

PUBLIC HEARING
2018-19 BUDGET
AND PROPOSED 2019
PROPERTY TAXES

VERNDALE PUBLIC SCHOOL ISD NO. 0818

Information on Changes
To School Property Taxes

December 3, 2018



Factors Affecting the Proposed Taxes

- The Big Picture
- Your property classifications(s) and value(s)
- Market and State Factors Affecting Proposed Taxes
- 40% Ag Credit for School Facility Bonds
- 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

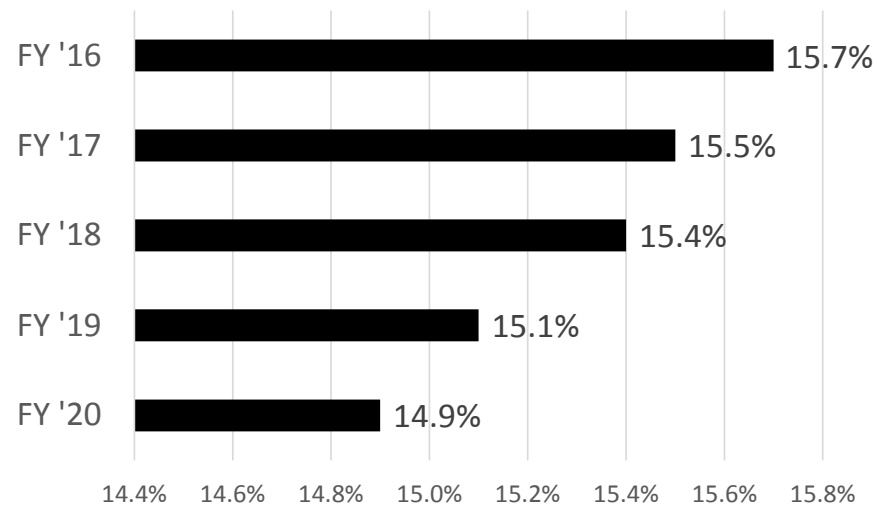
- Participate in state education programs for district's children finance entirely by levies or combination of levy and state aid.
- Ask voters to approve referendums for general operations and major capital projects

School Boards



Minnesota's Price of Government

State and Local Revenues
as % of MN Personal Income



(Data source, MN Department of Management and Budget, 2018)



THE BIG PICTURE

MN PRICE OF GOVERNMENT

What is the price of government?

Equal to total revenue by Minnesota's state and local government as percentage of total person income of Minnesota residents

Taxes are declining as percent of statewide personal income

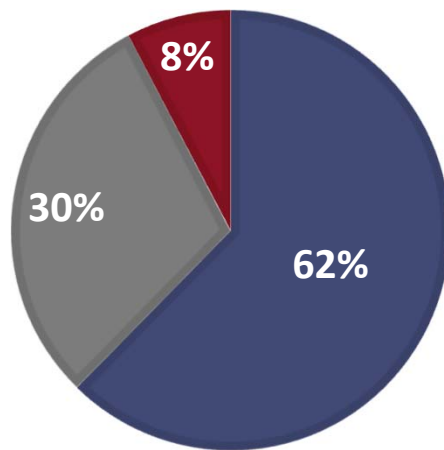
Expected to continue to decline in
FY '18-20, based on \$650 million in tax reductions made in 2017



STATE AID IMPACT

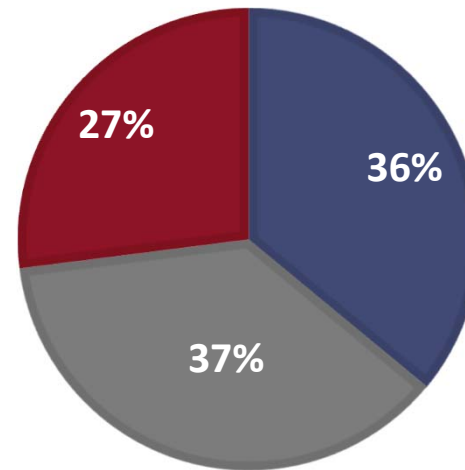
WHO COLLECTS

- State
- Non-Local School
- School District



WHO SPENDS

- State
- Non-Local School
- School District



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



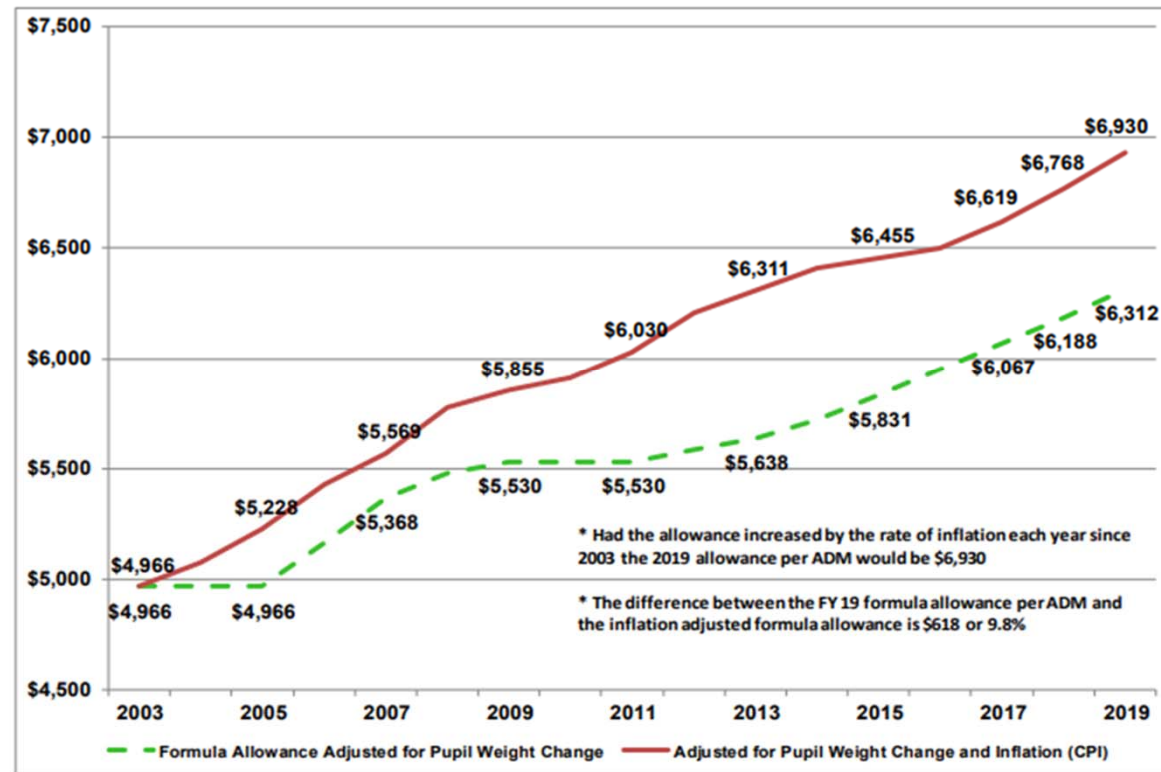
BASIC EDUCATION FORMULA

- Supreme Court in 1993 upheld fundamental right to “general and uniform system of education”
- Led Minnesota to provide basic school funding:
 - 100% of basic education formula
 - Using equalization factors for various property tax-supported formulas to provide basic education regardless of wealth
- Since started in 2003, state funding for schools has not kept up with inflation.



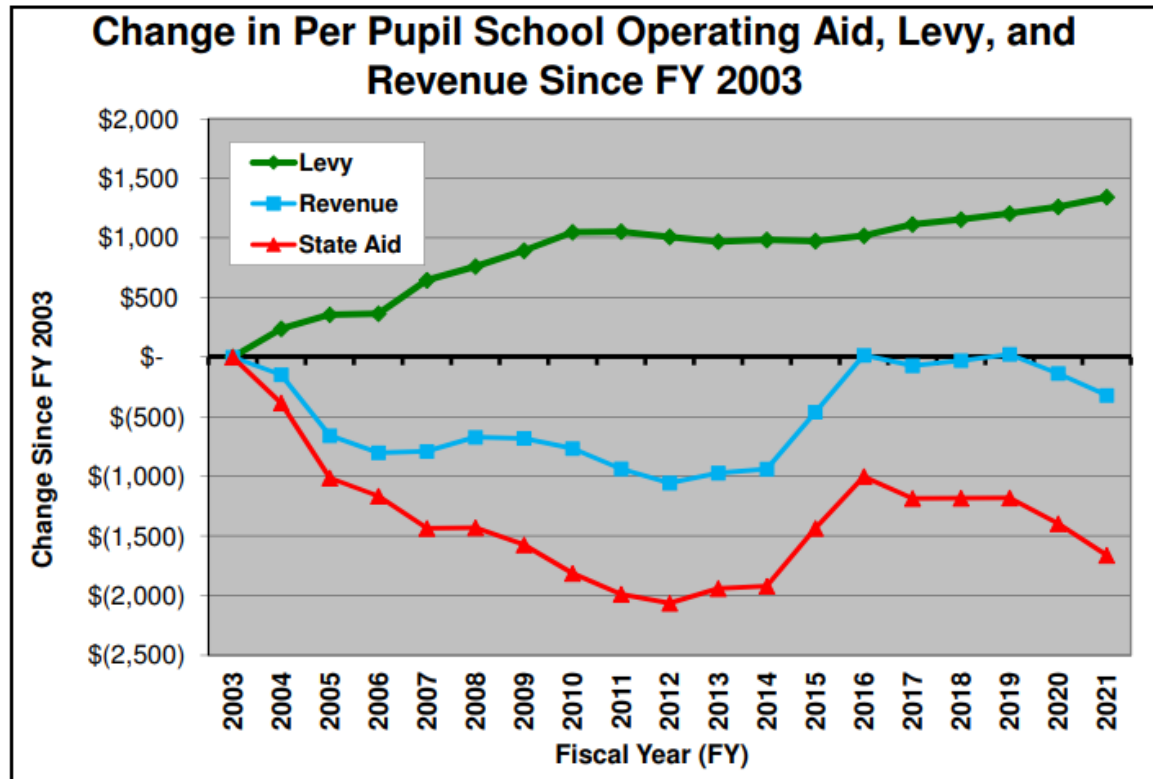
Funding trails inflation by almost \$600 per pupil since 2003, \$525 million annually.

General Education Formula Allowance, 2003-2019
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2018 Inflation Estimates

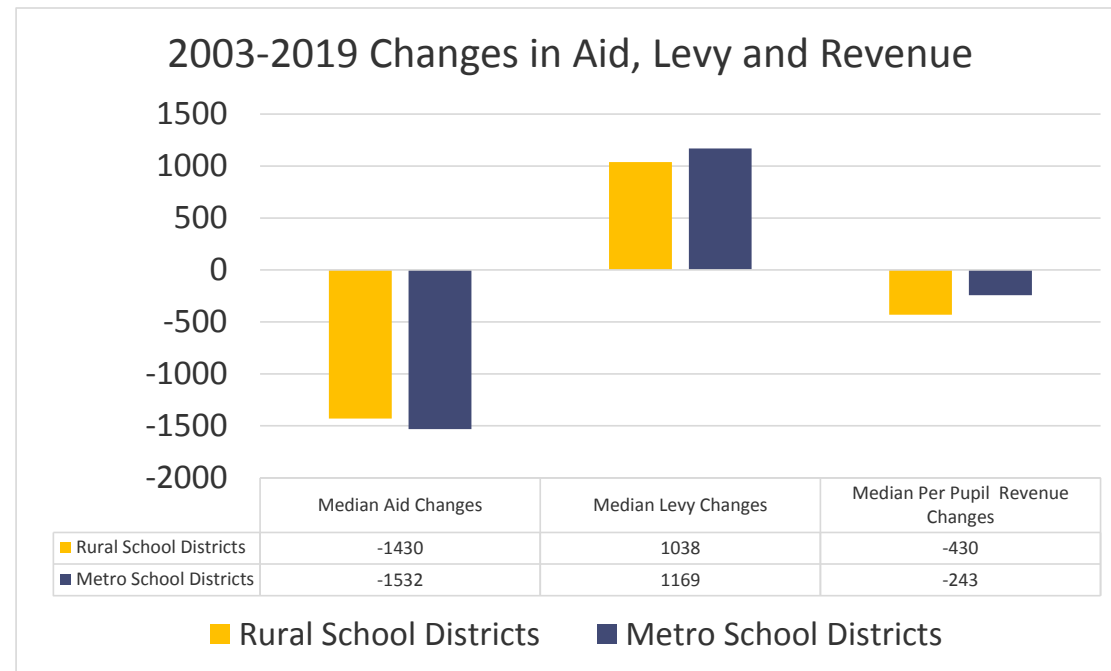
Increases in
Local
Operating
Levies
and Aid in last
8 years in
Minnesota
neutralized the
impact.



More metro districts were able to replace lost formula aid than rural school districts in Minnesota.

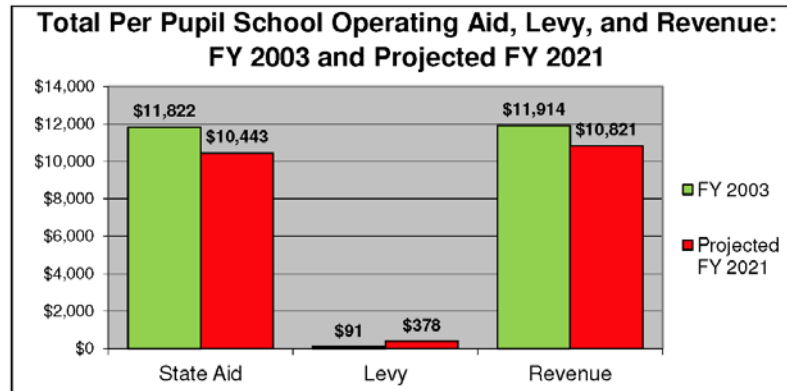
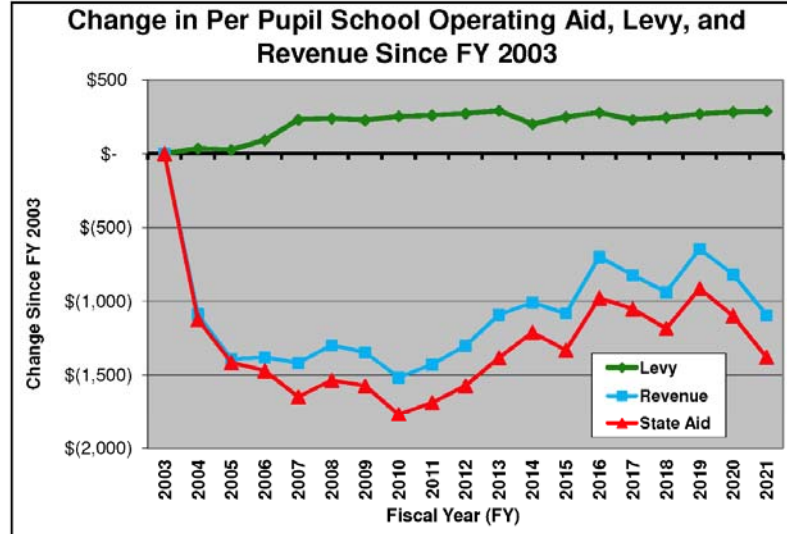


Rural Districts Fell Behind



Verndale School District

All Amounts in Constant FY 2019 Dollars



Know Your Valuation

- Property classification and market value
- Sent Spring 2018; cannot change
- Watch for 2020 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 1	Valuation and Classification Notice Class: Residential Homestead Estimated Market Value: \$150,000 Homestead Exclusion: \$23,800 Taxable Market Value: \$126,200	See Details Below.
Step 2	Proposed Taxes Notice 2019 Proposed Tax:	Coming November 2018
Step 3	Property Tax Statement 1st Half Taxes: 2nd Half Taxes: Total Taxes Due in 2019:	Coming March 2019

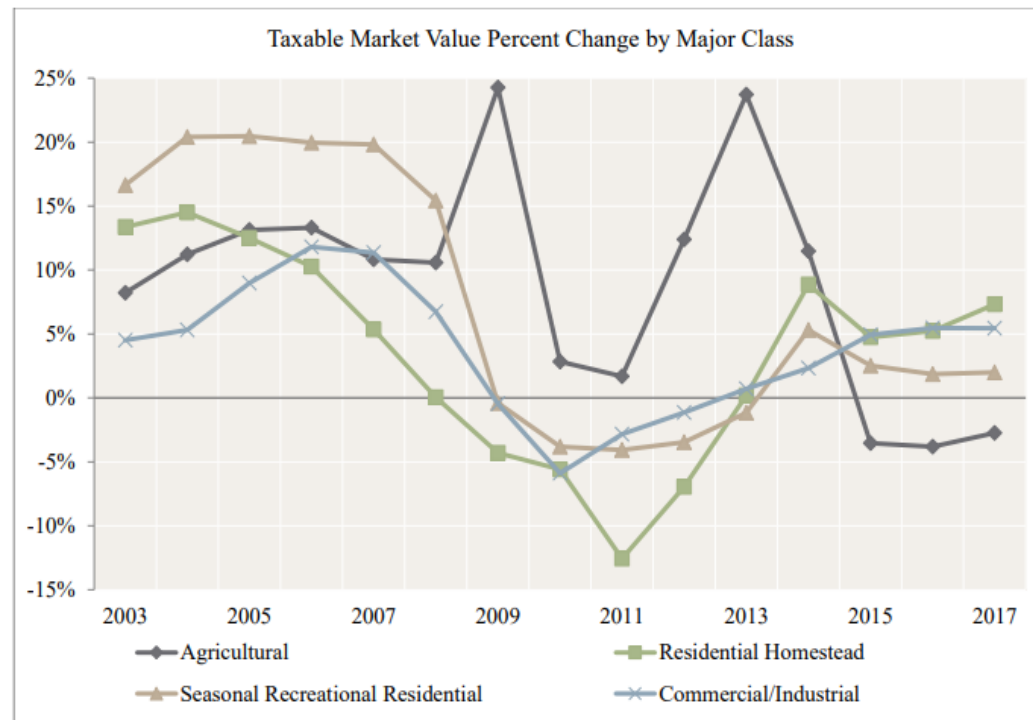
The time to appeal or question your
CLASSIFICATION or VALUATION is NOW!

Who and what impacts your tax bill?

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



Market Value Changes



(Source: MN Dept. of Revenue)

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%



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

(Source: MN Dept. of Revenue)

Share of Tax Liability

Property Classification	Market Value Share (2017 Assessment)	Share of Net Taxes (Payable in 2018)
Farms	23%	7%
Seasonal Rec Residential	4%	3%
Commercial and Industrial	12%	28%
Apartments	6%	6%
Public Utilities	3%	6%
Residential Homes	54%	49%*

*Includes effects of Homestead Exclusion

(Source: MN Dept. of Revenue)



NEW IN 2018

40% AG BOND CREDIT

- Ag2School passed into law in June of 2017
- 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 Verndale Public School

- Ag2School will reduce 2018 property taxes by **\$-244.32** per \$500,000 per value of agriculture and privately managed forest land.
- Estimated \$61,779 of tax relief for farmers with land in the Verndale School District.



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 2019			
THIS IS NOT A BILL. DO NOT PAY.			
	VALUES AND CLASSIFICATION		
Step	<u>Taxes Payable Year</u>	<u>2018</u>	<u>2019</u>
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
	PROPOSED TAX		
Step	Property Taxes before credits	\$1,467.52	
2	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits		\$1,479.52
Step	PROPERTY TAX STATEMENT		
3	Coming in 2019		
	The time to provide feedback on PROPOSED LEVIES is NOW		
It is too late to appeal your value without going to Tax Court.			



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.



Verndale School District Local Factors Affecting Resident's Proposed Taxes

Total tax levy is going up in 2019
by: \$20,367.37 or 3.90%



Levy Category	2017 Pay 2018 Proposed	2018 Payable 2019 Proposed	\$ Change	%
General Fund				
Referendum	\$ 134,829.35	\$ 118,336.16	\$ (16,493.19)	
Operating Capital	\$ 13,585.02	\$ 16,315.07	\$ 2,730.05	
Safe Schools	\$ 2,669.17	\$ -	\$ (2,669.17)	
Career Technical	\$ 11,082.30	\$ 11,668.76	\$ 586.46	
LT Facilities Equal	\$ 50,158.91	\$ 55,564.07	\$ 5,405.16	
Building/Land Lease	\$ 6,925.19	\$ 6,371.70	\$ (553.49)	
Tree Growth	\$ -	\$ -	\$ -	
Reemployment	\$ -	\$ -	\$ -	
Health & Safety	\$ (6,208.58)	\$ -	\$ 6,208.58	
Deferred Maintenance	\$ (0.01)	\$ -	\$ 0.01	
Facilities & Bond Equipment	\$ (78,212.00)	\$ (76,769.00)	\$ 1,443.00	
Other General Adjust	\$ -	\$ 12.06	\$ 12.06	
Total General Fund	\$ 134,829.35	\$ 131,498.82	\$ (3,330.53)	-2.47%
Community Service Fund				
Basic Community Educ	\$ 2,697.55	\$ 14,759.71	\$ 12,062.16	
Early Child Family	\$ 4,712.59	\$ 4,838.26	\$ 125.67	
Total Community Service	\$ 7,410.14	\$ 19,597.97	\$ 12,187.83	164.48%
Debt Service Fund				
Debt Service - Aid Elg	\$ 319,668.95	\$ 334,281.68	\$ 14,612.73	
Reduction for Debt Excess	\$ (15,212.14)	\$ (16,765.94)	\$ (1,553.80)	
Abatement Adjustment	\$ 8.37	\$ 126.52		
Debt Service - Aid Inelig	\$ 78,212.00	\$ 76,769.00	\$ (1,443.00)	
Reduction for Debt Excess	\$ (3,215.56)	\$ (3,439.57)	\$ (224.01)	
Total Debt Service Fund	\$ 379,461.62	\$ 390,971.69	\$ 11,510.07	3%
Total Levy of All Funds	\$ 521,701.11	\$ 542,068.48	\$ 20,367.37	3.90%

Explanation of Levy Changes

General Fund

- To reduce tax impact, the District chooses to under levy in the areas that are not an equalizing factor of state aid. Tree Growth and Safe Schools
- Long Term Facilities \$5,405.16
 - Passed in 2015
 - Allows all districts opportunity to general facility maintenance funds
 - Replaced Health and Safety
 - Three-Year Phase in
 - \$193 in FY '17
 - \$282 in FY '18
 - \$380 in FY '19



Explanation of Levy Changes

- ❑ Community Service Fund: +\$12,187.83
 - District chose to levy the maximum allowable amount.

- ❑ Debt Service Fund: +\$11,510.07
 - The amount needed to produce between five and six percent in excess of the amount needed to meet the principal and interest payments on the obligations of the district for eligible projects.



DISTRICT REVENUES AND EXPENDITURES

	FY18 Actual	FY19 Adopted
General Fund		
Revenues	\$ 6,194,968.82	\$ 6,059,936.00
Expenses	\$ 5,742,522.63	\$ 5,969,045.42
General Fund Total	\$ 452,446.19	\$ 90,890.58
Food Service		
Revenues	\$ 334,870.89	\$ 307,475.00
Expenses	\$ 316,686.51	\$ 337,260.00
Total Service Fund Total	\$ 18,184.38	\$ (29,785.00)
Community Service		
Revenues	\$ 135,690.47	\$ 100,058.00
Expenses	\$ 113,346.92	\$ 132,208.00
Community Service Fund Total	\$ 22,343.55	\$ (32,150.00)
Debt Service		
Revenues	\$ 437,658.56	\$ 440,790.00
Expenses	\$ 429,772.50	\$ 427,772.50
Debt Service Fund Total	\$ 7,886.06	\$ 13,017.50
Total of All Funds		
Revenues	\$ 7,103,188.74	\$ 6,908,259.00
Expenses	\$ 6,602,328.56	\$ 6,866,285.92
All Funds Total	\$ 500,860.18	\$ 41,973.08



Summary: Details Matter for Individual Taxes

- Individual property value and classification
- Voter-approved action in 2018
- Board-proposed action in 2018
- Previous voter or board approved bonds
- New 40% Ag Bond Credit
- Other changes specific to Verndale Public School

Thank you

