

2018 PAYABLE 2019 LEVY

Preliminary

DAN PYAN, DIRECTOR OF FINANCE AND OPERATIONS

September 20, 2018



Property Tax Background

- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions



School District Levy Cycle Differs from City/County Levy Cycle

City/County:

- Budget Year same as calendar year
- 2019 taxes provide revenue for 2019 calendar year budget

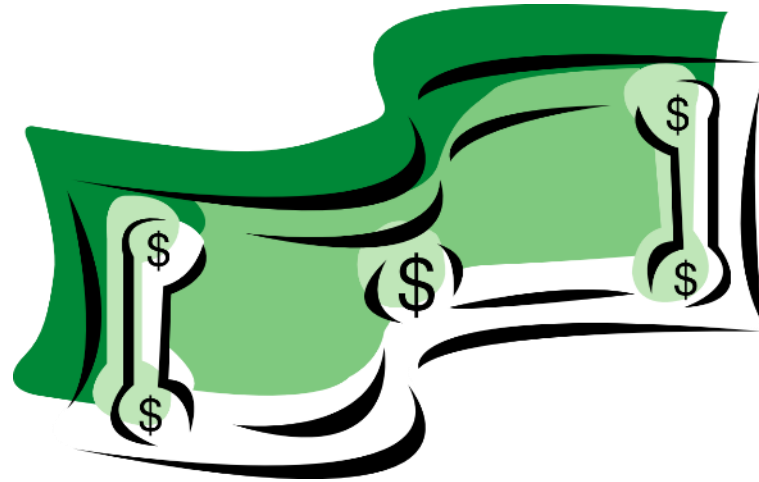
Schools:

- Budget year begins July 1st and coincides with school year
- 2019 taxes provide revenue for 2019-2020 school fiscal year
- Budget will be adopted in June 2019



Payable 2019 Property Tax Levy

- Determination of levy
- Comparison of 2018 to 2019 levies
- Reasons for changes in tax levy



Change in Tax Levy Does not Determine Change in Budget

- Tax levy is based on many state-determined formulas plus voter approved referendums
- 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
- An increase in school taxes does not always correlate to an equal increase in budget



School District Property Taxes

- Each school district may levy taxes in over 30 different categories
- “Levy limits” (maximum levy amounts) for each category are set by
 - State law
 - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district
- MDE may make more changes, recommend that “Maximum” be approved



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**.



Schedule of Events in Approval of District's 2018 (Payable 2019) Tax Levy



September 7: Minnesota Department of Education (MDE) prepared and distributed first draft of levy limit report, setting maximum authorized levy

September 20: School Board approved proposed levy amounts

Mid-November: County mailed “Proposed Property Tax Statements” to all property owners

December 13: Public hearing on proposed levy at regular meeting

December 13: School Board will certify final levy amounts



Overview of Proposed Levy Payable in 2018

- Total 2018 proposed property tax levy is an increase from 2017 of \$6,348,621, or 7.7%
 - GENERAL FUND 8.16%
 - COMMUNITY EDUCATION 20.54%
 - DEBT SERVICE 6.15%



Overview of Proposed Levy Payable in 2018

- Property Values increase:
 - TAXABLE MARKET VALUE 8.17%
 - REFERENDUM MARKET VALUE 7.70%
 - TAX CAPACITY 8.25%
 - NEW CONSTRUCTION 35.85%



Explanation of Levy Changes

Category: Voter Approved Operating Referendum

Local Optional Revenue

Change: +\$1,038,893

+\$ 572,656

Use of Funds: General Operating Expenses

Reason for Increase:

- Increase in student enrollment
- Increase in adjusted student enrollment



Explanation of Levy Changes

Category: ATPPS (Q-Comp program)

Change: +\$1,092,131

Use of Funds: Teacher Development

Reason for Increase:

- This is the amount allowed by law. The Board generally reduces this levy before final
- Shall be recommended that it be reduced by \$330,000
- Supporting implementation of evidenced-based practices through coaching and continuous improvement



Explanation of Levy Changes

Category: Operating Capital, Health and Safety

Change: +\$207,863

+122,051

Use of Funds: Equipment and Building Improvements

Reason for Increase:

- Formula driven, the District will see a corresponding reduction in state aid in this category
- Health and Safety eliminated as a stand-alone program



Explanation of Levy Changes

Category: Lease Levy

Change: +\$408,193

Use of Funds: Leasing Instructional Space

Reason for Increase:

- Addition of capitalized lease for WMS



Explanation of Levy Changes

Category: Capital Projects – Technology Referendum

Change: +\$1,335,762

Use of Funds: Technology costs

Reason for Increase:

- Voters approved new authority of \$2 million in election held November 7th



Factors Impacting Individual Taxpayers School Taxes

Many factors can cause tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property in District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors





Spruce County
 Jane Smith, Auditor-Treasurer
 345 12th Street East, Box 78
 Spruceville, MN 55555-5555
 (555) 345-6789
 www.co.spruce.mn.us

TAXPAYER(S):

John and Mary Johnson
 123 Pine Rd S
 Spruceville, MN 55555-5555

Property Information

PIN Number: 01.234.56.789.R1 **Property Address:** 789 Pine Rd S
 Spruceville, MN 55555

Property Description:
 Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2018

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	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
PROPOSED TAX			
2	Property Taxes before credits		\$1,562.46
	School building bond credit		\$ 12.00
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits		\$1,550.46
PROPERTY TAX STATEMENT			
3	Coming in 2018		
The time to provide feedback on PROPOSED LEVIES is NOW			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2017	Proposed 2018
State General Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 7, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 4, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789	December 5, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$374.60
<i>Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2018 may be higher than the proposed amount shown on this notice.</i>			
Metro Special Taxing Districts		\$57.76	\$58.70
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 8, 7:30 PM Spruce Park Centre 500 Pine St.		
Other Special Taxing Districts	No public meeting	\$12.80	\$13.02
Tax Increment Tax	No public meeting	\$10.15	\$11.22
Total excluding any special assessments		\$1,410.02	\$1,550.46
			9.0%



Tax Hearing Presentation

State Law Requires Public Meeting:

- Between November 24th and December 28th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting

State Law Requires Presentation of:

- Current year budget
- Prior year actual revenue & expenditures
- Proposed property tax levy including % increase
- Specific purposes & reasons taxes are being increased

**State law also requires the district allow for public comments*



Next Steps

- School Board approves preliminary levy tonight
- School Board will accept public comments on proposed levy after Truth in Taxation presentation on December 13, 2018
- School Board will certify 2019 property tax levy on December 13, 2018



Questions?

