



# Public Hearing for Taxes Payable in 2015

December 15, 2014

Presented by:

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Director of Business Services

# Tax Hearing Presentation

- Public Meeting
  - Must be held between Nov. 25<sup>th</sup> and Dec. 29<sup>th</sup> and after 6:00 PM
  - May be part of regularly scheduled meeting and may adopt final levy at this meeting
- State law requires that we present:
  - Information on the current year budget and actual revenue and expenses for the prior year
  - Information on the proposed property tax levy
  - The percentage change over the prior year
  - Specific purposes and reasons for which taxes are being increased
- District must also allow for public comments

# Public Schools Established by Minnesota Constitution

- **“ARTICLE XIII  
MISCELLANEOUS SUBJECTS**
- Section 1. **UNIFORM SYSTEM OF PUBLIC SCHOOLS.** The stability of a republican form of government depending mainly upon the intelligence of the people, *it is the duty of the legislature to establish a general and uniform system of public schools.* The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”

## As a result...

### School funding is highly regulated by the state

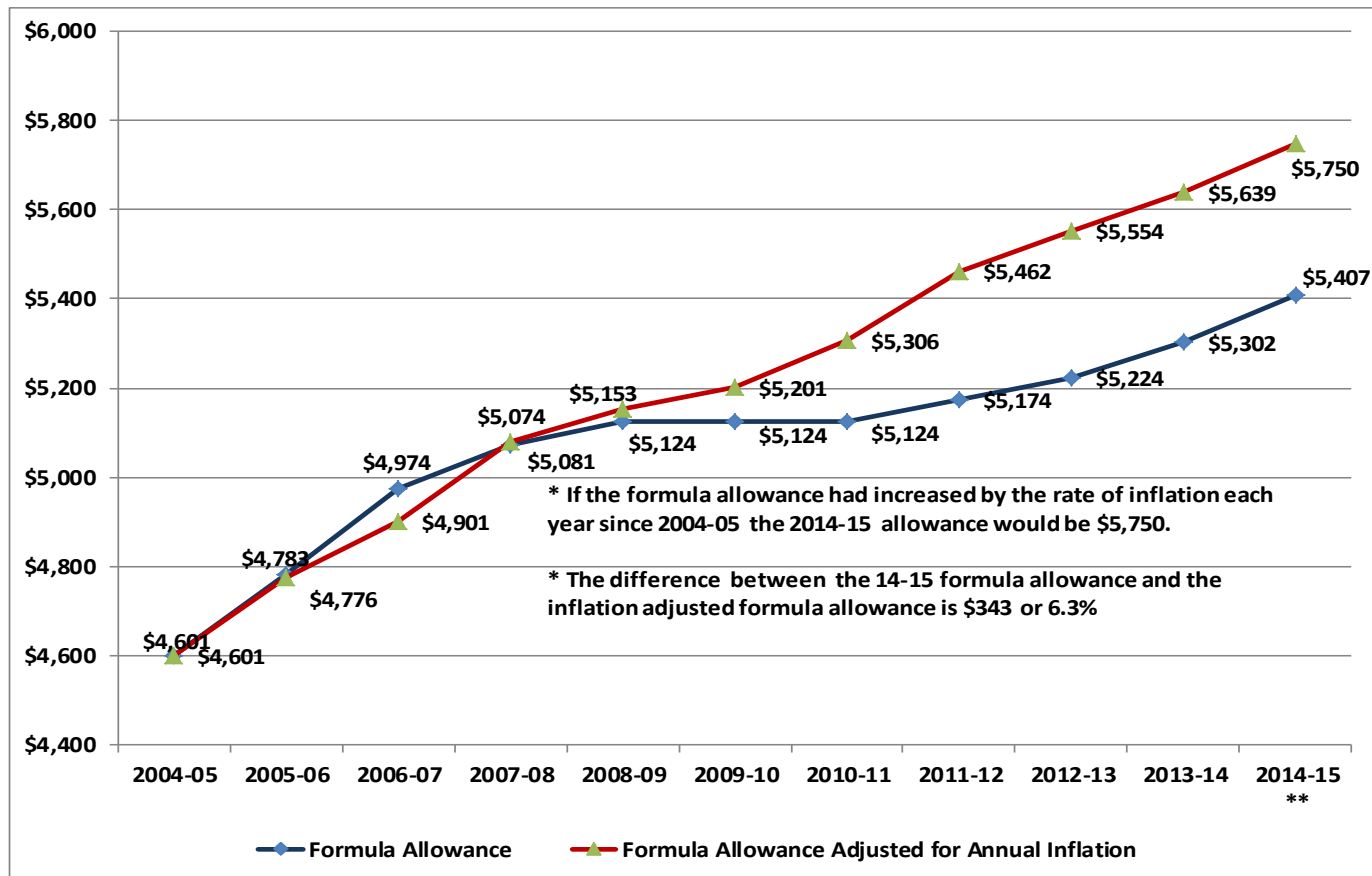
- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil
- **State sets** tax policy for local schools
- **State sets** maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by the voters)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

## Basic General Education Formula Lags Inflation

- Since 2004-05, the state General Education Revenue formula has not kept pace with inflation
- Per-pupil allowance for the current year would need to increase by \$343 (6.3%) to have kept pace with inflation
- For FY 2015 the Legislature approved an increase of \$105 per pupil unit, or approximately 2%

# Basic General Education Formula Lags Inflation

Trends in General Education Formula Allowance  
for Minnesota School Districts, 2004-05 through 2014-15  
Adjusted for Inflation



SOURCE: Formula Allowance and CPI-U are from Minnesota Department of Education, *Referendum Cap Inflation Estimate 2014*

\* Consumer Price Index for all urban consumers for the Minneapolis-St. Paul area.

\*\* The real dollar increase in the Formula Allowance for 2014-15 is 2.0% or \$105. The balance of the increase to \$5,831 is to adjust the Formula Allowance for the change in student weighting.

Prepared by Ehlers

## **Result: A Growing Reliance on Referendums**

- Primary options for districts to bridge the funding gap are to cut budgets or increase referendum revenue; most districts have done both
- For 1992-1993 in Minnesota 65% of the schools had a referendum levy averaging \$332 per resident pupil
- In 2014-15 95.2% of Minnesota schools depend upon referendum revenue averaging \$1075 per adjusted ADM, including LOR, to balance their budget

# Change in Tax Levy Does not Determine Change in Budget

- 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



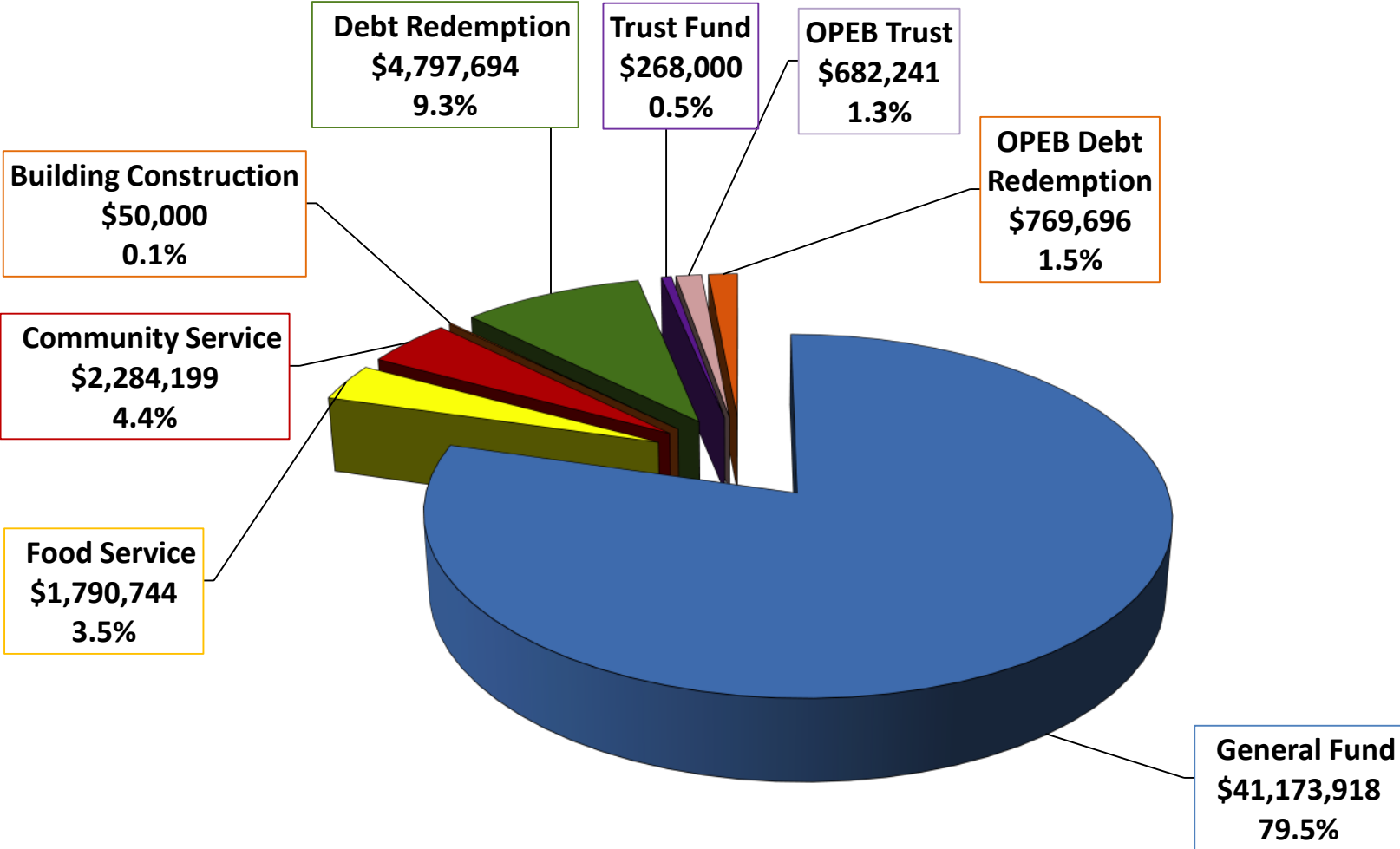
## Budget Information

- All school districts' budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 9 funds:
  - General
  - Food Service
  - Community Service
  - Capital Projects
  - Debt Service
  - Trust
  - Internal Service
  - OPEB Trust Fund
  - OPEB Debt Service

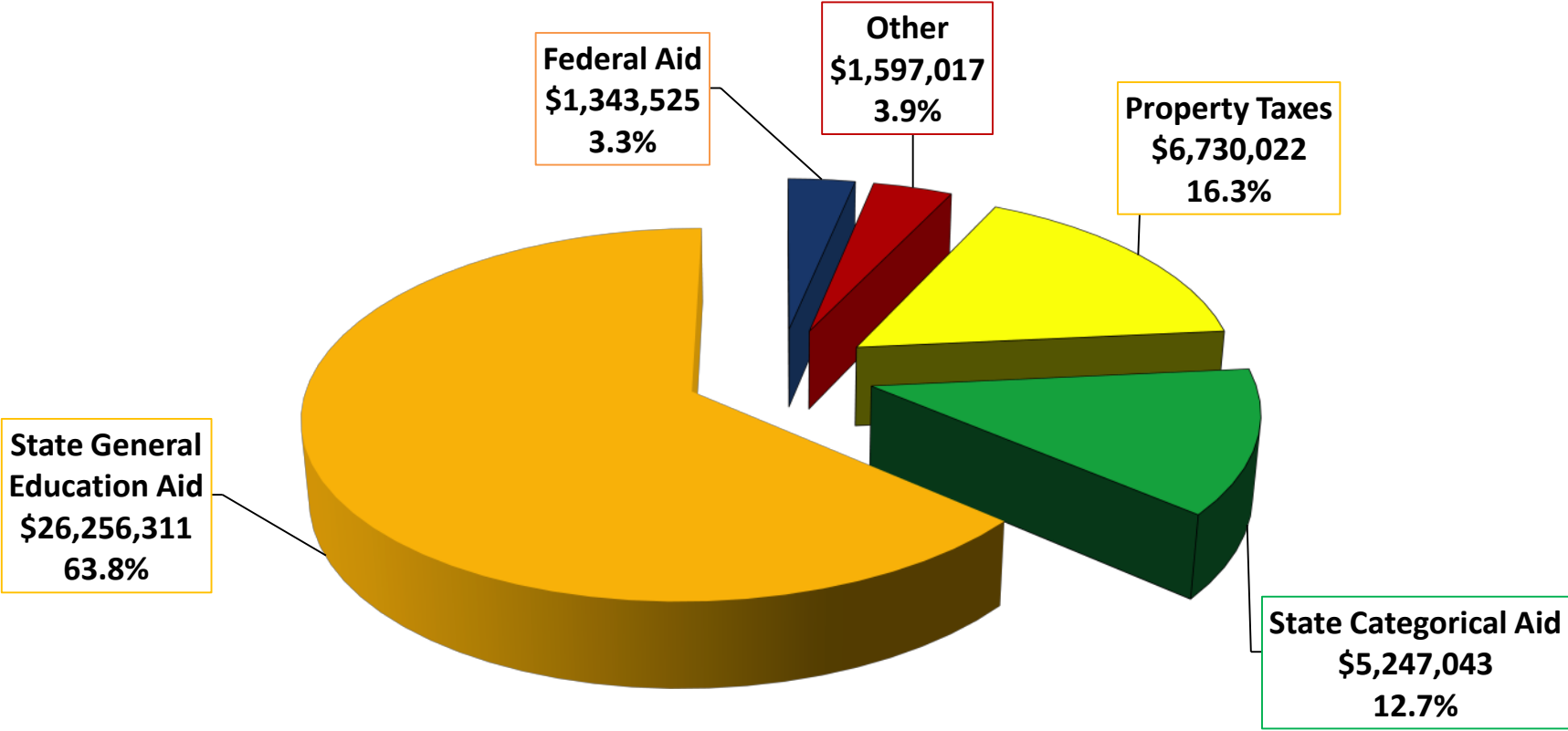
**Inver Grove Heights Community Schools  
District Revenues and Expenditures  
Actual for FY14, Budget for FY15**

<b>FUND</b>	<b>FY 2014 BEGINNING FUND BALANCES</b>	<b>FY 2014 ACTUAL REVENUES AND TRANSFERS IN</b>	<b>FY 2014 ACTUAL EXPENDITURES AND TRANSFERS OUT</b>	<b>JUNE 30, 2014 ACTUAL FUND BALANCES</b>	<b>FY 2015 BUDGET REVENUES AND TRANSFERS IN</b>	<b>FY 2015 BUDGET EXPENDITURES AND TRANSFERS OUT</b>	<b>JUNE 30, 2015 PROJECTED FUND BALANCES</b>
General Fund/Restricted	\$ 2,424,347.00	\$ 5,046,934.00	\$ 5,314,527.00	\$ 2,156,754.00	\$ 4,906,975.00	\$ 5,778,198.00	\$ 1,285,531.00
General Fund/Other	\$ 9,196,095.00	\$ 37,704,068.00	\$ 37,440,501.00	\$ 9,459,662.00	\$ 36,266,943.00	\$ 35,631,144.00	\$ 10,095,461.00
Food Service Fund	\$ 1,206,290.00	\$ 1,884,595.00	\$ 1,777,128.00	\$ 1,313,757.00	\$ 1,790,744.00	\$ 1,870,511.00	\$ 1,233,990.00
Community Service Fund	\$ 163,468.00	\$ 2,065,037.00	\$ 2,175,518.00	\$ 52,987.00	\$ 2,284,199.00	\$ 2,295,506.00	\$ 41,680.00
Building Construction Fund	\$ -	\$ 24,681,081.00	\$ 3,240,255.00	\$ 21,440,826.00	\$ 50,000.00	\$ 13,784,000.00	\$ 7,706,826.00
Debt Service Fund	\$ 842,228.00	\$ 4,196,681.00	\$ 3,923,238.00	\$ 1,115,671.00	\$ 4,797,694.00	\$ 5,127,319.00	\$ 786,046.00
Trust Fund	\$ 12,232.00	\$ 237,201.00	\$ 228,089.00	\$ 21,344.00	\$ 268,000.00	\$ 268,000.00	\$ 21,344.00
Internal Service Fund	\$ 120,008.00			\$ 300,606.00			\$ 300,606.00
* OPEB Revocable Trust Fund	\$ 9,687,785.00	\$ 1,408,286.00	\$ 729,793.00	\$ 10,366,278.00	\$ 682,241.00	\$ 682,241.00	\$ 10,366,278.00
OPEB Irrevocable Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB Debt Service Fund	\$ 100,820.00	\$ 619,163.00	\$ 613,323.00	\$ 106,660.00	\$ 769,696.00	\$ 743,773.00	\$ 132,583.00
<b>TOTAL - ALL FUNDS</b>	<b>\$ 23,753,273.00</b>	<b>\$ 77,843,046.00</b>	<b>\$ 55,442,372.00</b>	<b>\$ 46,334,545.00</b>	<b>\$ 51,816,492.00</b>	<b>\$ 66,180,692.00</b>	<b>\$ 31,970,345.00</b>

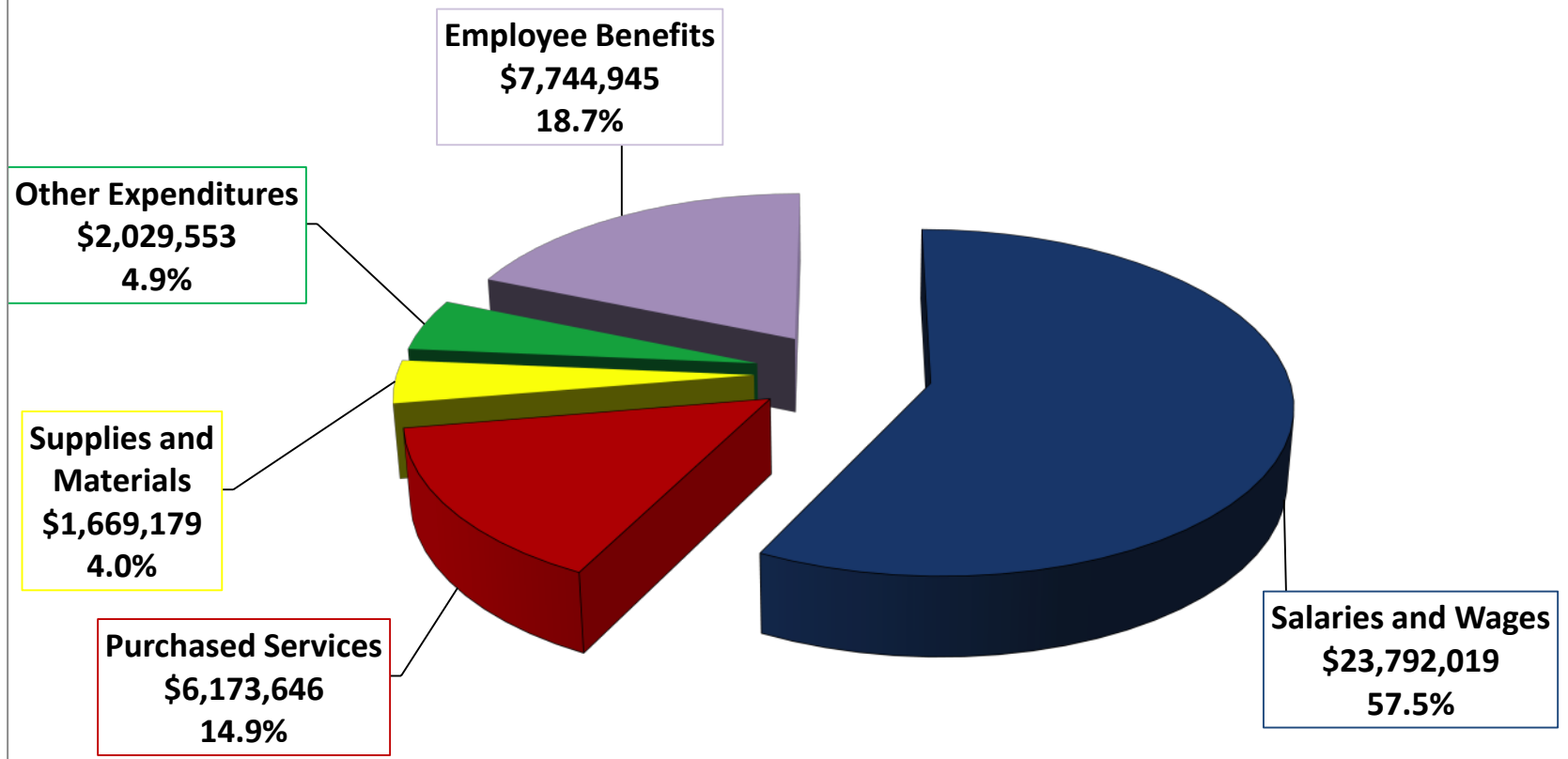
# Inver Grove Heights Community Schools Revenue all Funds 2014-15 Budget \$51,816,492




# Inver Grove Heights Community Schools General Fund Revenue 2014-15 Budget \$41,173,918



# Inver Grove Heights Community Schools General Fund Expenditure by Object 2014-15 Budget \$41,409,342





# Proposed 2015 Property Tax Levy

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

## Property Tax Background

- 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

- 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



# Proposed Levy Payable in 2015

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

- September 8: Dept. of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- September 22: School board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- December 15: Public hearing on proposed levy at regular meeting
- Following hearing school board will certify final levy amounts

# Factors Causing Changes from 2014 to 2015

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

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

## Inver Grove Heights Community Schools

### Comparison of Proposed Tax Levy Payable in 2015 to Actual Levy Payable in 2014

Fund	Levy Category	Actual Levy Payable in 2014	Proposed Levy Payable in 2015	\$ Change	% Change
<b>General Fund</b>					
	Voter Approved Referendum	\$1,816,278	\$1,827,706	\$11,428	
	Board Approved Referendum	0	0	0	
	Location Equity Levy/Local Option Levy	1,758,811	1,796,631	37,820	
	Equity	532,362	625,696	93,334	
	Student Achievement Levy	86,203	87,187	984	
	Alternate Teacher Compensation	0	0	0	
	Capital Projects - Technology Levy	0	0	0	
	Operating Capital	381,160	410,426	29,265	
	Health and Safety	445,009	1,431,840	986,830	
	Deferred Maintenance- Alt Facilities Levy	264,255	272,384	8,129	
	Instructional Lease Levy	733,805	732,397	(1,408)	
	Safe Schools	168,681	177,688	9,007	
	Other	285,863	280,214	(5,649)	
	Adjustments for Prior Years	206,110	352,631	146,522	
	<b>Total, General Fund</b>	<b>\$6,678,536</b>	<b>\$7,994,800</b>	<b>\$1,316,264</b>	<b>19.7%</b>
<b>Community Service Fund</b>					
	Basic Community Education	\$211,823	\$211,823	\$0	
	Early Childhood Family Education	100,183	99,569	(614)	
	School-Age Child Care	119,945	125,945	6,000	
	Other	3,024	3,096	72	
	Adjustments for Prior Years	6,447	30,253	23,806	
	<b>Total, Community Service Fund</b>	<b>\$441,421</b>	<b>\$470,685</b>	<b>\$29,264</b>	<b>6.6%</b>
<b>Debt Service Fund</b>					
	Voter Approved Debt Service	\$4,370,163	\$4,114,478	(\$255,685)	
	Other Debt Service	587,895	592,662	4,767	
	Other Post Employment Benefits	780,489	792,275	11,786	
	Reduction for Debt Excess	(201,791)	(144,733)	57,058	
	Abatements	29,134	31,568	2,433	
	<b>Total, Debt Service Fund</b>	<b>\$5,565,890</b>	<b>\$5,386,249</b>	<b>(\$179,641)</b>	<b>-3.2%</b>
<b>Total Levy, All Funds</b>		<b>\$12,685,848</b>	<b>\$13,851,734</b>	<b>\$1,165,886</b>	<b>9.2%</b>
<b>Subtotal by Truth in Taxation Categories:</b>					
	Voter Approved Levies	\$6,291,617	\$6,082,109	-\$209,508	
	Other Levies	6,394,231	7,769,626	1,375,395	
	<b>Total</b>	<b>\$12,685,848</b>	<b>\$13,851,734</b>	<b>\$1,165,886</b>	<b>9.2%</b>

## Explanation of Levy Changes

- Category: Operating Referendum Levies/Local Option Levy
- Change: \$49,249
- Use of funds: general operating expenses
- Reason for increase:
  - ✓ Enrollment (adjusted pupil units) increased from 4,173 to 4,256
  - ✓ Operating referendum levy increased by \$11,428
  - ✓ Local Optional Revenue (LOR) levy grew by \$37,820

# Explanation of Levy Changes

- Category: Equity Levy
- Change: +\$99,334
- Use of funds: general operating expenses
- Reason for increase:
  - ✓ Funding is based on a legislatively set formula for each district's "equity allowance" multiplied times enrollment of students served in the district
  - ✓ Revenue is increasing because of an increase in the state-determined equity allowance and a projected increase in students served

## Explanation of Levy Changes

- Category: Health and Safety Levy
- Change: +\$986,830
- Use of funds: State-approved capital projects related to facility health and safety needs
- Reason for increase:
  - ✓ The amount of this levy is based on the estimated cost of qualifying state-approved projects
  - ✓ The levy will be used to address health and safety deficiencies in district facilities

## Explanation of Levy Changes

- Category: Adjustments for Prior Years – General Fund
- Change: +\$146,522
- Use of funds: general operating expenses
- Reason for increase:
  - ✓ Current funding formulas for the most part are based on estimates of current enrollment and per pupil revenue. Prior year adjustments are brought forward when actual enrollment and per pupil revenue amounts are fixed.
  - ✓ Equity levy adjusted based upon change in state determined equity funding gap: \$103,116

## Explanation of Levy Changes

- Category: Debt Service
- Change: -\$179,641
- Use of funds: Annual required payment of principal and interest on district debt (bonds)
- Reason for decrease:
  - ✓ Voter approved levy for payment of principal and interest on bonds decreased by \$255,685
  - ✓ Offset by reduction in debt service fund balance excess levy adjustment of \$57,058



## Impact on Taxpayers

- Following are tables showing examples of changes in the school district portion of property taxes from 2014 to 2015
  - Examples include school district taxes only
  - All examples are based on a 1.3 % increase in property value between 2012 - 2015
    - ✓ Actual changes in value may be more or less than this for any parcel of property
    - ✓ These figures are intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties



## Impact on Taxpayers

- Figures for 2015 are preliminary estimates, based on the best data available now – final figures could change slightly
- Estimates were prepared by Ehlers, the district's financial advisors

# Impact on Taxpayers

## Residential

<b>Taxable Market Value</b>	<b>Estimated Annual Taxes</b>	<b>Estimated Change from 2014</b>
\$100,000	\$412	- \$2
\$200,000	\$953	+ \$34
\$325,000	\$1,630	+ \$80
\$475,000	\$2,423	+ \$123

# Impact on Taxpayers

## Commercial

<b>Taxable Market Value</b>	<b>Estimated Annual Taxes</b>	<b>Estimated Change from 2014</b>
\$250,000	\$1,329	+ \$90
\$500,000	\$2,821	+ \$229
\$750,000	\$4,312	+ \$367
\$1,000,000	\$5,804	+ \$506

## State Property Tax Refunds

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms
- For help with the forms and instructions:
  - Consult your tax professional, or
  - Visit the Department of Revenue web site at [www.taxes.state.mn.us](http://www.taxes.state.mn.us)

## State Property Tax Refunds

- Minnesota Homestead Credit Refund (formerly called “Minnesota Property Tax Refund”)
  - Has existed since 1970s
  - Available to all owners of homestead property
  - Annual income must be approx. \$105,500 or less (income limit is higher if you have dependents)
  - Refund is on a sliding scale, based on total property taxes and income
  - Maximum refund is \$2,657
  - Especially helpful to those with lower incomes
  - Fill out state tax form M-1PR

# State Property Tax Refunds

- Special Property Tax Refund
  - Available for all homestead properties with a gross tax increase of at least 12% and \$100 over the prior year
  - Refund is 60% of the amount by which the tax increase exceeds the greater of 12% or \$100, up to a maximum of \$1,000
  - No income limits
  - Fill out state tax form M-1PR

# Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with a household income of \$60,000 or less to defer a portion of the property taxes on their home
- Taxes paid in any year limited to 3% of household income for year before entering deferral program; this amount does not change in future years
- Additional taxes are deferred, but not forgiven
- State charges interest up to 5% per year on deferred taxes and attaches a lien to the property
- The deferred property taxes plus accrued interest must be paid when the home is sold or the homeowner(s) dies





## Next Steps

- Board will accept public comments and questions on proposed levy
- Board will certify the 2015 property tax levy



# **Public Comments and Questions**