

PUBLIC HEARING
2017-18 Budget
& Proposed 2018
Property Taxes

Marshall County Central School District

December 19, 2017

Resources provided



TODAY'S AGENDA

FACTORS AFFECTING TAXES

- Big Picture
- Your property classification(s) and value(s)
- Market and State Factors
- NEW: 40% Ag Credit for School Facility Bonds
(This doesn't affect us this year as we have no facility bonds)
- School District and State Factors
- Questions



THE BIG PICTURE

LEGISLATURE & GOVERNOR

- 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.



THE BIG PICTURE

SCHOOL BOARDS

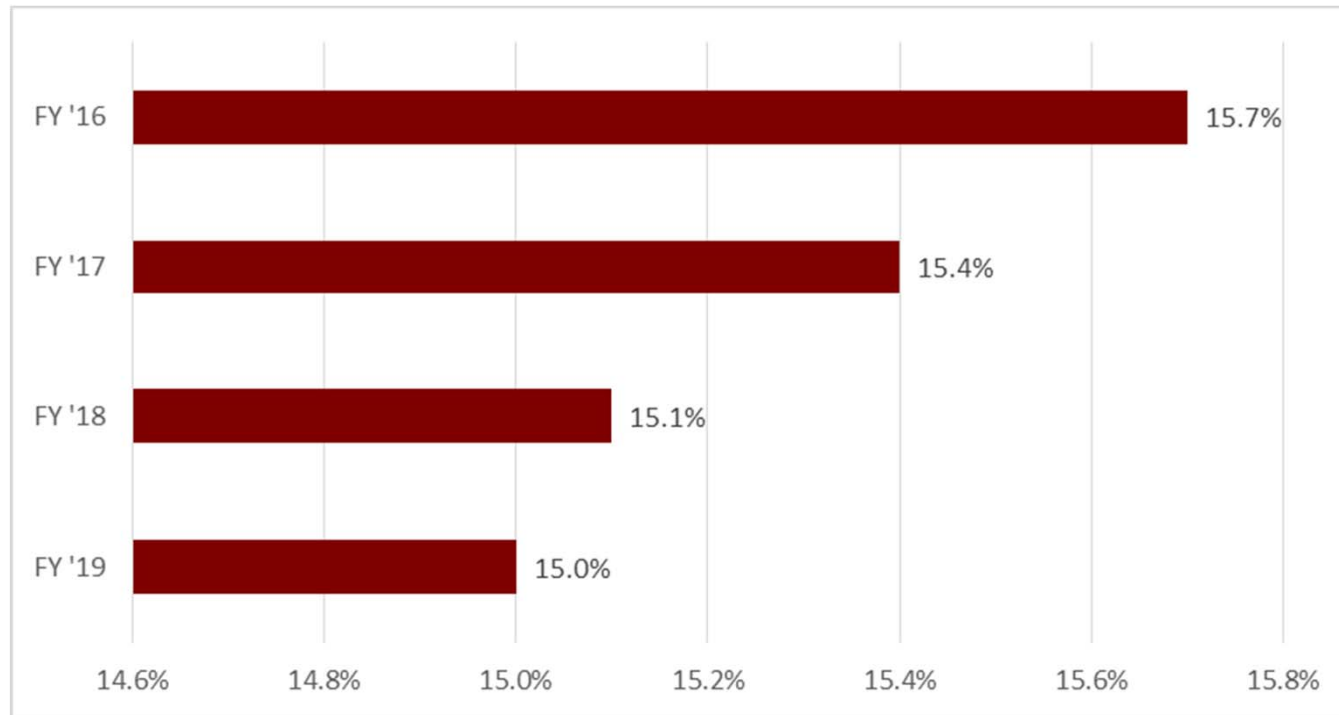
- Participate in state education programs for district's children
 - Financed entirely by levies
 - Or combination of levy and state aid
- Ask voters to approve referendums for general operations and major capital projects



THE BIG PICTURE

MN PRICE OF GOVERNMENT

Taxes declining as percent of statewide personal income
Current trends predicted to decline in FY '18 & FY '19



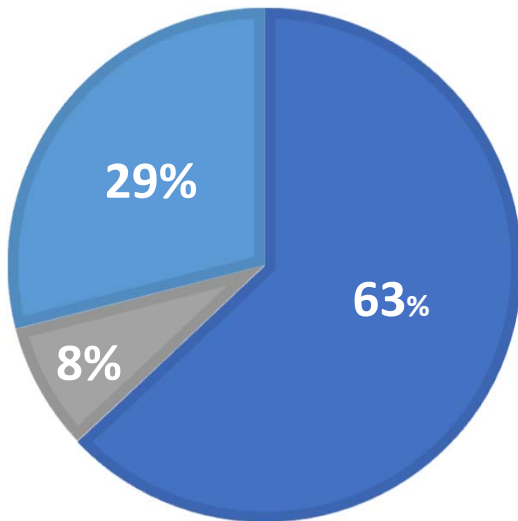
(Data source, MN Department of Management and Budget, 2017)



STATE AID IMPACT

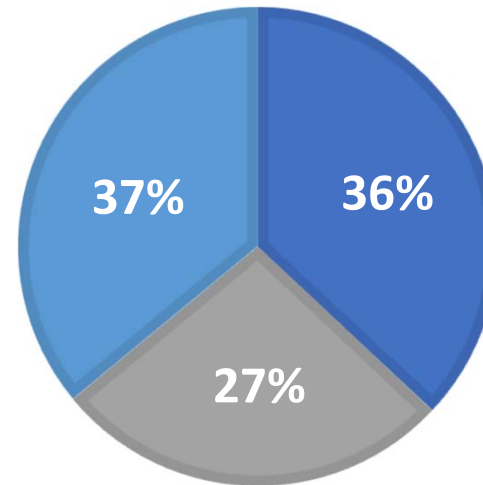
WHO COLLECTS?

■ State ■ School Districts ■ Other Local



WHO SPENDS TAX DOLLARS?

■ State ■ School Districts ■ Other Local



(Data source, MN Department of Management and Budget, 2017)



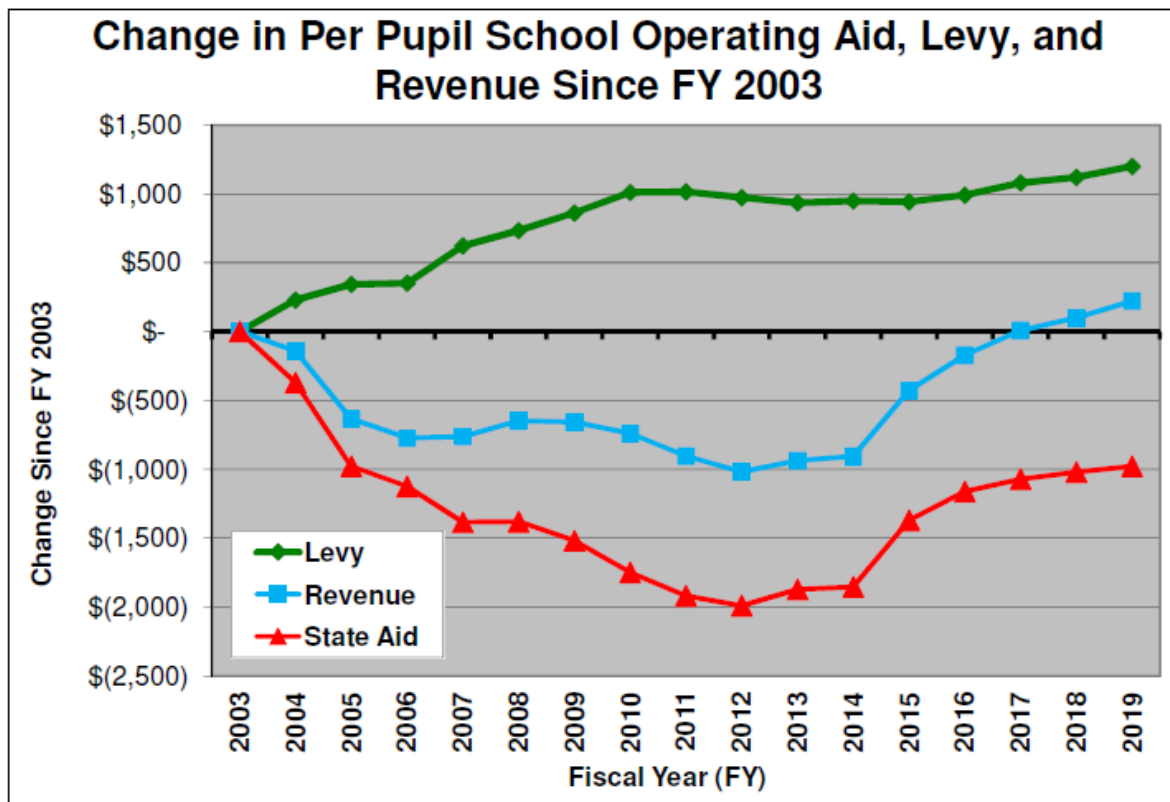
BASIC EDUCATION FORMULA & EQUALIZATION

- Supreme Court in 1993 upheld fundamental right to “general and uniform system of education” - required state funding to ensure each student receives adequate education.
- Since 2003, State provided basic level of school funding in two fundamental ways:
 - 100% of basic education formula
 - Using equalization factors for various property tax-supported formulas to provide basic education regardless of wealth of community
- Since 2003, neither basic formula nor equalization factors kept up with inflation and market values.



BUYING POWER

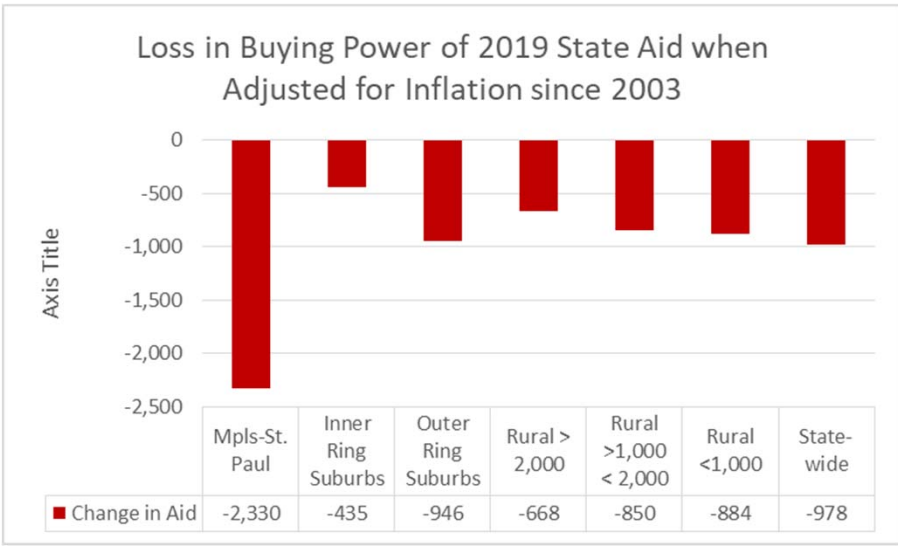
Formula lost \$997 levies increase average \$1,199 per Pupil



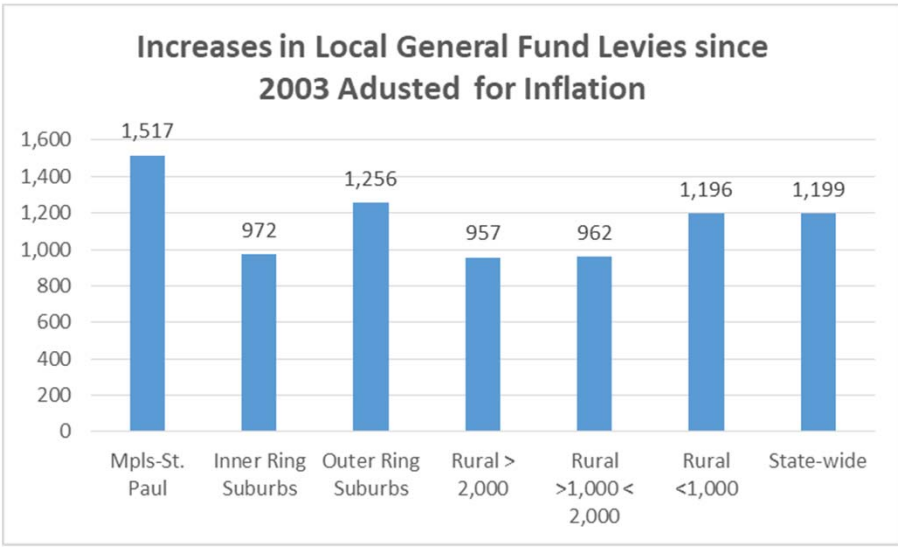
(Analysis by North Star Institute, 2017, Data from MDE)



SIMILAR PATTERN FOR ALL SIZES OF SCHOOL DISTRICTS



Districts of all sizes have lost buying power in state aid

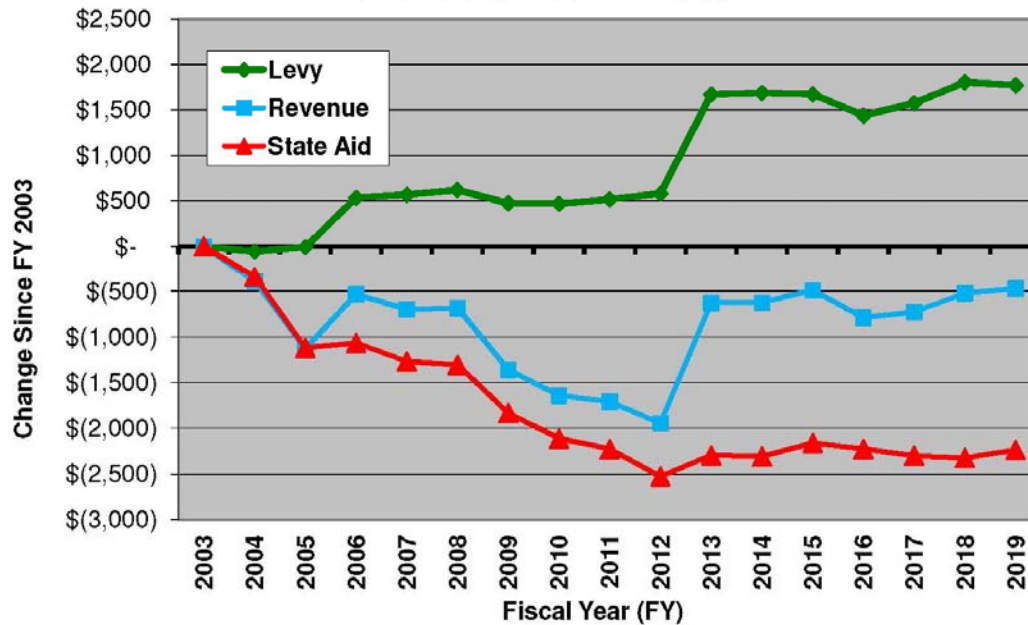


and need to replace state aid revenue with local property tax revenue.

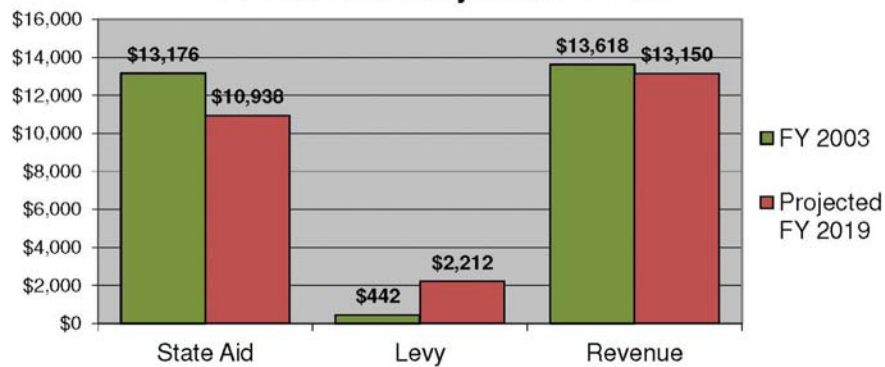


Our District

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



Total Per Pupil School Operating Aid, Levy, and Revenue: FY 2003 and Projected FY 2019



Know Your Valuation

- Property classification and market value
- Sent Spring 2017; cannot change
- Watch for 2018 statement in SPRING and where to appeal

PROPERTY VALUATION AND CLASSIFICATIONS

VALUATION NOTICE	2019
2018 Values for Taxes Payable in	

Property tax notices are delivered on the following schedule:

Step	Valuation and Classification Notice	
1	Class: Residential Homestead Estimated Market Value: \$150,000 Homestead Exclusion: \$23,800 Taxable Market Value: \$126,200	See Details Below.

Step	Proposed Taxes Notice	
2	2019 Proposed Tax:	Coming November 2018

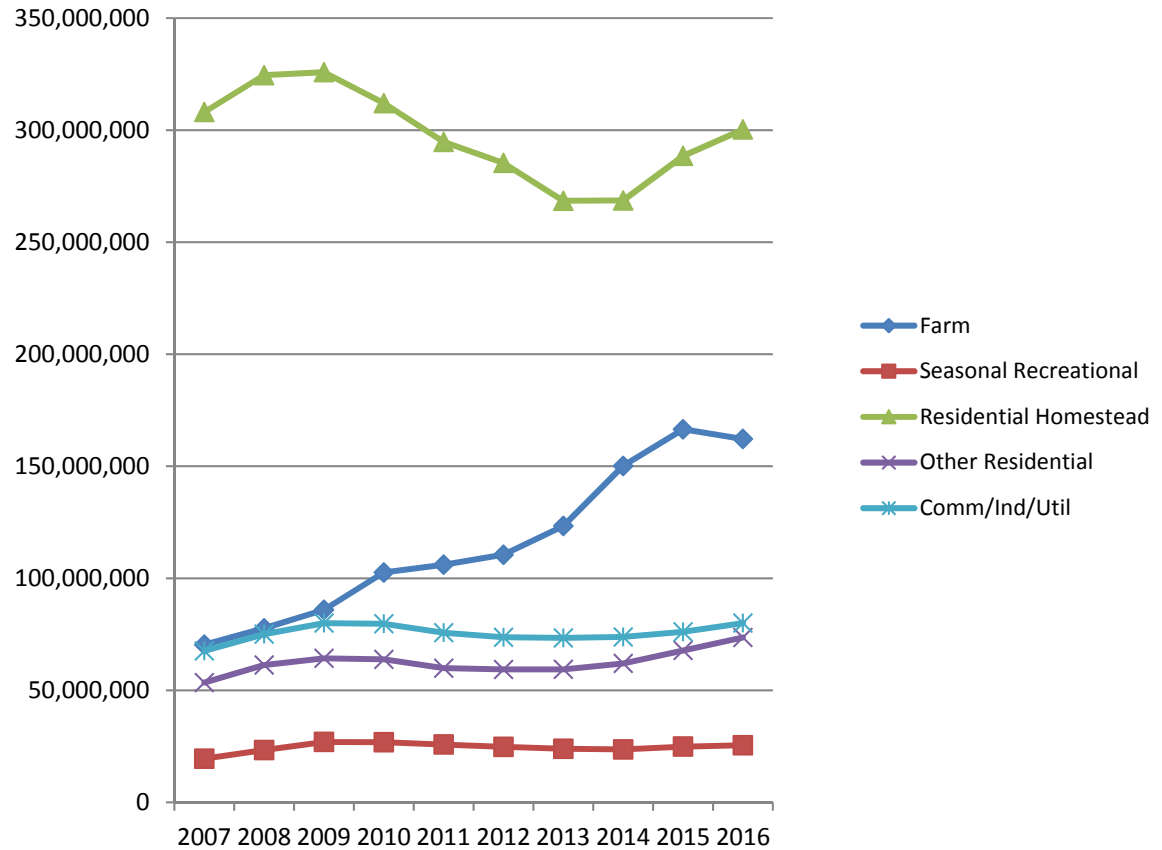
Step	Property Tax Statement	
3	1st Half Taxes: 2nd Half Taxes: Total Taxes Due in 2019:	Coming March 2019

The time to appeal or question your **CLASSIFICATION** or **VALUATION** is **NOW!**

Impact on Your Tax Bill

- ❑ Market values by property classifications trending in different directions
- ❑ What's happening statewide to your property tax classification?

MARKET VALUE TRENDS



*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)

EFFECTIVE TAX RATES

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

Property Classification	2016 Estimate (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%

Market Value x Class Rate = Taxable Value (NTC)

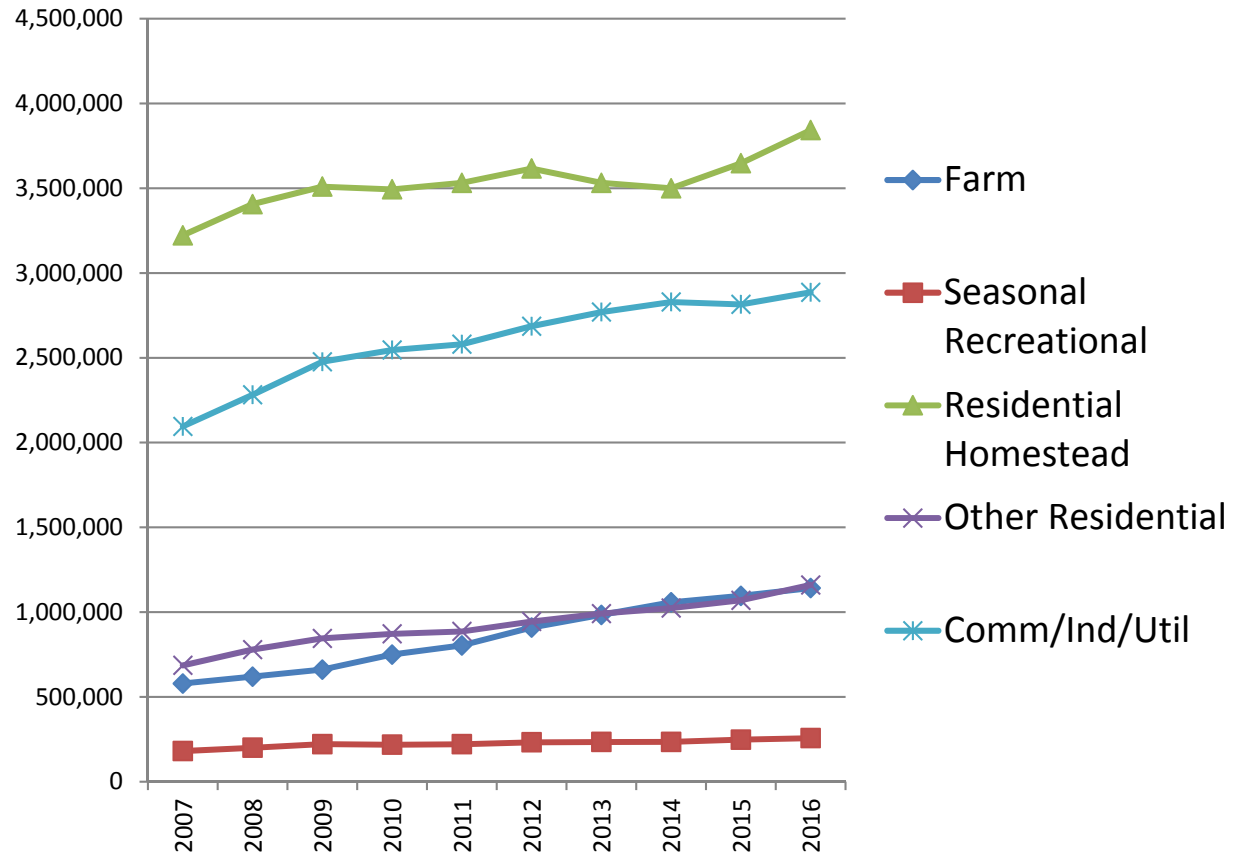
(Source: MN Dept. of Revenue)



What is net share of tax liability?

- Classifications have Class Rates applied to Market Values.
- Affects share of property taxes paid
- Exclusion of farms and seasonal rec residential properties from School District

SHARE OF TAX LIABILITY



*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)

SHARE OF TAX LIABILITY

Property Classification	Market Value Share (2016 Assessment)	Share of Net Taxes (Payable in 2017)
Farms	23%	8%
Seasonal Rec Residential	4%	3%
Commercial and Industrial	12%	29%
Apartments	5%	6%
Public Utilities	3%	6%
Residential Homes	53%	48%*

*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)



NEW IN 2018

40% AG BOND CREDIT

- Ag2School passed into law in June
- Permanent law into perpetuity
- “Annually appropriated from the general fund.”
[Subdivision 5 of the statute](#)
- Farm and Private Timber lands taxes will go down in 284 school districts beginning in 2018
- Over \$40 million in tax relief statewide



40% AG BOND CREDIT IN Marshall County Central

At this time we do not qualify for this credit because we do not have any facility bonds.

If we bond in the future for building/capital projects, taxpayers with farmland would see this credit on their tax statements.

- Questions on Ag2School?



FIND YOUR AG BOND CREDIT

Truth in Taxation Notice: Upper Right Hand Corner

- Calculated on each parcel statement
- Sum all parcels for total
- Because paid by state to school district for 40% of school bond taxes due on ag land, it does not show up on Levy Certification Report

PROPOSED TAXES 2018			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2017	2018
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		
	Property Taxes before credits	\$1,467.52	
2	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,455.52	
Step	PROPERTY TAX STATEMENT		
3	Coming in 2018		
The time to provide feedback on PROPOSED LEVIES is NOW			
It is too late to appeal your value without going to Tax Court.			



FACTORS AFFECTING PROPOSED TAXES FOR ISD 441

Total tax levy is going down in 2018 by:
\$8669.77 (0.95%)

Affecting all levies:

- Property Market value decreased
- Referendum Market Value Increased
- Net Tax Capacity Decreased

- These all interacted to adjust our equalization formulas



FACTORS AFFECTING PROPOSED TAXES FOR ISD 441

Voter Approved Line

If you had no property value increase, you will see a slight increase on this statement line.

Non-Voter Approved Line

If you had no property value increase, you should see a slight decrease on this statement line.

*There are other factors in play but in general this should occur.



FACTORS AFFECTING PROPOSED TAXES FOR ISD 441

Other Local Levies

- Board maintained levels with Local Optional Revenue
- An automatic increase in LFTM kicks in this year as this is phased in. Even with phase in overall levy went down due to improved equalization.
- Added \$6000 to community education levy this year as we qualify for additional levy authority.



EQUALIZATION FACTORS FOR REFERENDUM MARKET VALUE LEVIES

Same since 2014

Equalization Tiers	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: 1006.72 per pupil

Levy %: 90%

Aid %: 10%

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

LOCAL OPTIONAL REVENUE

- Passed in 2014 to give all districts same opportunity to generate program funds from RMV tax base to provide equal opportunity for students. This is *optional* for school boards to adopt all or part of levy and related state aid. Tonight is final decision.
- Maximum LOR = \$424 per pupil
We select maximum.
- Board can levy \$300 per pupil in Board Authorized Operating Referendum
We do not do this.
- Both reflected in “Proposed Property Tax Notice.”



Marshall County Central Schools

OPERATING REFERENDUM AND LOR

Equalization Tiers	Approved Referendum Allowances Levels/APU	Aid FY '18	Levy Pay 17	Total Revenue FY '18
Tier 1	300	41,825.74	83,334.26	125,160.00
Tier 2 + LOR	460	0	191,912.00	191,912.00
Tier 3	246.72	0	102,931.58	102,931.58
Unequalized	0	\$0	\$0	\$0
Total	1006.72	41,825.74	378,177.84	420,003.58

REFERENDUM/LOR PICTURE

PAY 2017

How does our district compare in revenue per APU?

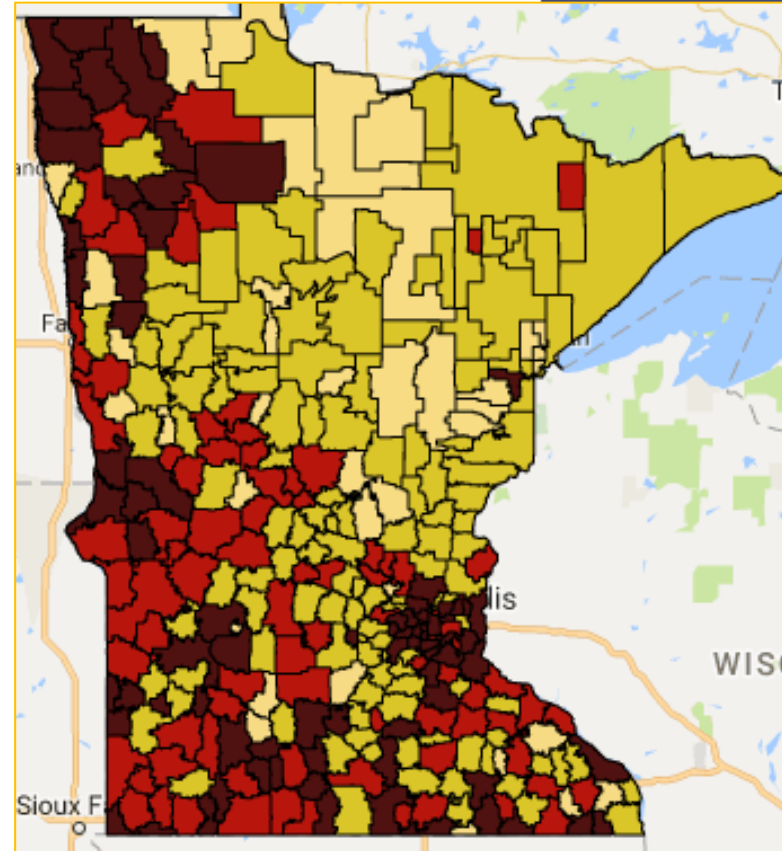
\$1006.72 per APU— District 441

\$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

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



REFERENDUM/LOR PICTURE

How does our district compare in RMV/RPU?

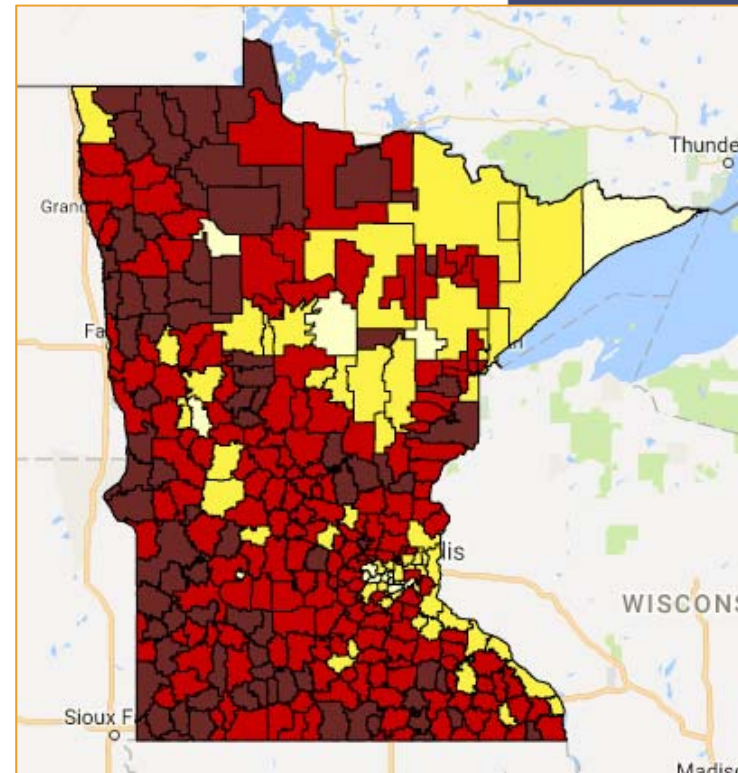
District 441:

\$585,923.24 RMV per RPU

\$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



LONG TERM FACILITY MAINTENANCE (LTFM)

May Affect School Property Taxes for Pay '18

- Passed in 2015.
- Allows all districts opportunity to generate facility maintenance funds

Before approved...

- Largest 25 school districts invested \$2.79/SF in maintenance.
- Districts like ours capped at \$0.58 -- 5 times less



LONG TERM FACILITY MAINTENANCE (LTFM)

May Affect School Property Taxes for Pay '18

- School Board and MDE approved 10-year facility maintenance plan, including:
 - Project 1 — Portion of Boiler Project
 - Project 2 — Sidewalk Repairs
 - Project 3 — Carpet in Elementary School
 - Project 4 — Fencing Repairs
 - Project 5 — Gym Stage Cabinets Elementary
 - Future Projects include: updating lighting, office remodel, roofing replacement, paving, replacing classroom cabinets
- Reflected in “Proposed Property Tax Notice” under “Other Levies”



CLOSING FACILITY FALLOUT GAP

LONG TERM FACILITY MAINTENANCE FUNDING

- Replaced 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



Marshall County Central

LONG TERM FACILITY MAINTENANCE

Year	LTFM \$/APU Authorization	State Aid	Local Levy	Total Revenue
Pay 2017, FY '18	\$292/ APU	0	123,691	123,691
Pay 2018, FY '19	\$380/ APU	9,484	149,051	158,536
Difference	\$92/ APU	9,484	25,360	34,845

LTFM % State Aid: 9,484.28 (6%)

LTFM % Local Levy: 149,051.72 (94%)

QUESTIONS?

- Individual property value and classification
 - Positive result in more equalization for LFTM and other net tax capacity levies
 - Less equalization in Referendum Levy
- Board-proposed action in 2017
 - LFTM increase, yet overall levy went down
- New 40% Ag Bond Credit
 - No effect now, but will help if we ever seek capital/building bond

Thank you for attending this hearing

