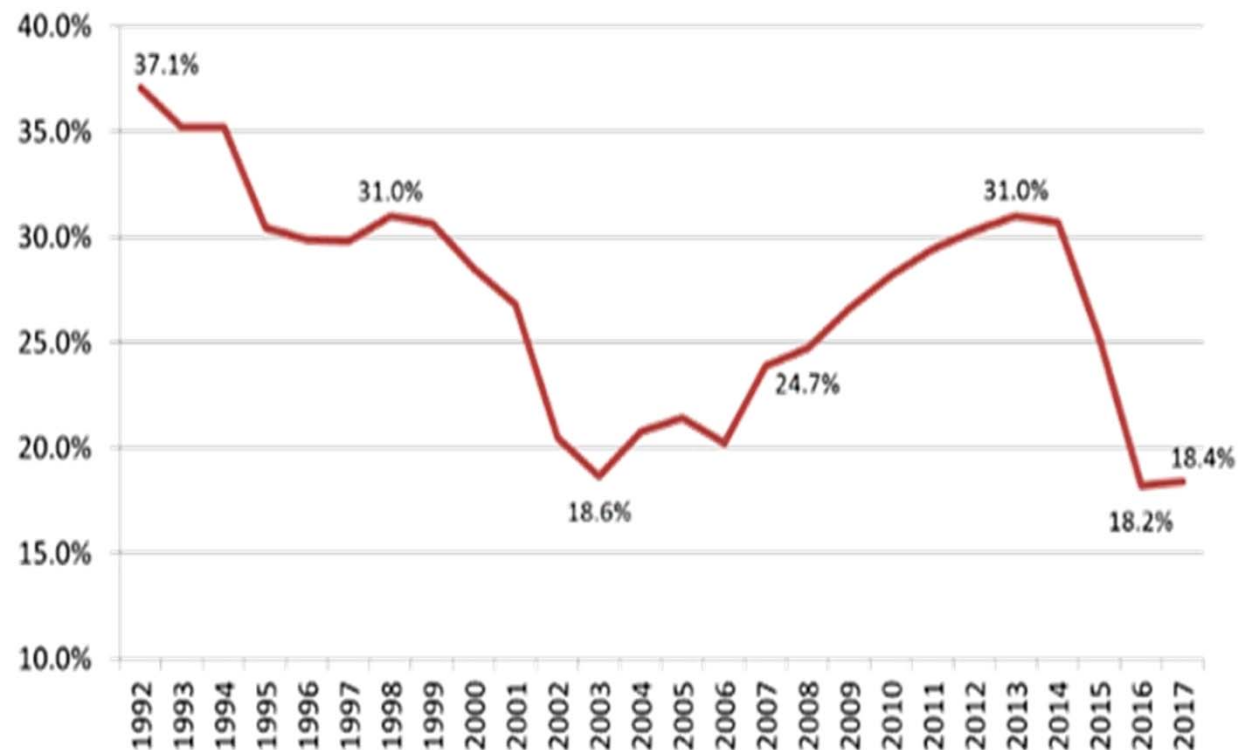
Legislative Actions to Close Opportunity Gap

- ❑ 2013 Legislature addressed funding gap with increased equalization and up to \$300/APU School Board authority regarding Operating Referendum Revenue. **Our district did not invoke this.**
- ❑ 2014 Legislature created up to \$424/APU Local Operating Revenue (LOR) School Board authority. **Our district converted some of our voter approved levy to this gaining a slight equalization benefit.**
- ❑ 2015 Legislature addressed facility needs of districts statewide with new board authority to address Long Term Facility Maintenance with equalization

2013 & 2014 Legislative Actions Dramatically Closed Opportunity Gap

Gap Between
95th and 5th
Percentiles of
Basic:

- Referendum
- Equity
- Local
Optional
Revenue per
Pupil Unit



Equalization Factors for Referendum Market Value Levies Increased Significantly by 2013 Legislature

Equalization Tiers	Approved Referendum Allowance Levels	Prior to Pay 14	Beginning Pay 14
Tier 1	Up to \$300/pupil	\$476,000/RPU	\$880,000/RPU
Tier 2 + LOR	\$300 up to \$760/pupil	\$476,000/RPU	\$510,000/RPU
Tier 3	\$760 up to \$1451/pupil	\$270,000/RPU	\$290,000/RPU

Approved Referendum Allowance Level:

District RMV Value per Pupil:

District Op Ref and LOR Aid %:



Ag Land and Seasonal Rec Properties are exempt from Op Ref and LOR levies.

Reading Your Tax Bill

- ❑ Change in value to property has a large impact.
- ❑ Amount of state equalization aid depends on district property wealth per pupil.
- ❑ As pupil counts decline, district's wealth per pupil increases, reducing state aid.

Property Values

Your Proposed Property Tax for 2014
 - THIS IS NOT A BILL - DO NOT PAY -
 IMPORTANT INFORMATION IS PRINTED ON THE BACK OF THIS FORM

Property ID: 13-014-2202 Taxpayer # 68096

Step	Taxes Payable Year	2013	2014
1	Estimated Mkt Value:	286,200	362,100
	Homestead Exclusion:		
	Other Exclusion/Def:		
	Taxable Mkt Value:	286,200	362,100
	Property Class:	AGRI NON-HSTD	AGRI NON-HSTD

Step	PROPOSED TAX
2	3,542.00

Step	PROPERTY TAX STATEMENT
3	Will be mailed to you in Spring of 2014

Information	Actual 2013	Proposed 2014
2013	1,830.08	2,225.69

Follow arrows for 26% increase in Ag Land Value

What happened to your valuation?

What type of property do you own?

- ❑ Key to unpacking property taxes is understanding property classifications
- ❑ Property classification and market value
- ❑ Sent Spring 2016; cannot change now
- ❑ Watch for 2017 statement THIS SPRING and where to appeal

Property Tax Classifications

Our Proposed Property Tax
- THIS IS NOT A BILL - DO NOT
IMPORTANT INFORMATION IS PRINTED ON THE BACK

Property ID: 13-014 2202 Taxpayer #

Step	Taxes Payable Year	2013
1	Estimated Mkt Value:	286,200
	Homestead Exclusion:	
	Other Exclusion/Ded:	
	Taxable Mkt Value:	286,200
	Property Class:	AGRI NON-HWY

Step 2
Step 3

PROPERTY TAX
Will be mailed to you

ings by Jurisdiction for Your Prop
Information Actual 2013

How is your property classified?

Market and State Factors Affecting Taxes

- ❑ Market values of property tax classifications trending in different directions statewide.
- ❑ What is happening statewide to your property tax classification?
- ❑ Is that your experience?

Market Value Trends 07-16

Classification	10-Yr. Increases in Statewide Market Value 2007-2016	1-Yr. Change 2015-2016
Farms	141%	(-3.5%)
Seasonal Rec Residential	31%	3%
Commercial and Industrial	16%	5%
Apartments	37%	13%
Public Utilities	63%	9%
Residential Homes	(-0.3%)*	4%

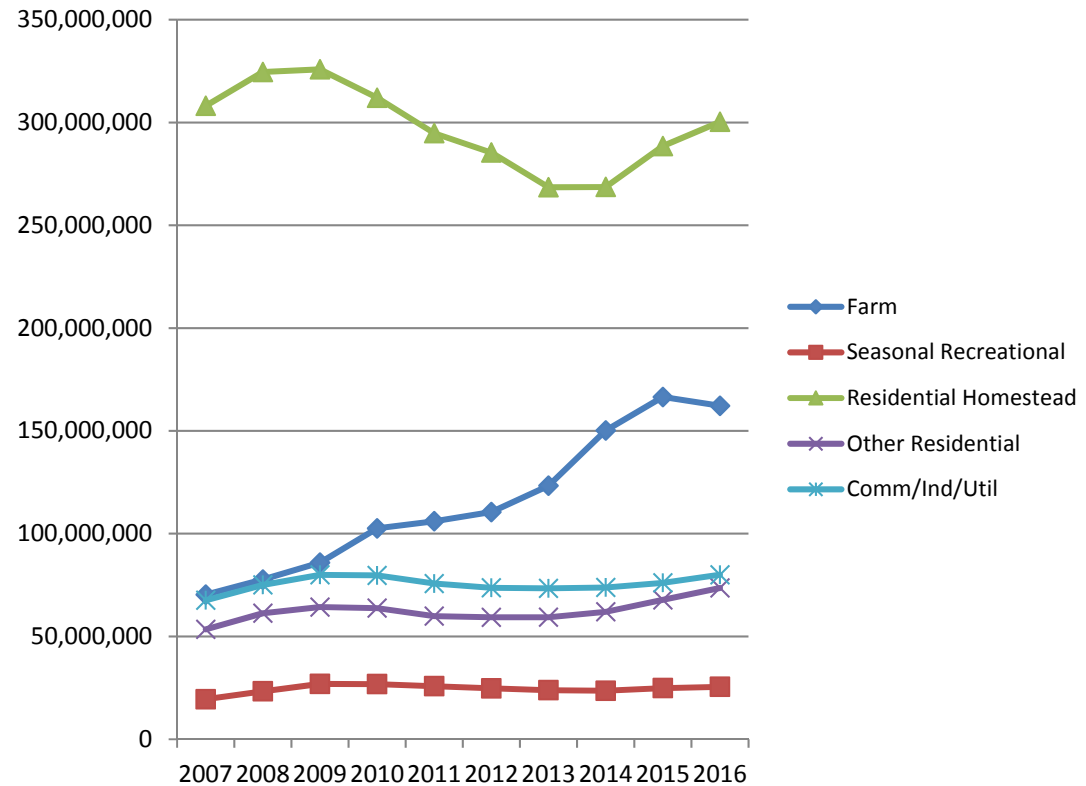
*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)

Who and what impacts your tax bill?

- ❑ Market values of property tax classifications trending in different directions statewide
- ❑ What is happening statewide to your property tax classification?
- ❑ Is that your experience?

Market Value Trends 07-16



*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)

Homestead Exclusion Lowers Market Value

- 2011 Legislature further complicated homeowner values by repealing Homestead Market Value Credit (“Homestead credit”). Replaced with new Homestead Market Value Exclusion.
- Last year of credit was 2011; exclusion began for property taxes payable in 2012.

What is a credit?

A credit is a reduction in the amount of taxes due.



What is an exclusion?

An exclusion is a reduction in the amount of value subject to tax.

The old law with credit was simple: $X - Y = Z$.

If initial tax was X , and credit was Y , tax paid was Z .

Under current law, exclusion changes initial tax amount (X) by lowering market value. With credit gone, new initial tax becomes final tax ($X = Z$).

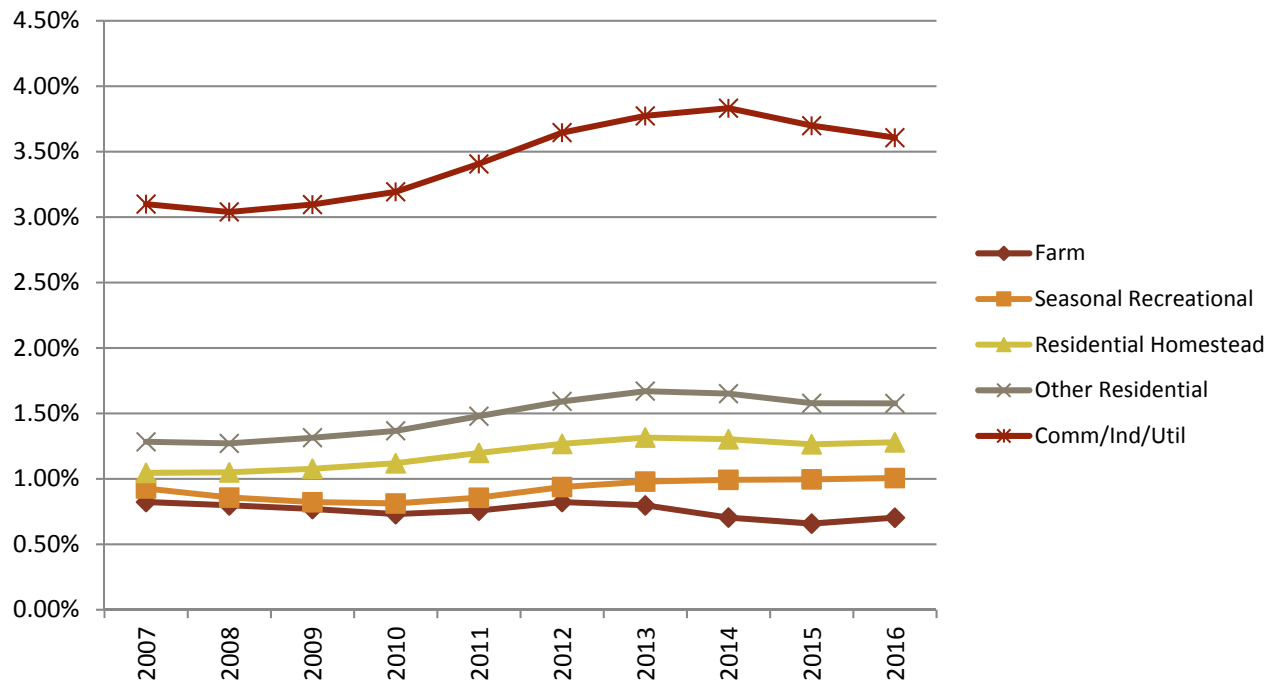
Effective Tax Rates by Property Classifications

Property Classification Rates set in statute by Legislature and Governor and result in range of Effective Tax Rates:

Property Classifications	2016 Estimated Effective Tax Rates (Net Taxes/Market Value)
Farm	0.52%
Seasonal Rec	1.01%
Residential Homestead	1.26%
Apartment	1.73%
Public Utility	2.93%
Commercial-Industrial	3.66%

Trends in Effective Tax Rates by Property Classifications

Property Classification Rates set in statute by Legislature and Governor and result in range of Effective Tax Rates:



$$\text{Market Value} \times \text{Class Rate} = \text{Taxable Value (NTC)}$$

(Source: MN Dept. of Revenue)

Who pays property taxes by property class?

- ❑ Property Tax Classifications have Class Rates applied to Market Values.
- ❑ Affects share of overall property taxes paid.
- ❑ Exclusion of farms and seasonal rec residential properties from School District Operating Referendum Revenue also affects share of overall property taxes paid.

Share of Tax Liability

Classification	Market Value Share 2016	Share of Net Taxes Payable in 2016
Farms	23%	8%
Seasonal Rec Residential	4%	3%
Commercial and Industrial	12%	29%
Apartments	4%	5%
Public Utilities	1%	2%
Residential Homes	41%	41%*

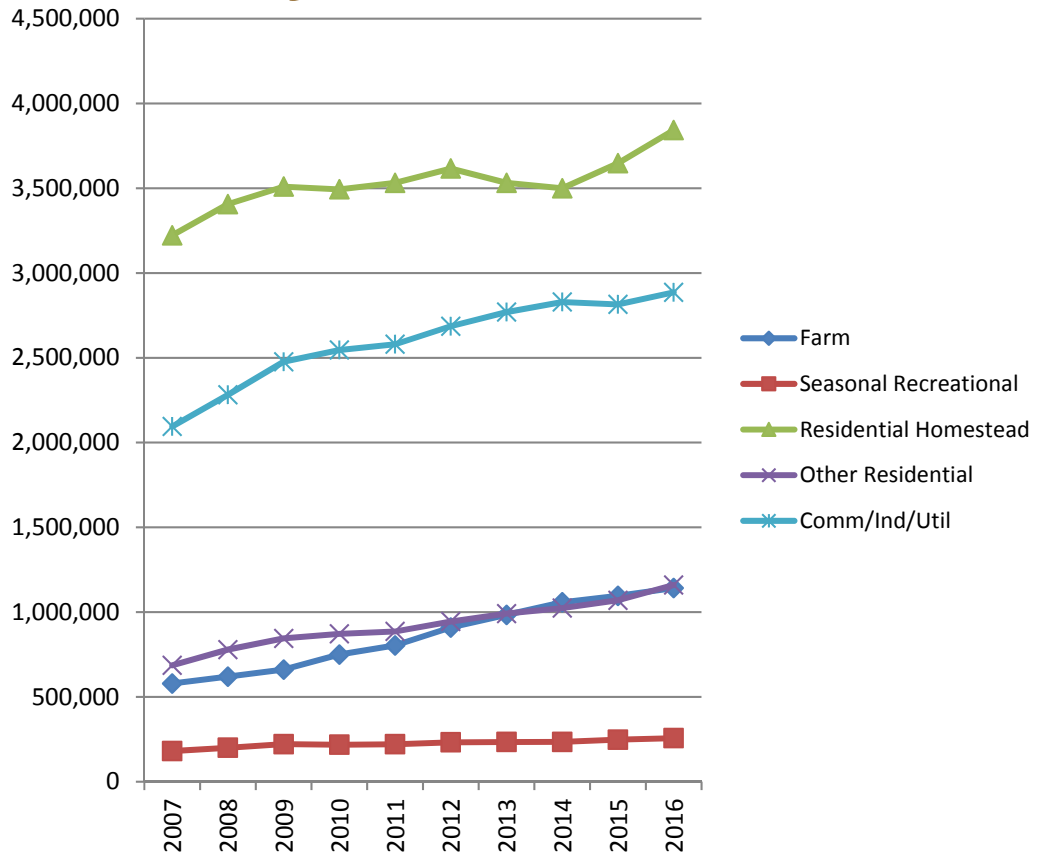
*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)

What is net share of tax liability?

- ❑ Property Tax Classifications have Class Rates applied to Market Values.
- ❑ Affects share of overall property taxes paid.
- ❑ Exclusion of farms and seasonal rec residential properties from School District Operating Referendum Revenue also affects share of overall property taxes paid.

Trends in Share of Tax Liability



*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)

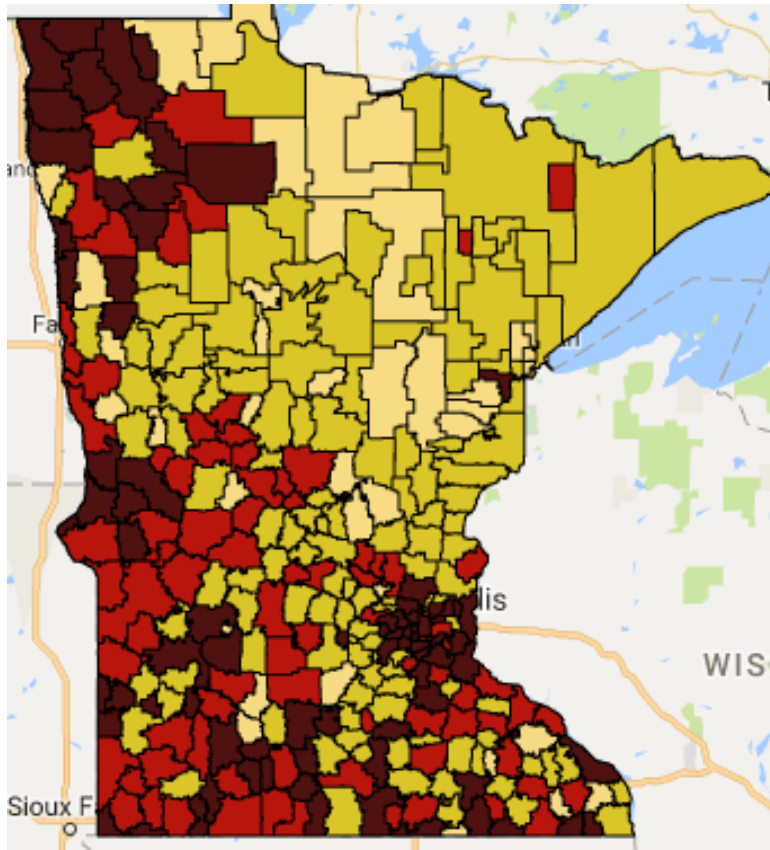
[INSERT District Name] School District Local Factors Affecting Residents' Proposed Taxes

- ❑ Total tax levy is going up in 2017 by:
 - ❑ Affecting all levies:
 - ❑ Property wealth per pupil increased this year due to changes in total valuation or enrollment thereby changing the effect of equalization formulas
 - ❑ Other Local Levies
 - ❑ Board continued to convert part of voter approved LOR to gain some equalization benefits.
 - ❑ Board proposed increase in Long Term Facility Maintenance (LTFM)

Local Optional Referendum Decisions May Affect School Property Taxes for Pay '17

- ❑ Local Optional Revenue (LOR) passed in 2014. Based on idea that all districts statewide should have same opportunity to generate program funds from RMV tax base to provide equal opportunity for students.
- ❑ Our board passed the tax levy which converted \$424 of our Voter approved levy to this other school tax type of levy. We could have received an equalization benefit, but did not because our RMV is too high. In past years we received a small benefit.
- ❑ Reflected in “Proposed Property Tax Notice.”

Current Referendum/LOR Picture



Referendum and LOR Per Adjusted Pupil Unit (APU)

**How does your district
compare in Rev per APU?**

**Marshall County Central
\$ 1430.72 per APU**

\$724 per APU—Mode—90 Districts

\$930 per APU—Median District \$/APU

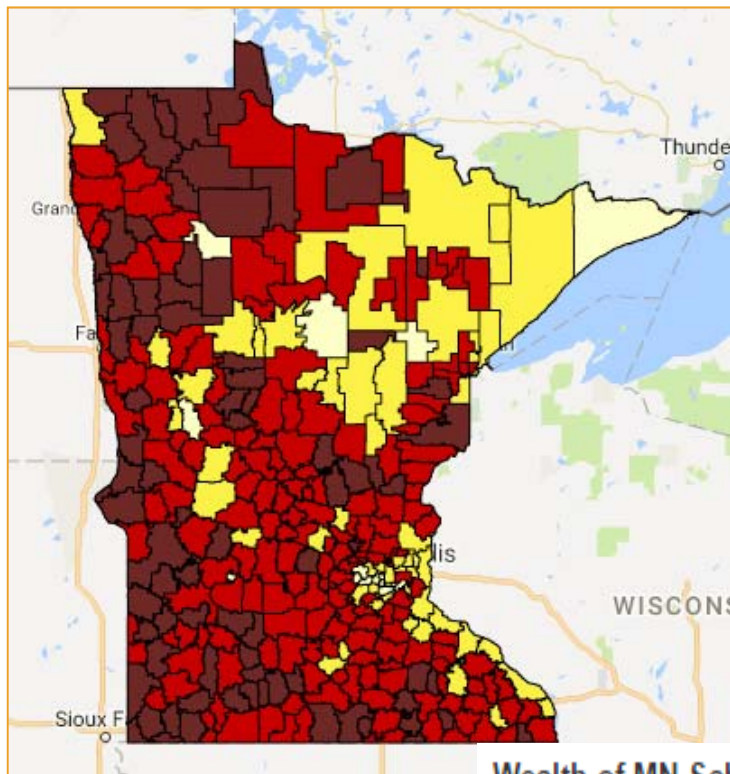
\$1,159 per APU—Average District

\$1,302 per APU—Average \$/APU

Minnesota School Districts FY '17 (Pay '16) Referendum and Local Optional Revenue (LOR) per APU

0.00 to 723.49	Smallest Referendum and LOR per APU (<\$723/APU)
723.50 to 929.49	Below the Median Referendum and LOR (\$930/APU)
929.50 to 1,449.49	Above the Median Referendum and LOR (\$930/APU)
1,449.50 to 4,460.00	Largest Referendum and LOR (>\$1,450/APU)

Current Referendum/LOR Picture



Equalization for Fairer Tax Burdens

**How does your district
compare in RMV/RPU?
MARSHALL COUNTY CENTRAL
\$526,191.83**

\$381,500 per RPU—Median District
\$446,585 per RPU—Av. by District
\$549,688 per RPU—Average \$/RPU

Wealth of MN School Districts measured in Referendum Market Value (RMV) per Student (RPU)

- 0.00 to 289,000.49 Eligible for Tiers I, II and III Equalization <\$290,000 RMV per RPU
- 289,000.50 to 509,000.49 Eligible for Tiers I and II Equalization <\$510,000 RMV pr RPU
- 509,000.50 to 879,000.49 Eligible for Tier I Equalization <\$880,000 RMV per RPU
- 879,000.50 to 1,500,000.00 Not Eligible for Equalization

ISD #441 Operating Referendum and LOR

Equalization Tiers	Voter or Board Approved Referendum Allowances Levels/APU	Aid FY '18	Levy Pay 17	Total Revenue FY '18
Tier 1	300.00	51,093.12	75,986.88	126,990
Tier 2 + LOR	884.00	\$0.00	374,462.40	374,462.40
Tier 3	246.72	\$0.00	104,510.59	104,510.59
Unequalized	0	\$0	0	0
Total	1430.72	51,093.12	375,353.47	606,056.99

Long Term Facility Maintenance (LTFM) May Affect School Property Taxes for Pay '17

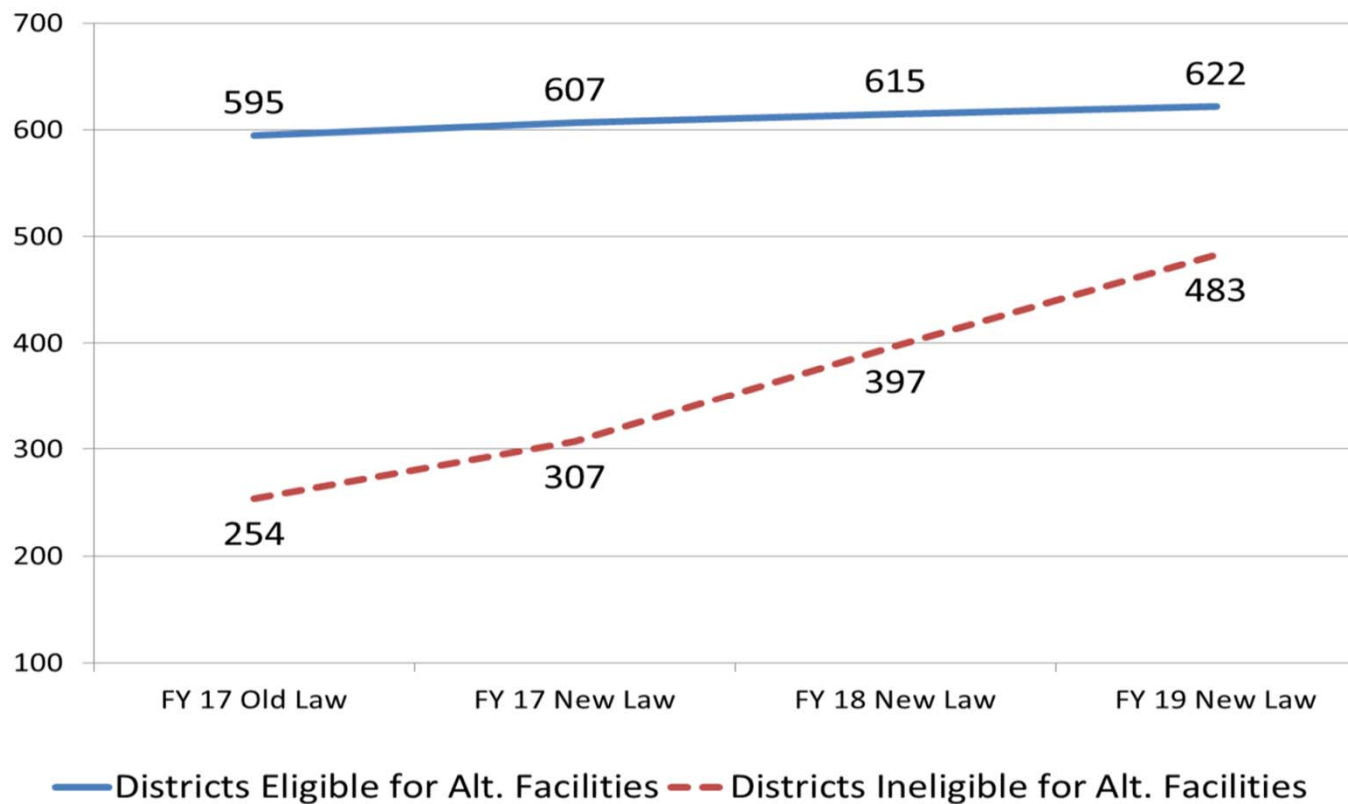
- ❑ Long Term Facility Maintenance (LTFM) passed in 2015. Allows all districts statewide opportunity to generate facility maintenance funds
- ❑ Before LTFM, largest 25 school districts invested \$2.79/SF in maintenance. Districts like ours were capped at \$0.58 -- 5 times less
- ❑ School Board and MDE approved 10-year maintenance plan which includes following maintenance projects among others in next few years.
 - ❑ Infrastructure repairs, i.e. windows, sidewalks (2017)
 - ❑ Carpet, HS Office, Lighting Upgrades (2018)
 - ❑ HS Roof Repairs, Paving resurfacing (2019)
- ❑ Reflected in “Proposed Property Tax Notice” under “Other Levies”

Closing Facility Fallout Gap: Long Term Facility Maintenance Funding

- ❑ \$32M net investment in FY '17
- ❑ Replaces Health and Safety and Alternative Facilities Funding
- ❑ Three year phase-in:
 - ❑ \$193 in FY '17
 - ❑ \$292 in FY '18
 - ❑ \$380 in FY '19
- ❑ Equalized at 125% of ANTC
 - ❑ District values reduced by 50% of 2 acres ag land for equalization calculations

Long Term Facilities Maintenance

Districts Eligible for Alternative Facilities Revenue vs Other Districts
FY 17 – FY 19, Current Dollars, 2015 End-of-Session Estimates



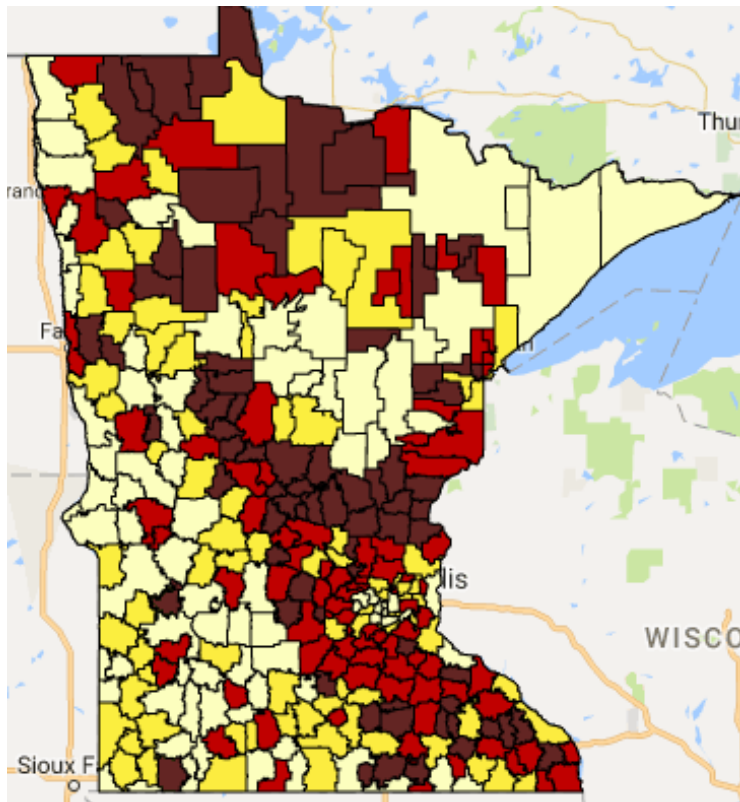
ISD #441 Long Term Facility Maintenance (LTFM)

Year	LTFM \$/APU Authorization	State Aid	Local Levy	Total Revenue
Pay 2016, FY '17	\$193/ APU	\$776.24	\$83,371.76	\$84,148.00
Pay 2017, FY '18	\$292/ APU	\$0	\$123,691.20	\$123,691.20
Difference	\$99/ APU	-776.24	\$40,319.44	\$39,543.20

Marshall County Central Schools
 LTFM Modified ANTC: 10,026.38
 LTFM Percent State Aid: 0%
 LTFM Percent Local Levy: 100%



LTFM Equalization – Effect of Ag Land & Seasonal Rec



- ❑ \$7,374 is average value per APU
- ❑ \$9,069 is equalization factor for LTFM (125% of average modified ANTC)
- ❑ **Our district's modified ANTC/APU: \$10,026.38**
- ❑ Ag2School vetoed in 2016 Tax Bill would have addressed this. Urge your state Senator and Rep to support Ag2School in 2017. Learn More at <http://www.mreavoice.org/farmers-schools-await-special-session-passage-of-ag2school/>

Wealth of MN School Districts measured by Modified ANTC/APU (50% Ag Land included) per student (APU)

■	0.00 to	4,850.49	Lowest 25% of MN School Districts in modified ANTC per APU
■	4,850.50 to	7,074.49	Below Median Modified ANTC/APU
■	7,074.50 to	10,250.49	Above Median Modified ANTC/APU
■	10,250.50 to	43,000.00	Highest 25% of MN School Districts in modified ANTC per APU

Summary: Details Matter for Individual Taxes

- Individual property value and classification
- County adjustments in property value
- Board-proposed action in 2016

- Questions?