

Willmar Public Schools, ISD #347  
Public Hearing for Taxes Payable in 2018



# WELCOME

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December 11, 2017

Presented by:

Pam Harrington

Director of Business and Finance

# Tax Hearing Presentation

## Public Meeting

- Must be held after November 25th and no later than December 28th at 6:00 PM or later
- May be part of regularly scheduled meeting and may adopt final levy at this meeting

# Tax Hearing Presentation

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 decreased
- And offer the public an opportunity to comment and ask questions

# Agenda for Hearing

- A. Background on School Funding, Property Tax Levies, and Budgets
- B. Information on District Budget
- C. Information on the District's Proposed Tax Levy for Taxes Payable in 2018
- D. 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
- **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 levy up to \$724 per pupil unit (\$300 board approved and \$424 in local optional revenue)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

# 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 or decrease in school taxes does not always correlate to an equal increase or decrease in the budget



# Contrast of City/County to School District Levy Cycle

- City/County - Budget Year is same as calendar year. The 2018 taxes provide revenue for the calendar year 2018 budget.
- Schools - Budget year begins July 1<sup>st</sup> and coincides with school year. The 2018 taxes provide revenue for the 2018-2019 school fiscal year. Budget will be adopted in June 2018.

# Budget Information

Because approval of the budget lags certification of the tax levy by six months, the state requires only current year budget information and prior year actual financial results to be presented at this hearing

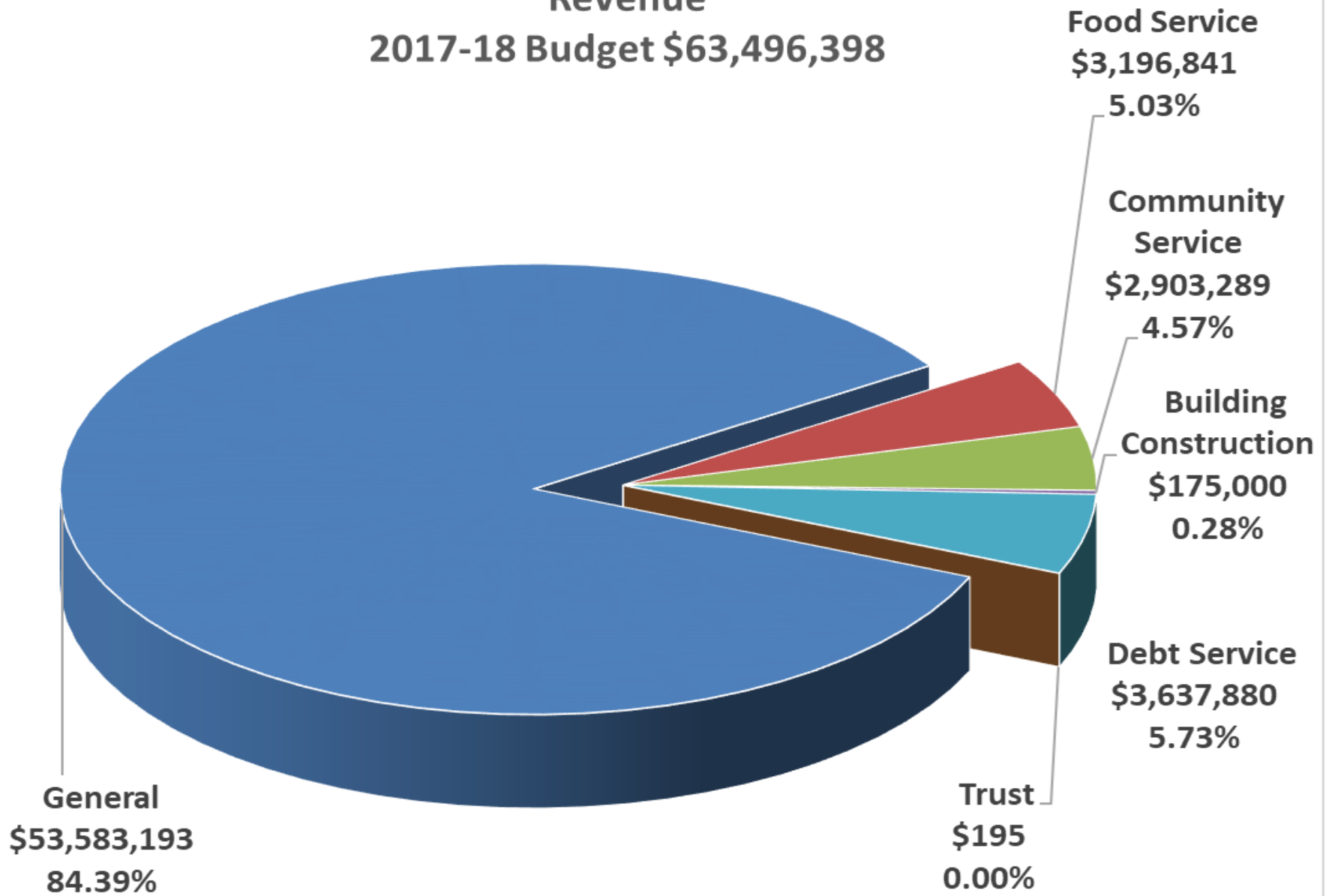
# Budget Information

- All school districts' budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 8 funds:
  - General
  - Food Service
  - Community Service
  - Building Construction
  - Debt Service
  - Trust
  - Internal Service
  - Agency – Integration Collaborative

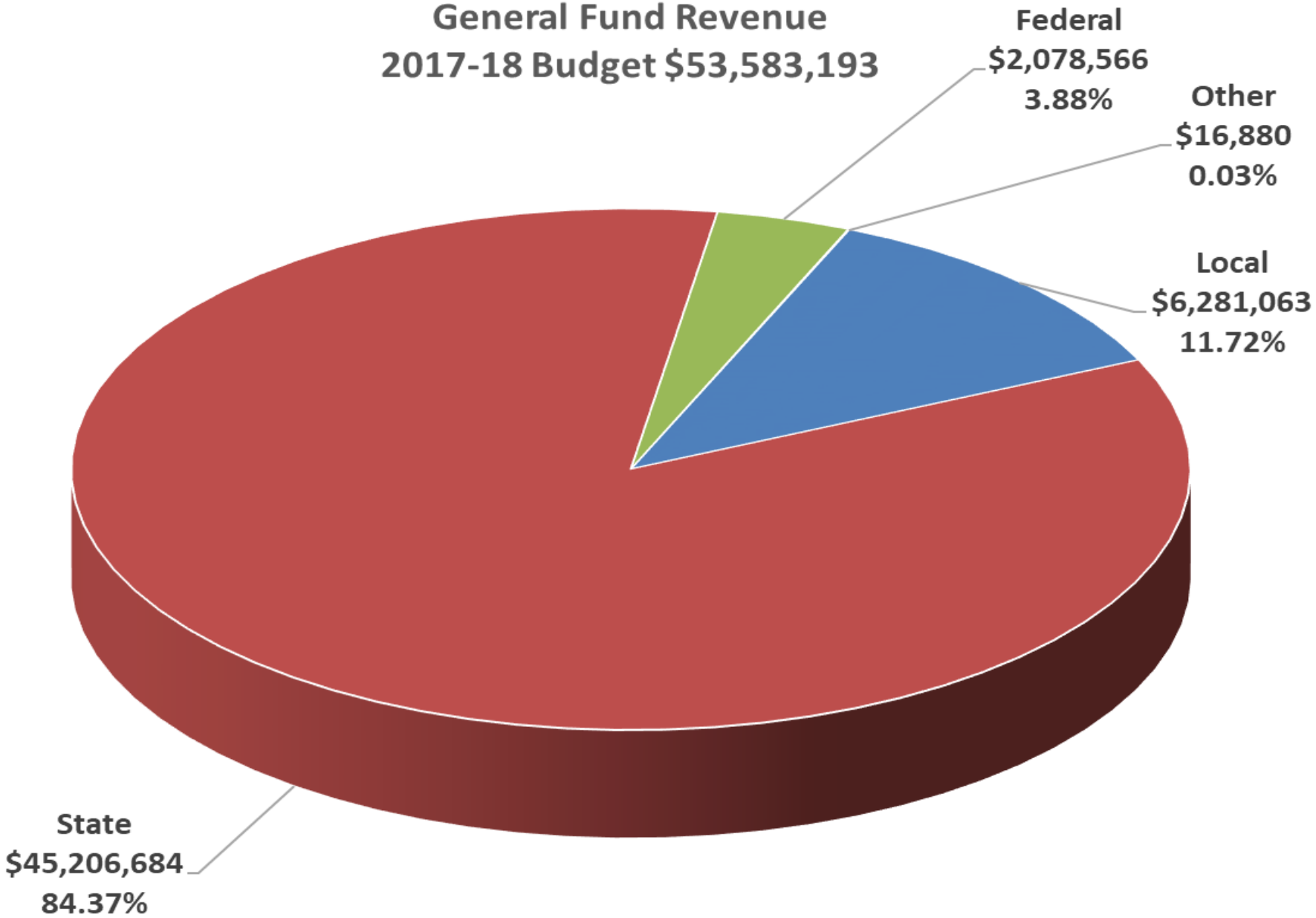
**Willmar Public Schools  
District Revenues and Expenditures  
Actual for FY 17, Budget for FY 18**

<b>FUND</b>	<b>FY 2017 BEGINNING FUND BALANCES</b>	<b>FY 2017 ACTUAL REVENUES AND TRANSFERS IN</b>	<b>FY 2017 ACTUAL EXPENDITURES AND TRANSFERS OUT</b>	<b>JUNE 30, 2017 ACTUAL FUND BALANCES</b>	<b>FY 2018 BUDGET REVENUES AND TRANSFERS IN</b>	<b>FY 2018 BUDGET EXPENDITURES AND TRANSFERS OUT</b>	<b>JUNE 30, 2018 PROJECTED FUND BALANCES</b>
<b>General/Restricted</b>	<b>\$212,870</b>	<b>\$13,414,265</b>	<b>\$12,630,135</b>	<b>\$997,000</b>	<b>\$13,856,594</b>	<b>\$14,098,402</b>	<b>\$755,192</b>
<b>General/Other</b>	<b>9,563,770</b>	<b>41,332,864</b>	<b>38,418,284</b>	<b>12,478,350</b>	<b>39,726,599</b>	<b>38,782,428</b>	<b>13,422,521</b>
<b>Food Service</b>	<b>1,172,684</b>	<b>3,305,427</b>	<b>3,106,942</b>	<b>1,371,169</b>	<b>3,196,841</b>	<b>3,569,107</b>	<b>998,903</b>
<b>Community Service</b>	<b>772,987</b>	<b>3,368,140</b>	<b>3,072,895</b>	<b>1,068,232</b>	<b>2,903,289</b>	<b>3,094,287</b>	<b>877,234</b>
<b>Building Construction</b>	<b>48,957,800</b>	<b>402,111</b>	<b>22,867,710</b>	<b>26,492,201</b>	<b>175,000</b>	<b>22,684,409</b>	<b>3,982,792</b>
<b>Debt Service</b>	<b>377,201</b>	<b>3,622,372</b>	<b>3,816,532</b>	<b>183,040</b>	<b>3,637,880</b>	<b>3,464,690</b>	<b>356,230</b>
<b>Trust</b>	<b>33,342</b>	<b>190</b>	<b>750</b>	<b>32,782</b>	<b>195</b>	<b>750</b>	<b>32,228</b>
<b>Internal Service</b>	<b>110,127</b>	<b>n/a</b>	<b>n/a</b>	<b>99,053</b>	<b>n/a</b>	<b>n/a</b>	<b>84,695</b>
<b>Total - All Funds</b>	<b>\$61,200,781</b>	<b>\$65,445,369</b>	<b>\$83,913,248</b>	<b>\$42,721,827</b>	<b>\$63,496,398</b>	<b>\$85,694,073</b>	<b>\$20,509,795</b>

**Willmar Public Schools  
Revenue  
2017-18 Budget \$63,496,398**

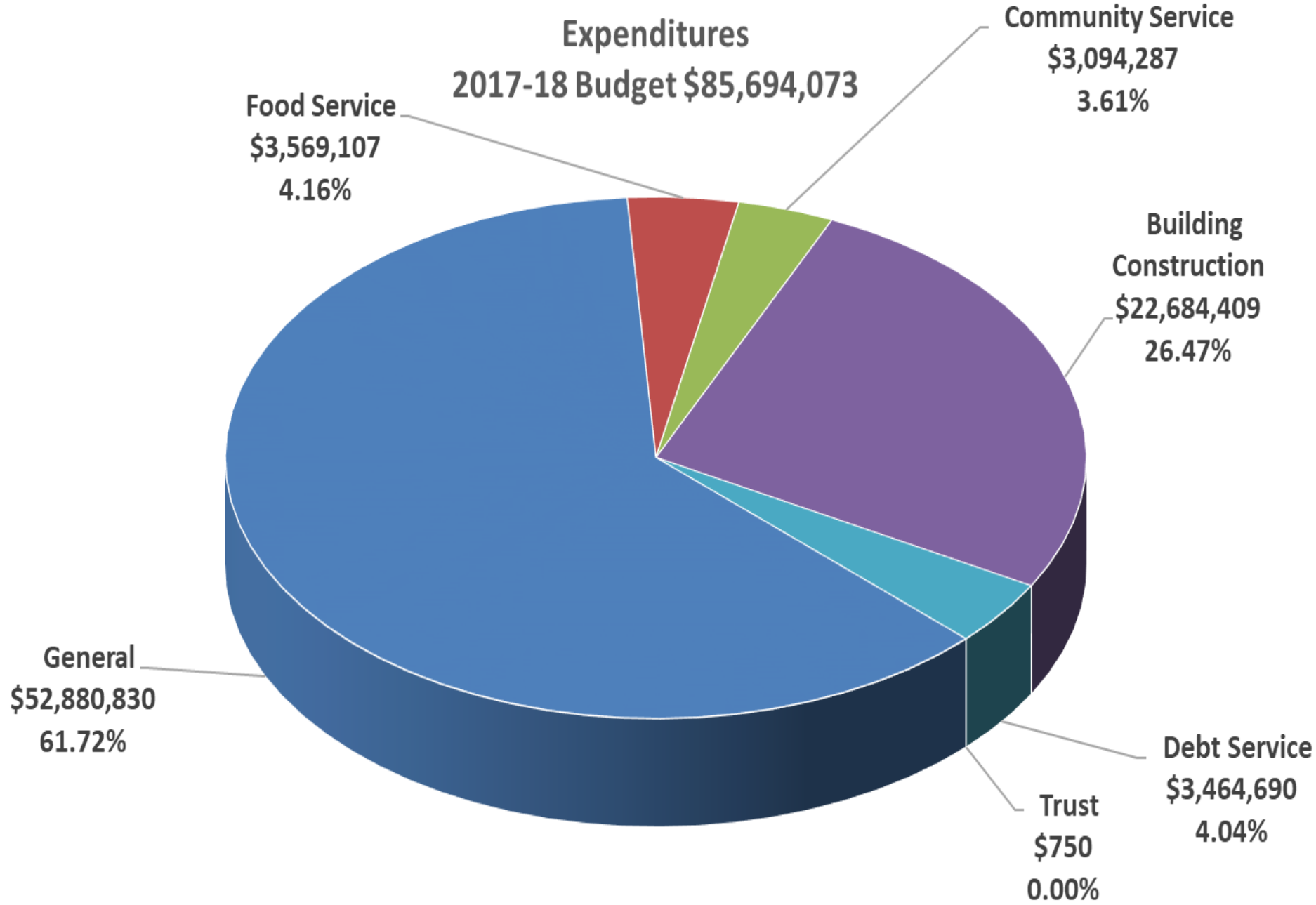


**Willmar Public Schools  
General Fund Revenue  
2017-18 Budget \$53,583,193**



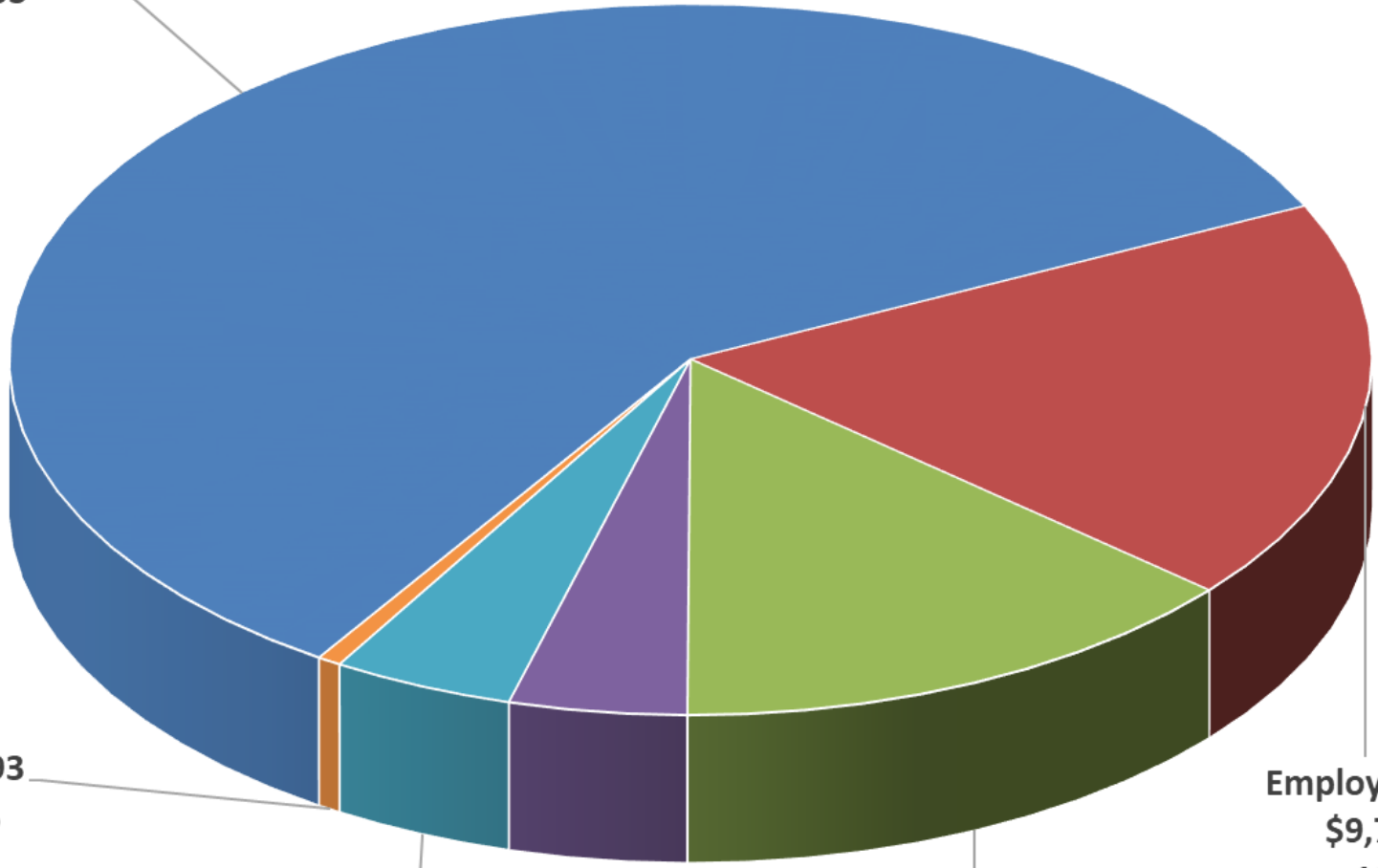
# Willmar Public Schools Expenditures

2017-18 Budget \$85,694,073



**Willmar Public Schools**  
**General Fund Expenditures by Object**  
**2017-18 Budget \$52,880,830**

**Salaries & Wages**  
**\$31,057,603**  
**58.73%**



**Other**  
**\$297,993**  
**0.56%**

**Capital Expenditures**  
**\$2,280,337**  
**4.31%**

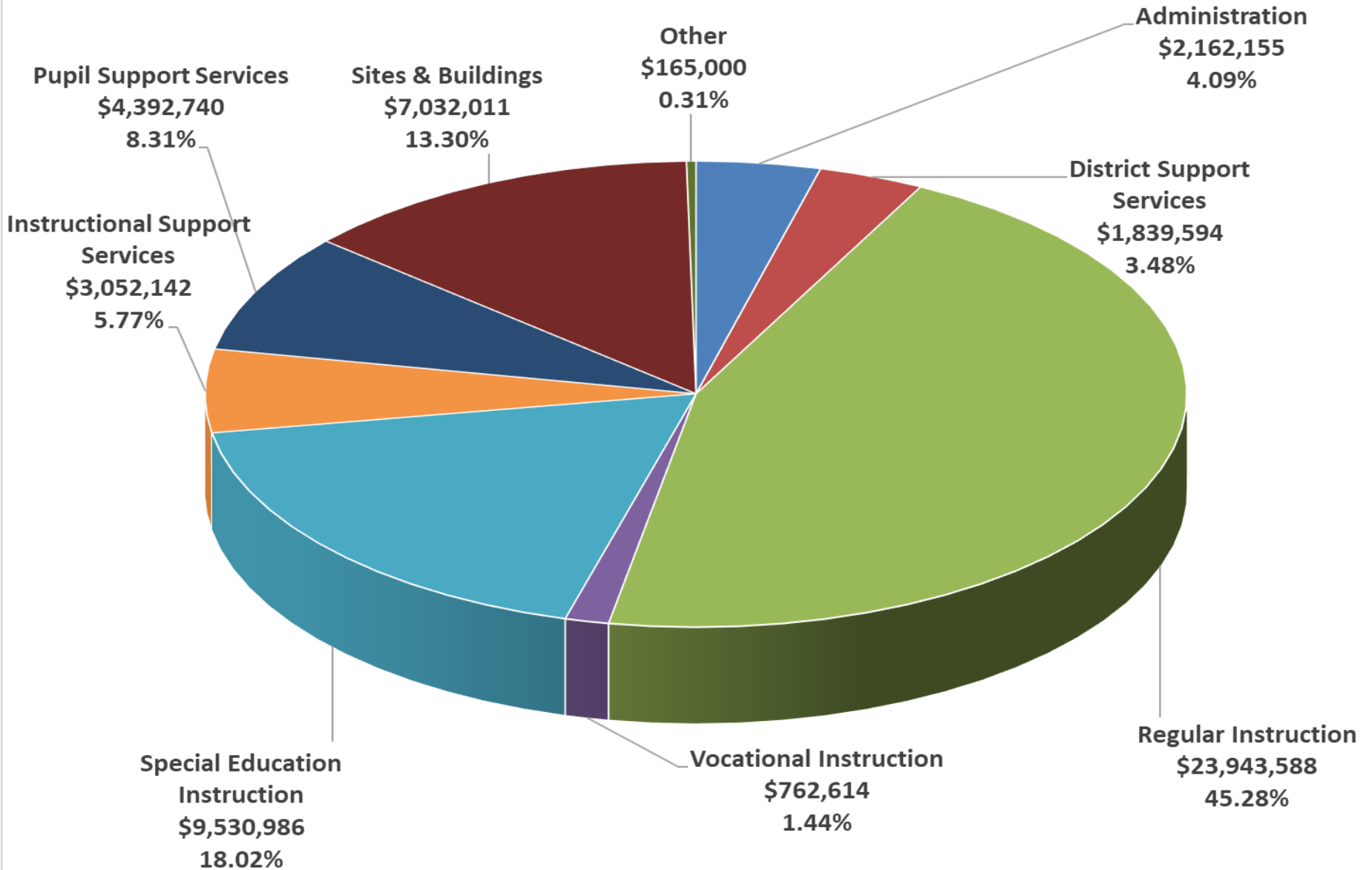
**Supplies and Materials**  
**\$2,230,017**  
**4.22%**

**Purchased Services**  
**\$7,310,546**  
**13.82%**

**Employee Benefits**  
**\$9,704,334**  
**18.36%**



**Willmar Public Schools**  
**General Fund Expenditures by Program**  
**2017-18 Budget \$52,880,830**



# 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

# Property Tax Background

## School District Property Taxes

- Key steps in the process are summarized on the next slide
- Any of these steps may affect the taxes on a parcel of property, but the district has control over only 1 of the 7 steps

## 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**.

# Proposed Levy Payable in 2018

## Schedule of events in approval of district's 2017 (Payable 2018) tax levy

- Mid-September: MN Department of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- September 25: School board approved proposed levy amounts
- Mid-November: County mailed "Proposed Property Tax Statements" to all property owners
- December 11: Public hearing on proposed levy at regular meeting
- December 11: Following hearing, school board will certify final levy amounts

# Overview of Proposed Levy Payable in 2018

- The total 2018 proposed property tax levy will decrease from 2017, by 7.61% or \$667,891
- Law requires that we explain the reasons for the major changes in the levy

# Willmar Public Schools

## Comparison of Proposed Tax Levy Payable in 2018 to Actual Levy Payable in 2017

Funding Levy Category	Actual Levy - FY 18	Proposed Levy - FY 19	FY 19	FY 19
	Payable in 2017	Payable in 2018	\$ Change	% Change
<b>General Fund</b>				
Voter Approved Referendum	\$634,456	\$641,207	\$6,752	
Local Optional Revenue	1,189,328	1,194,918	5,590	
Equity	432,379	428,854	(3,525)	
Student Achievement	34,523	0	(34,523)	
Operating Capital	282,566	229,628	(52,938)	
Achievement and Integration	264,501	281,150	16,649	
Long Term Facilities Maintenance	725,843	907,779	181,935	
Other	430,995	446,291	15,295	
Adjustments for Prior Years	740,619	(26,368)	(766,987)	
<b>Total General Fund</b>	<b>\$4,735,210</b>	<b>\$4,103,458</b>	<b>(\$631,752)</b>	<b>-13.34%</b>
<b>Community Service Fund</b>				
Basic Community Education	\$189,355	\$189,355	\$0	
Early Childhood Family Education	80,786	75,829	(4,957)	
School-Age Child Care	108,569	114,192	5,623	
Other	1,831	1,786	(45)	
Adjustments for Prior Years	27,204	(7,072)	(34,276)	
<b>Total Community Service Fund</b>	<b>\$407,745</b>	<b>\$374,090</b>	<b>(\$33,655)</b>	<b>-8.25%</b>
<b>Debt Service Fund</b>				
Voter Approved Debt Service	\$3,634,355	\$3,631,730	(\$2,625)	
Abatement Adjustments	(375)	(233)	141	
Reduction for Excess Fund Balance	0	0	0	
<b>Total Debt Service Fund</b>	<b>\$3,633,980</b>	<b>\$3,631,497</b>	<b>(\$2,484)</b>	<b>-0.07%</b>
<b>Total Levy, All Funds</b>	<b>\$8,776,936</b>	<b>\$8,109,045</b>	<b>(\$667,891)</b>	<b>-7.61%</b>



# Explanation of Levy Changes

- Category: Long Term Facility Maintenance
- Change: +\$181,935
- Reason for increase:
  - Third year of three year phase in.

# Explanation of Levy Changes

- Category: Adjustments for Prior Years
- Change: -\$766,987
- Reason for decrease:
  - Large one-time adjustments occurred in Payable 17 but are not in Payable 18 levy.
  - Health & Safety adjustment mainly due to FY 16 portion of sprinkler system added to the Middle School in order to be able to remodel and add science additions to the building.
  - LTFM adjustment mainly due to FY 17 portion of sprinkler system added to the Middle School in order to be able to remodel and add science additions to the building.

# Explanation of Levy Changes

- Category: Community Service Fund
- Change: -\$33,655
- Reason for decrease:
  - School-age child care is estimated and adjusted based on budgeted and actual numbers.

# Other Factors Causing Changes

- Many other 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

# 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)

## Next Steps

- Board will accept public comments and questions on proposed levy
- Board action to certify the 2018 school tax levy

# **Public Comments and Questions**