



Public Hearing for Taxes Payable in 2017

December 12, 2016

Presented by:

Heather Aune, Director of Business Services

Tax Hearing – State Law Requirements

Public meeting

- Between November 25 and December 28
- After 6:00 pm
- May be part of regularly scheduled meeting

Presentation of

- Current year budget
- Prior year actual revenue and expenditures
- Proposed property tax levy including percentage increase
- Specific purposes and reasons for which taxes are being increased

Must also allow for public comments

Agenda for Hearing

1. Background on School Funding, Property Tax Levies, and Budgets
2. Information on District's Budget
3. Information on District's Proposed Tax Levy for Taxes Payable in 2017
4. Public Comments and Questions

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
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

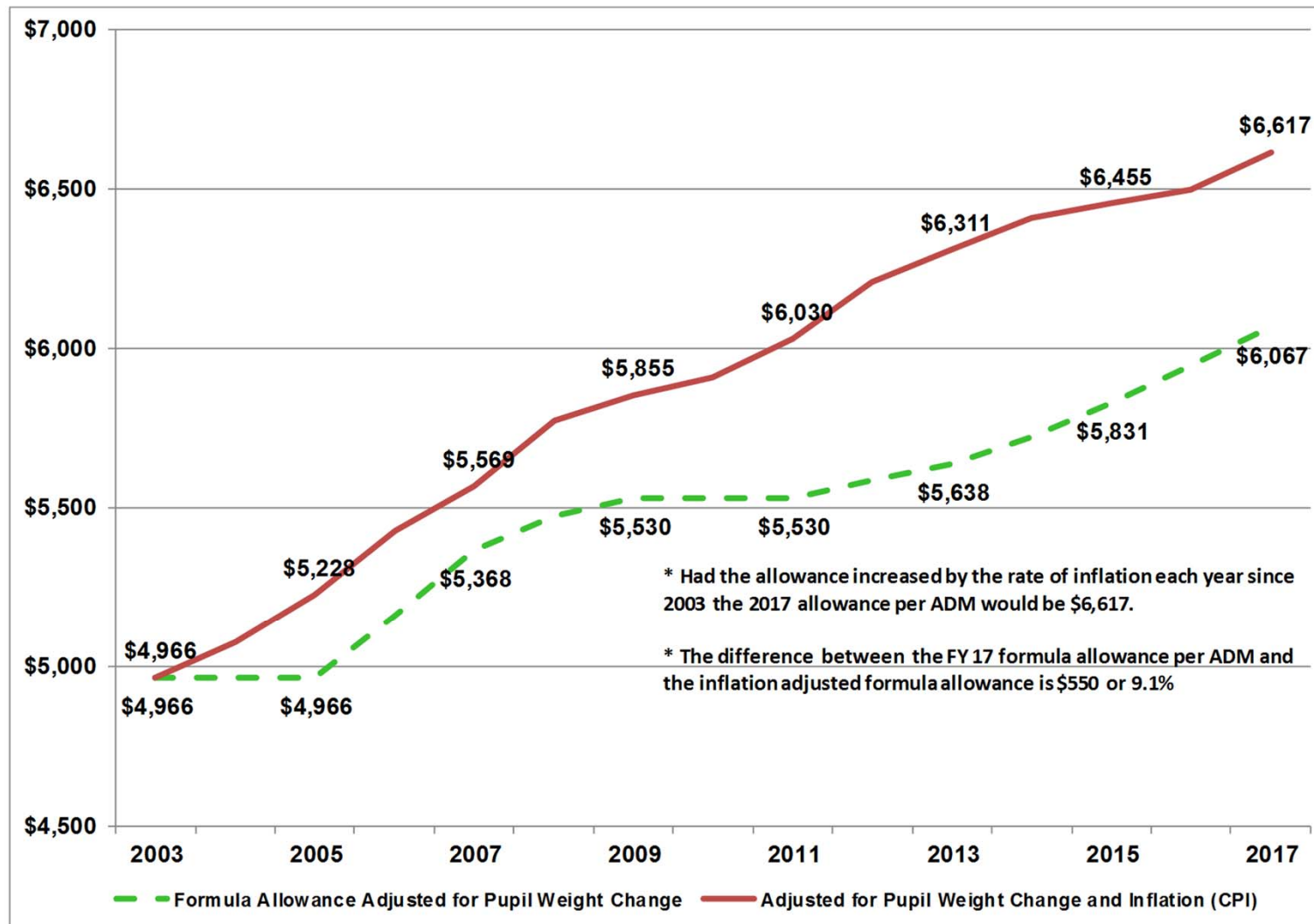
State authorizes school board to submit referendums for operating and capital needs to voters for approval

Basic General Education Formula Lags Inflation

- Since 2003, State General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2015-16 and Fiscal Year 2017, Legislature approved an increase of 2% per year
 - \$117 per pupil unit in FY 2015-16
 - An additional \$119 for FY 2016-17
- Per-pupil allowance for Fiscal Year 2016-17 would need to increase by another \$550 (9.1%) to have kept pace with inflation

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2017
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE July 2016 Inflation Estimates

Result: Growing Dependence on Operating Referendum Revenue

Average referendum authority per pupil is increasing

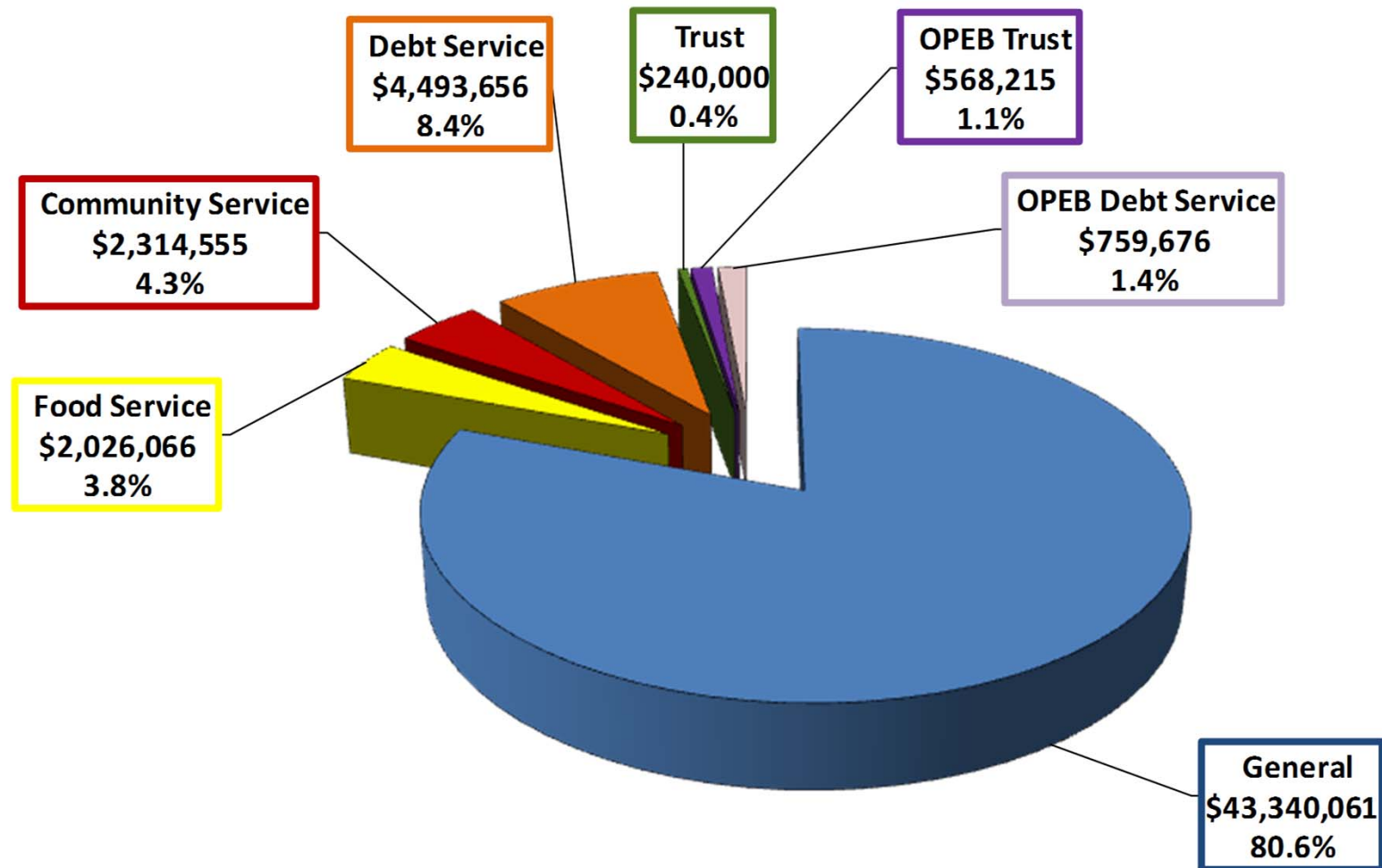
- For Fiscal Year 1992-93, 65% of districts had referendum revenue averaging \$332 per pupil
- For Fiscal Year 2016-17, all 331 districts have referendum revenue and/or local optional revenue authority averaging \$1,262 per pupil
 - 20.8% of general education formula allowance
 - Of this amount, \$853 is board approved or voter approved operating referendum, and \$409 is Local Optional Revenue

**Inver Grove Heights Community Schools
District Revenues and Expenditures
Budget for Fiscal Year 2015-16 and Fiscal Year 2016-17**

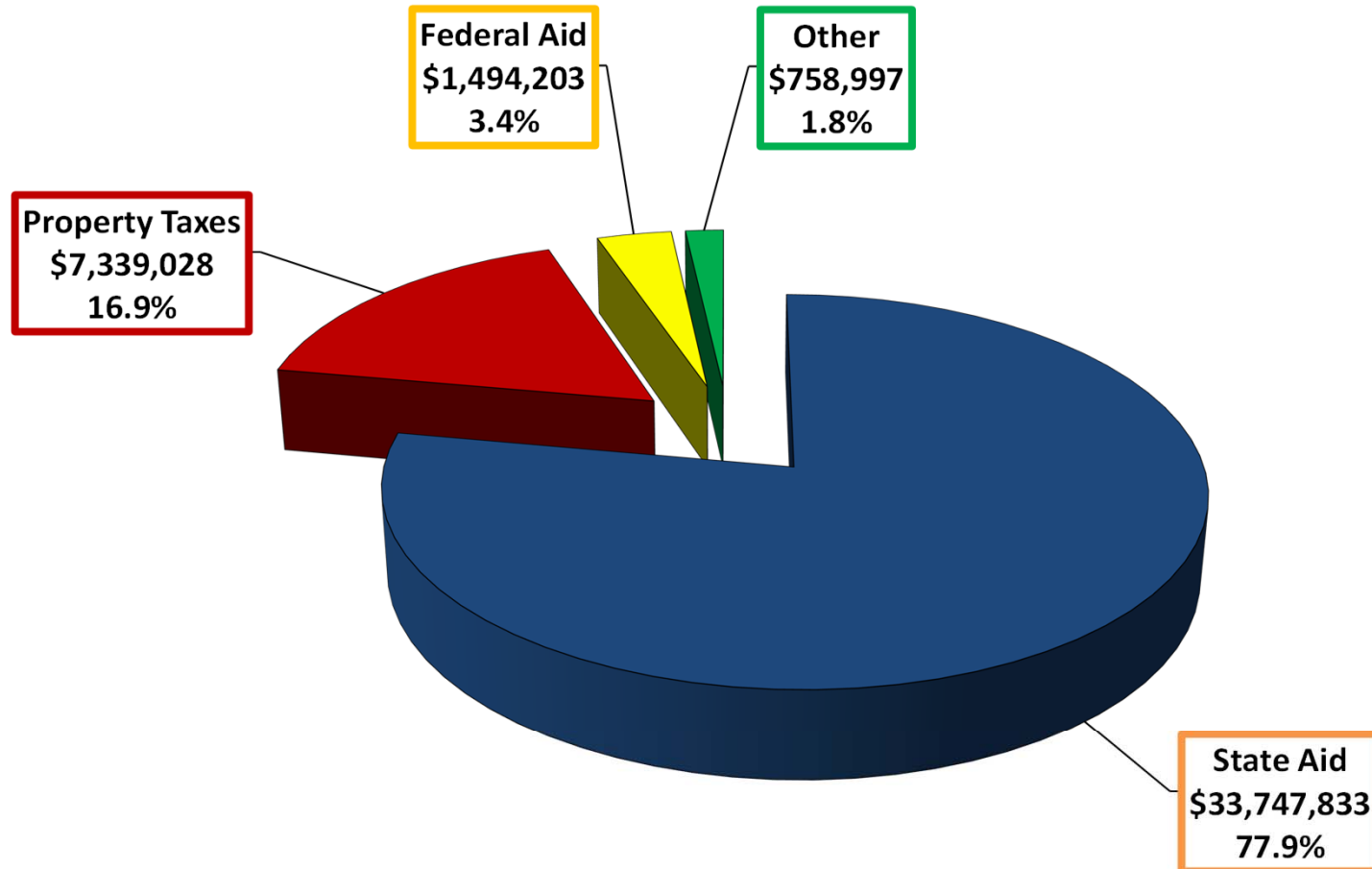
FUND	FISCAL 2016 BEGINNING FUND BALANCES	2015-16 ACTUAL REVENUES AND TRANSFERS IN	2015-16 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30,2016 ACTUAL FUND BALANCE	2016-17 BUDGET REVENUES AND TRANSFERS IN	2016-17 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30,2017 PROJECTED FUND BALANCE
General/Restricted	\$1,237,940	\$8,126,933	\$7,726,350	\$1,638,522	\$7,127,245	\$7,872,713	\$893,054
General/Other	9,905,942	36,064,296	35,064,224	10,906,014	36,212,816	36,615,185	10,503,645
Food Service	1,440,397	1,995,536	1,974,380	1,461,553	2,026,066	1,983,148	1,504,471
Community Service	56,810	2,321,808	2,104,015	274,604	2,314,555	2,245,817	343,342
Building Construction	7,395,951	24,365	5,844,533	1,575,783	-	1,575,783	-
Debt Service	27,728,061	4,638,657	31,470,615	896,103	4,493,656	4,482,003	907,756
Trust	14,987	198,262	194,143	19,105	240,000	240,000	19,105
Internal Service	248,788			322,403			322,403
OPEB* Revocable Trust	10,003,304	154,224	779,052	9,378,476	568,215	781,991	9,164,700
OPEB* Debt Service	126,021	774,519	754,998	145,542	759,676	749,423	155,795
Total All Funds	\$58,158,201	\$54,298,600	\$85,912,311	\$26,618,105	\$53,742,229	\$56,546,063	\$23,814,271

* Other Post-Employment Benefits

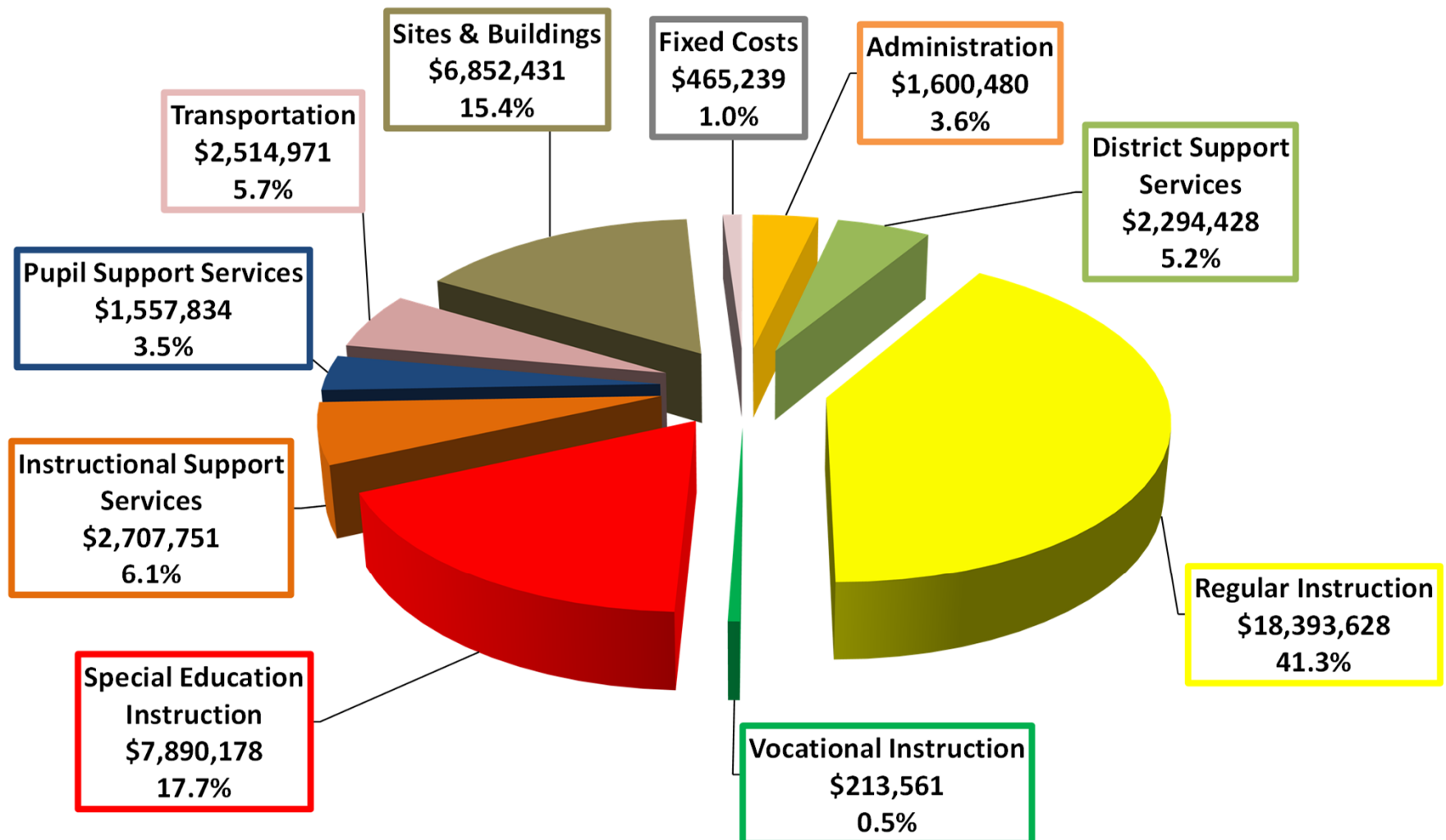
Inver Grove Heights Community Schools Revenue - All Funds 2016-17 Budget \$53,742,229



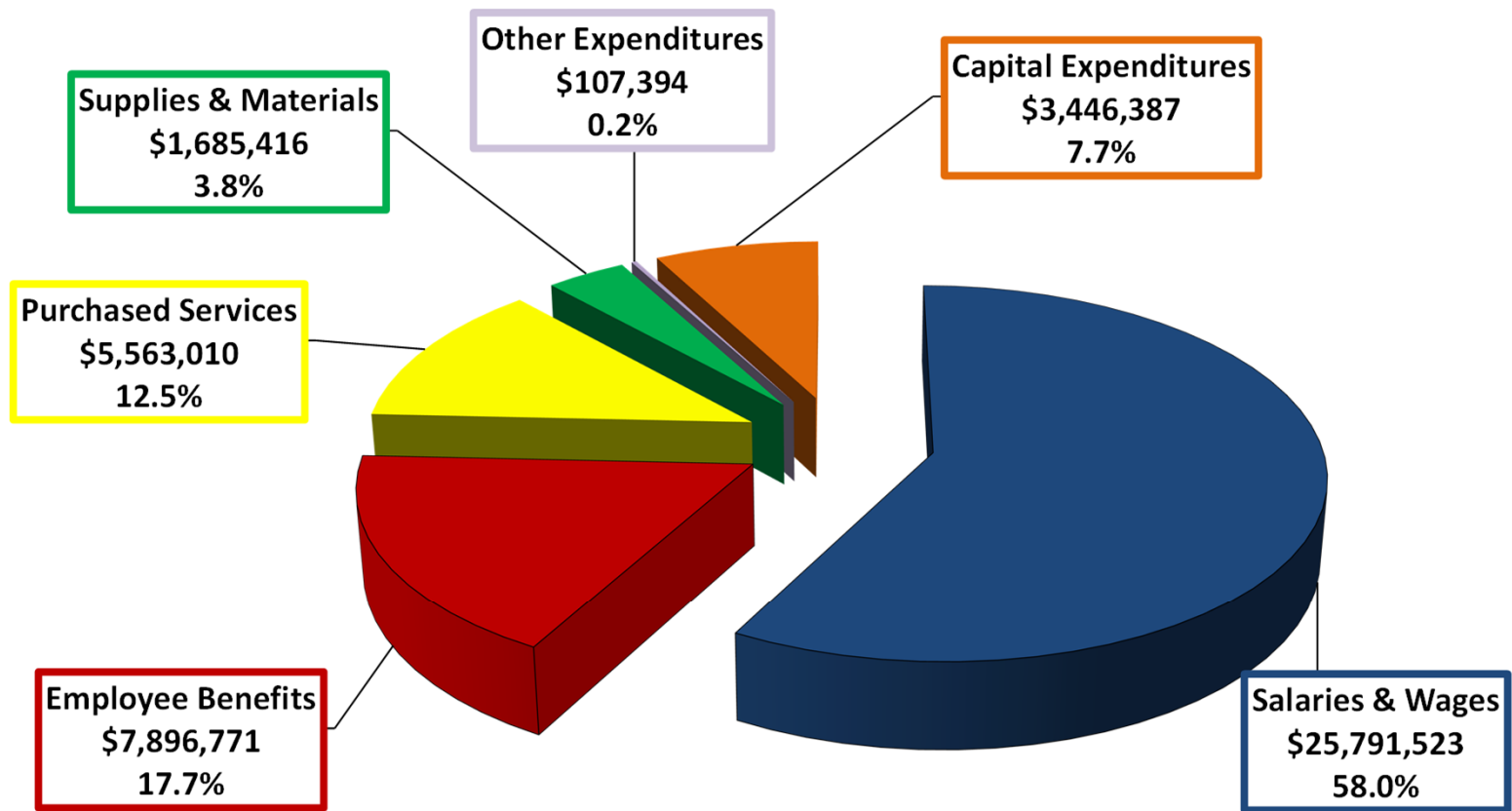
Inver Grove Heights Community Schools General Fund Revenue 2016-17 Budget \$43,340,061



Inver Grove Heights Community Schools General Fund Expenditures by Program 2016-17 Budget \$44,490,501



Inver Grove Heights Community Schools General Fund Expenditure by Object 2016-17 Budget \$44,490,501



Property Tax Background

- Every owner of taxable property pays property taxes for various “taxing jurisdictions” (county, city or township, school district, special districts) in which 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 over 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

Inver Grove Heights Community Schools

Comparison of Proposed Tax Levy Payable in 2017 to Actual Levy Payable in 2016

Fund	Levy Category	Actual Levy Payable in 2016	Proposed Levy Payable in 2017	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$1,862,151	\$1,931,289	\$69,138	
	Local Optional Revenue	1,780,546	1,790,637	10,091	
	Equity	635,947	633,638	(2,308)	
	Student Achievement	84,712	41,720	(42,992)	
	Operating Capital	431,703	335,424	(96,279)	
	Achievement and Integration	193,299	200,044	6,745	
	Long Term Facilities Maintenance	1,339,432	1,092,629	(246,803)	
	Safe Schools	197,372	200,180	2,808	
	Instructional Lease	754,424	625,158	(129,266)	
	Other	81,461	83,945	2,484	
	Levy Adjustments and Abatements	(22,016)	306,921	328,937	
	Total, General Fund	\$7,339,028	\$7,241,585	(\$97,443)	-1.3%
Community Service Fund					
	Basic Community Education	\$211,823	\$211,823	\$0	
	Early Childhood Family Education	95,987	97,627	1,640	
	School-Age Child Care	129,725	129,725	0	
	Other	3,104	2,252	(852)	
	Levy Adjustments and Abatements	29,861	9,635	(20,226)	
	Total, Community Service Fund	\$470,500	\$451,061	(\$19,439)	-4.1%
Debt Service Funds					
	Voter Approved Debt Service	\$4,113,257	\$4,182,190	\$68,933	
	LT Facility Maintenance Debt Service	452,033	475,177	23,144	
	Other Post Employment Benefits	786,894	787,831	937	
	Reduction for Debt Excess	(101,484)	(357,429)	(255,944)	
	Levy Adjustments and Abatements	2,633	21,413	18,781	
	Total, Debt Service Fund	\$5,253,332	\$5,109,183	(\$144,149)	-2.7%
Total Levy, All Funds		\$13,062,860	\$12,801,829	(\$261,031)	-2.0%
Subtotal by Truth in Taxation Categories					
	Voter Approved	\$5,883,956	\$5,875,094	(\$8,862)	
	Other	\$7,178,905	\$6,926,735	(\$252,170)	
	Total	\$13,062,860	\$12,801,829	(\$261,031)	-2.0%

Explanation of Levy Changes

- Category: Long Term Facilities Maintenance (LTFM)
- Change: -\$246,803
- Use of funds: Facilities Maintenance
- Reason for decrease
 - New category of revenue created by legislation in 2015; replaced previous health & safety (H&S) and deferred maintenance programs
 - Creates greater equity among districts in facilities maintenance funding
 - Revenue is provided on a per pupil basis through levies and state aid; phasing in over 3 years (\$193 for FY 2016-17 and \$292 for FY 2017-18)
 - ISD 199 did not receive any aid for previous H&S and deferred maintenance programs; receives about 20% of LTFM per pupil funding from state
 - Districts can also levy an additional amount for qualifying H&S projects
 - Increase in levy for phase in of per pupil LTFM funding is being offset by a reduction in additional levy for qualifying H&S projects

Explanation of Levy Changes

- Category: Instructional Lease
- Change: -\$129,266
- Use of funds: State-approved costs
- Reason for decrease
 - Amount is based on estimated cost of qualifying state-approved instructional lease costs

Explanation of Levy Changes

- Category: General Fund – Levy Adjustments and Abatements
- Change: +\$328,937
- Use of funds: Various purposes
- Reason for increase
 - Each year, initial levies are based on estimates of enrollment, values, and expenditures for future years
 - In later years, estimates are updated and levies are retroactively adjusted
 - 2017 levy includes positive adjustments in several categories of levies
 - Largest positive adjustment is \$275,861 for FY 2016-17 LTFM program costs

Explanation of Levy Changes

- Category: Reduction for Debt Excess
- Change: -\$255,944
- Use of funds: Payments on bonds
- Reason for decrease
 - Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
 - Since delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
 - Formulas in state law determine adjustments to tax levy for debt excess balances
 - State-required levy reduction for 2017 is more than 2016

Impact on Taxpayers

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

Impact on Taxpayers

Following are a table and graphs showing examples of changes in school district portion of property taxes from 2014 to 2017

- Examples include school district taxes only
- All examples are based on an 11.3% increase in property value over this period
 - Actual changes in value may be more or less than this for any parcel of property
 - 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

- Examples for property in City of Inver Grove Heights
 - For commercial-industrial property, school taxes in other parts of district may be slightly higher or lower, due to variations in impact of Fiscal Disparities Program
- Figures for 2017 are preliminary estimates, based on best data available now – final figures could change slightly
- Estimates were prepared by Ehlers (District's financial advisors)

Inver Grove Heights Community Schools

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 11.3% Cumulative Changes in Property Value from 2014 to 2017 Taxes

Type of Property	Estimated Market Value for 2014 Taxes	Actual Taxes Payable in 2014	Estimated Market Value for 2015 Taxes	Actual Taxes Payable in 2015	Estimated Market Value for 2016 Taxes	Actual Taxes Payable in 2016	Estimated Market Value for 2017 Taxes	Estimated Taxes Payable in 2017	Change in Taxes 2014 to 2017	Change in Taxes 2016 to 2017
Residential Homestead	\$89,879	\$344	\$94,373	\$381	\$98,619	\$350	\$100,000	\$346	2	(4)
	134,818	578	141,559	637	147,929	581	150,000	573	(5)	(8)
	179,757	812	188,745	892	197,239	813	200,000	799	(13)	(14)
	224,697	1,046	235,931	1,148	246,548	1,044	250,000	1,026	(20)	(18)
	292,106	1,397	306,711	1,531	320,513	1,391	325,000	1,365	(32)	(26)
	359,515	1,748	377,490	1,914	394,477	1,738	400,000	1,705	(43)	(33)
	426,924	2,095	448,270	2,287	468,442	2,071	475,000	2,029	(66)	(42)
	494,332	2,426	519,049	2,664	542,406	2,430	550,000	2,385	(41)	(45)
	561,741	2,808	589,829	3,087	616,371	2,812	625,000	2,758	(50)	(54)
	629,150	3,195	660,608	3,510	690,335	3,195	700,000	3,132	(63)	(63)
Commercial/Industrial #	\$89,879	\$422	\$94,373	\$457	\$98,619	\$421	\$100,000	\$404	(18)	(17)
	224,697	1,133	235,931	1,234	246,548	1,144	250,000	1,096	(37)	(48)
	449,393	2,422	471,863	2,630	493,097	2,432	500,000	2,323	(99)	(109)
	674,090	3,711	707,794	4,026	739,645	3,720	750,000	3,551	(160)	(169)
	898,786	5,000	943,726	5,421	986,193	5,008	1,000,000	4,778	(222)	(230)
Apartments (4 or more units)	\$224,697	\$1,290	\$235,931	\$1,409	\$246,548	\$1,276	\$250,000	\$1,246	(44)	(30)
	1,123,483	6,452	1,179,657	7,046	1,232,742	6,382	1,250,000	6,231	(221)	(151)
	1,797,573	10,323	1,887,451	11,274	1,972,387	10,211	2,000,000	9,969	(354)	(242)

Tax Rates					
Tax Capacity Rate	33.418	34.864	30.272	28.557	
Referendum Market Value Rate	0.15657	0.16150	0.13929	0.14151	

For commercial-industrial property, school taxes may be slightly different in other municipalities in the district, due to the varying impact of the Fiscal Disparities Program.

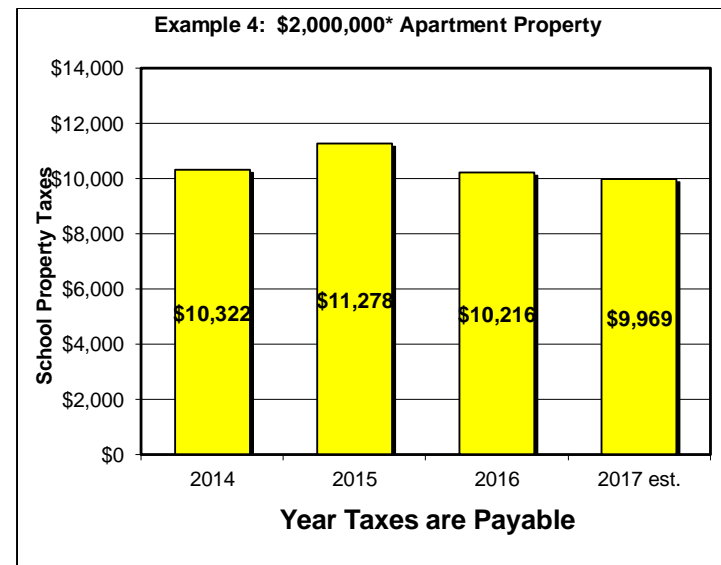
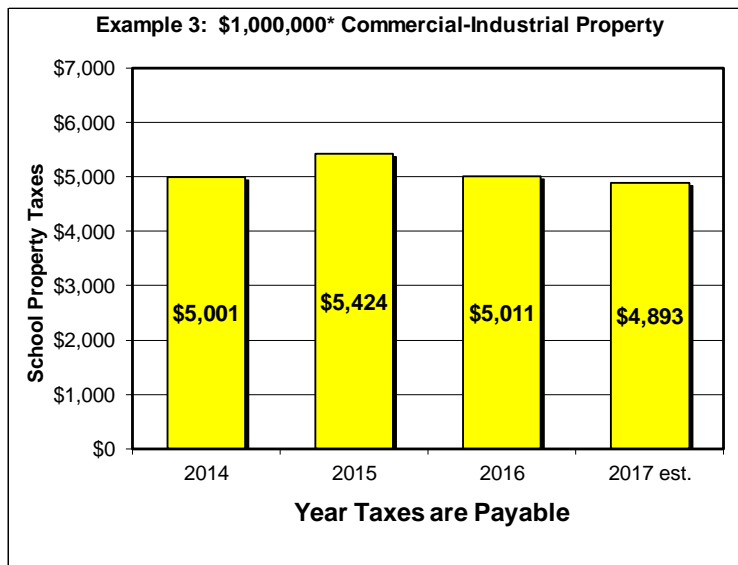
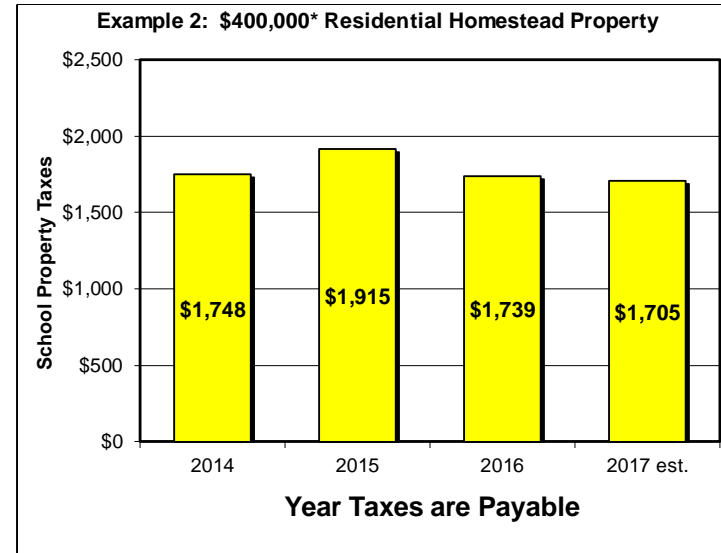
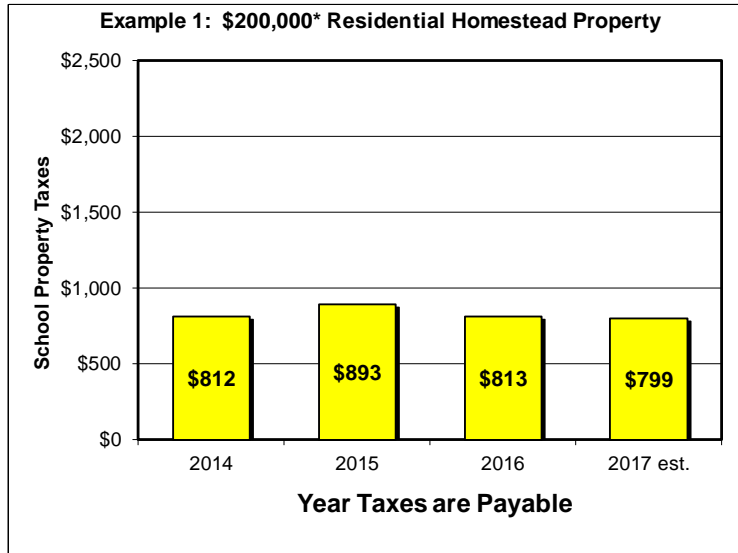
General Notes

1. The figures in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2017 are preliminary, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on changes in taxable market value of 5.0% from 2014 to 2015 taxes, 4.5% from 2015 to 2016, and 1.4% from 2016 to 2017.

Inver Grove Heights Community Schools

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 11.3% Cumulative Changes in Property Value from 2014 to 2017 Taxes



* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2017. Taxes are calculated based on changes in market value of 5.0% from 2014 to 2015 taxes, 4.5% from 2015 to 2016, and 1.4% from 2016 to 2017.

Next Steps

- School Board will accept public comments and questions on proposed levy
- School Board will certify 2017 property tax levy



Public Comments and Questions