



Operating Referendum: Background Information and Trends

Greenbush-Middle River School District, ISD No. 2683



What is an Operating Referendum?

Election ballot question

Allows districts to generate additional general education revenue

Revenue provided through a combination of local property tax levies and state aid

Annual levy, no debt is issued

Revenue may be used for any operating or capital expenses (e.g. staff salaries/benefits, utilities, supplies, technology)



Current Referendum Provisions

- Authorized by voters as a specific dollar amount per pupil
- Can be a fixed amount or subject to annual inflationary adjustments
- Term must be no more than 10 years
- Revenue capped at \$1,779.50 per adjusted pupil unit for fiscal year 2020-21
 - ✓ Cap adjusted annually for inflation
 - ✓ No cap for districts which qualify for sparsity revenue
 - ✓ Some districts have a higher “grandfathered” limit



Current Referendum Provisions

- One operating referendum election per year
 - ✓ *Exception for districts in statutory operating debt (SOD)*
- Vote can only occur on the November general election day, unless held by mail
 - ✓ *Districts in SOD can vote on any of the five statutorily defined election dates*
- Election held either one or two years prior to initial tax year
- Notices must be sent to all taxpayers:
 - ✓ By mail
 - ✓ Content specified by law



Current Referendum Provisions

- Operating referendum property tax levies spread on Referendum Market Value (RMV)
 - ✓ Referendum property taxes are not levied on
 - Seasonal recreational property (cabins)
 - Agricultural land and buildings (only levied on house, garage and 1 acre)
 - ✓ Almost all other property pays same tax per dollar of market value
- Operating referendum revenue amounts can qualify for state equalization aid
- State aid portion of referendum revenue dependent on district's RMV per resident pupil



Tax Base by Property Type

School District: Greenbush-Middle (ISD # 2683)

Assessment Year 2018 Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value	Percent of Total	Net Tax Capacity*	Percent of Total
Totals	405,110,234	100.0%	110,864,811	100.0%	3,042,825	
Residential Homestead	51,403,387	12.7%	50,973,732	46.0%	375,682	12.3%
Other Residential	12,119,220	3.0%	12,119,220	10.9%	125,906	4.1%
Commercial / Industrial	14,768,900	3.6%	14,768,900	13.3%	257,479	8.5%
Non Qualifying Agricultural	33,479,164	8.3%	32,883,659	29.7%	244,163	8.0%
Qualifying Agriculture	286,998,563	70.8%	-	0.0%	1,976,185	64.9%
Seasonal Recreational	6,341,000	1.6%	119,300	0.1%	63,410	2.1%



Two Tiers for Aid

1st Tier

- Equalized at highest level up to \$460 per pupil
 - Many districts qualify for first tier aid
 - For ISD #2683, 45% of FY 2021-22 revenue is state aid

2nd Tier

- Equalized at a lesser degree above \$460
 - ISD #2683 does not qualify for aid for FY 2021-22



Other Factors Impacting Allowances

- All districts qualify for up to \$724 per pupil unit of Local Optional Revenue (LOR)
 - ✓ Approved by School Board as part of annual levy process (no separate resolution or voter approval required)
 - ✓ Two tiers of equalization
 - Greenbush-Middle River qualifies for 65% aid in Tier 1 (1st \$300 per pupil) and 39% in Tier 2
 - ✓ \$424 per pupil of referendum authorities approved before 2014 is converted to LOR
 - ✓ \$300 per pupil of referendum authorities approved before 2019 is converted to LOR



Referendum Authority Conversion - ISD 2683

- Amount voters approved in 2015: \$806.05
- Estimated Fiscal Year 2020-21 allowance: \$506.05
- How did we get this?
 - ✓ Original voter-approved amount : \$806.05
 - ✓ District LOR (2019 Legislative change): \$300
 - ✓ Net adjusted referendum allowance: \$506.05
 - $(\$806.05 - \$300.00 = \$506.05)$



Referendum Trends

- Number of districts relying on operating referendum revenue has increased
 - ✓ In 1993, only 65% of districts had referendum authority
 - ✓ For Fiscal Year 2019-20, almost 100% of districts receive referendum revenue
 - 5 districts accept a portion of local optional revenue, averaging approximately \$415 per pupil



Referendum Trends

- Average referendum authority per pupil has increased
 - ✓ In 1993, average referendum authority was \$332 per pupil
 - ✓ For Fiscal Year 2019-20, average referendum plus local optional revenue authority is \$1,468 per pupil
 - Equal to roughly 22% of general education formula allowance
 - Of this amount, \$1,053 is board approved or voter approved operating referendum, and \$415 is Local Optional Revenue





Growing Reliance on Referendums

Since 2002-03, state General Education Revenue formula has not kept pace with inflation

If allowance increased with inflation each year, it would be \$639 higher, or \$7,206 for Fiscal Year 2020-21

2019-20 / 2020-21

2002-03

2020-21

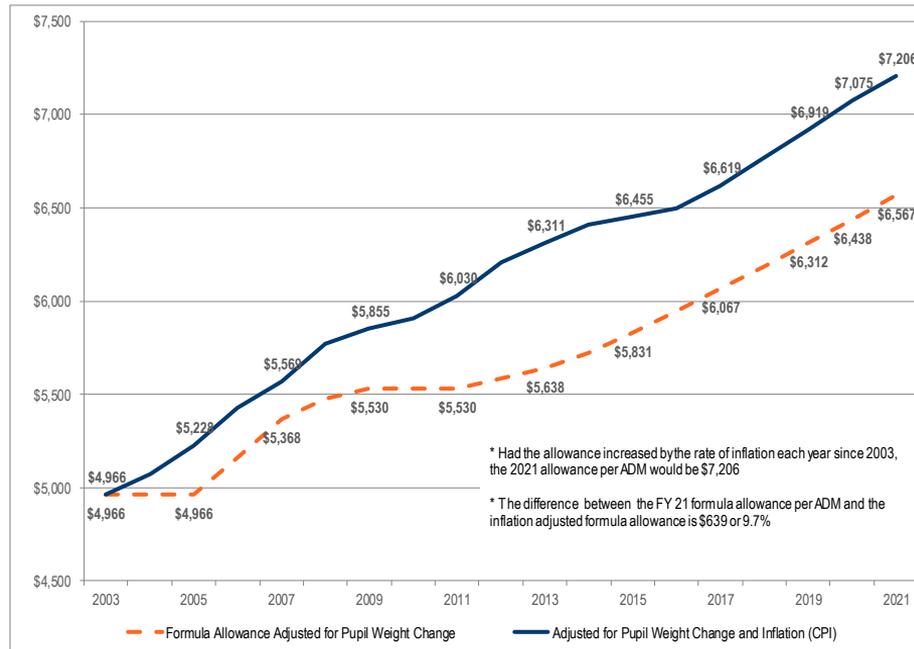
Legislature approved 2% increase per year for Fiscal Years 2020 and 2021

\$126 per pupil for FY2019-20
An additional \$129 for FY 2020-21



Growing Reliance on Referendums

General Education Formula Allowance, 2003-2021
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE August 2019 Inflation Estimates



Growing Reliance on Referendums

- Other funding sources (e.g., special education) also have not kept pace with inflation
- Only options for districts to bridge the funding gap are to cut budgets or increase referendum revenue; most districts have done both



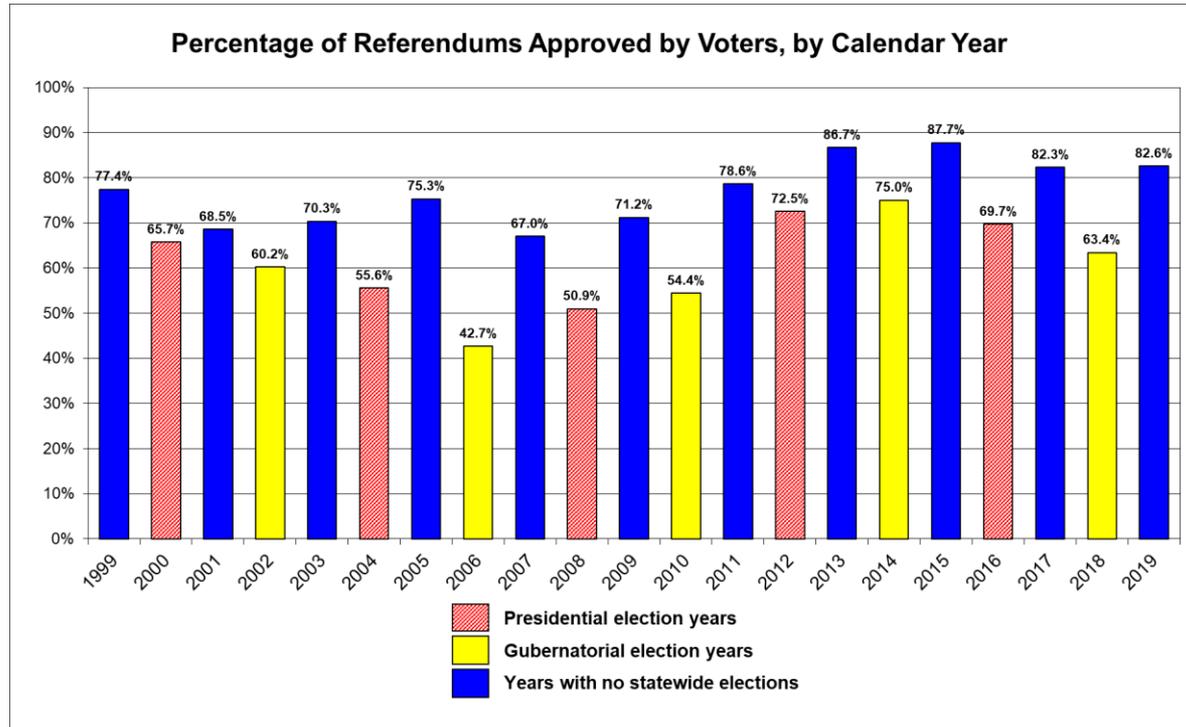


Election Trends

- Approval rates are typically higher in odd-numbered years (no statewide elections) and lowest in presidential election years
- In total, over the past 25 years, voters have approved 69% of elections
- Ballot questions to renew expiring authority have a much higher approval rate
 - ✓ 100% of referendum renewals held between 2014 and 2019 were approved



Election Trends





Timeline Information

- By August 21 – Board adopt the resolution calling for the special election
- By August 21 – Notify the Commissioner of Education and the County Auditor of each county within the district of the date of and the number of questions for the election
- By September 18 – Have absentee ballots available
- Between October 4 and October 19 – Mail the required referendum notice to each taxpayer in the district
- By October 23 – Post the Notice of Special Election at the administrative offices of the district
- November 3 – Election Day



District Specific Information

- Existing Authority is \$506.05 per pupil
 - ✓ Expires after FY 2021-22
- Options
 - ✓ Revoke existing referendum and replace with higher authority, effective for taxes payable 2021, FY 2021-22
 - ✓ 2 Questions:
 - Renew existing authority (effective for FY 2022-23) with a second question authorizing additional authority (effective either FY 2021-22 or FY 2022-23)
 - ✓ Increase authority by the rate of inflation each year
 - ✓ Expiration after 10 years (can go up to 10 years)
 - Consider synchronizing expiration for two question option



Tax Impact

Options			
Additional Revenue/Pupil Unit		\$200.00	\$500.00
Est. Net Increase in Revenue		\$55,280	\$138,200
Type of Property	Estimated Market Value	Estimated Taxes for Referendum Only* Taxes Payable in 2021	
	\$50,000	\$23	\$57
	75,000	34	86
	100,000	46	115
	150,000	69	172
	200,000	92	230
Residential	225,000	103	259
Homesteads,	250,000	115	287
Apartments,	275,000	126	316
and Commercial-	300,000	138	345
Industrial Property	325,000	149	374
	350,000	161	402
	375,000	172	431
	400,000	184	460
	450,000	207	517
	500,000	230	575



State Property Tax Refunds & Deferral

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- Programs may reduce net tax burden for local taxpayers, when property owners complete and submit forms
- For help with forms and instructions
 - ✓ Consult your tax professional, or
 - ✓ Visit the Department of Revenue web site at www.revenue.state.mn.us



State Property Tax Refunds & Deferral

Homestead Credit Refund

- Available for all homestead property, both residential and agricultural (house, garage and one acre (HGA) only)
- Refund is sliding scale, based on total property taxes and income (maximum refund is \$2,820 for homeowners and \$2,190 for renters)

Special Property Tax Refund

- Available for all homestead property, both residential and agricultural (HGA only) with a gross tax increase of at least 12% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 12% or \$100 (max \$1,000)

Senior Citizen Property Tax Defferal

- Allows people 65 years of age or older with household income of \$60,000 or less to defer a portion of property taxes on their home
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies



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July 9, 2020

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Greenbush-Middle River School District, ISD 2683

Analysis of Tax Impact for Potential Referendum Levy

July 8, 2020

Options		\$200.00	\$500.00	\$625.00	\$725.00	\$900.00	\$1,275.00
Additional Revenue/Pupil Unit		\$55,280	\$138,200	\$172,750	\$200,390	\$248,760	\$352,410
Est. Net Increase in Revenue							
Type of Property	Estimated Market Value	Estimated Taxes for Referendum Only* Taxes Payable in 2021					
	\$50,000	\$23	\$57	\$72	\$83	\$103	\$147
	75,000	34	86	108	125	155	220
	100,000	46	115	144	167	207	293
	150,000	69	172	216	250	310	440
	200,000	92	230	287	333	414	586
Residential	225,000	103	259	323	375	466	660
Homesteads,	250,000	115	287	359	417	517	733
Apartments,	275,000	126	316	395	458	569	806
and Commercial-	300,000	138	345	431	500	621	880
Industrial Property	325,000	149	374	467	542	673	953
	350,000	161	402	503	584	724	1,026
	375,000	172	431	539	625	776	1,100
	400,000	184	460	575	667	828	1,173
	450,000	207	517	647	750	931	1,319
	500,000	230	575	719	834	1,035	1,466

* The amounts in the table are based on school district taxes for the referendum levy only, and do not include tax levies for other purposes. Tax increases shown above are gross increases, not including the impact of the Minnesota Homestead Credit Refund ("Circuit Breaker") program. Many owners of homestead property will qualify for a refund, based on their income and total property taxes. This will decrease the net effect of the referendum levy for many property owners.

NOTE: Agricultural property will pay taxes for the proposed referendum based only on the value of the house, garage and one acre. Seasonal recreational residential property (i.e., cabins) will pay no taxes for the proposed referendum.



Greenbush-Middle River School District, ISD 2683

Analysis of Tax Impact for Potential Referendum Levy

June 19, 2020

Year Taxes are Payable	2021	2021	NET CHANGE
	Revoked Authority	Proposed Authority	
Additional Revenue/Pupil Unit	-\$506.05	\$1,406.05	\$900.00
Est. Net Change in Revenue	-\$139,872	\$388,632	\$248,760

Type of Property	Estimated Market Value	Estimated Taxes for Referendum Levy Only*		
	\$50,000	-\$34	\$138	\$104
	75,000	-52	207	155
	100,000	-69	276	207
	125,000	-86	345	259
	150,000	-103	414	311
Residential	175,000	-120	482	362
Homesteads,	200,000	-138	551	413
Apartments,	225,000	-155	620	465
and Commercial-	250,000	-172	689	517
Industrial Property	275,000	-189	758	569
	300,000	-206	827	621
	325,000	-223	896	673
	350,000	-241	965	724
	375,000	-258	1,034	776
	400,000	-275	1,103	828
	425,000	-292	1,172	880
	450,000	-309	1,241	932
	475,000	-327	1,310	983
	500,000	-344	1,379	1,035
	550,000	-378	1,516	1,138

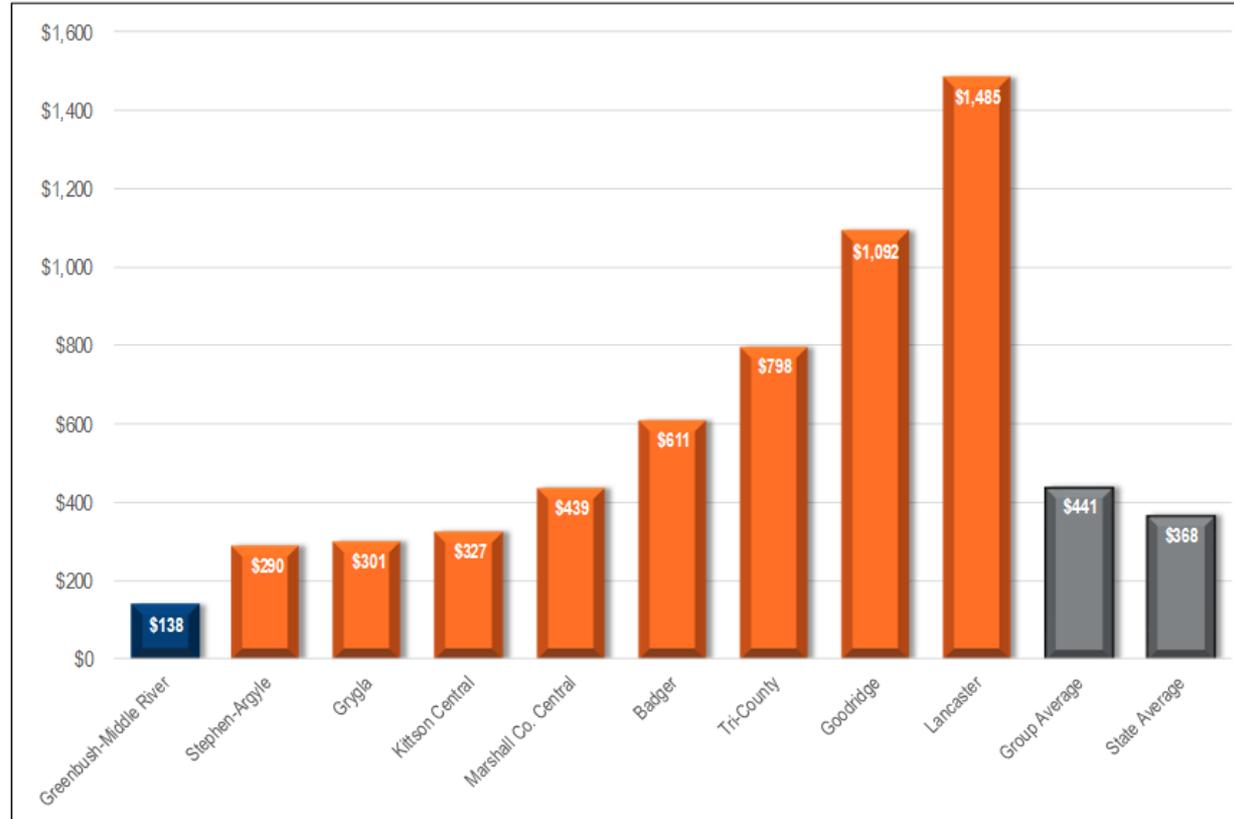
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Greenbush-Middle River School District

Total School Property Taxes, Payable 2020, on a Home with an Estimated Market Value of \$100,000



Source: Pay 20 School Tax Report

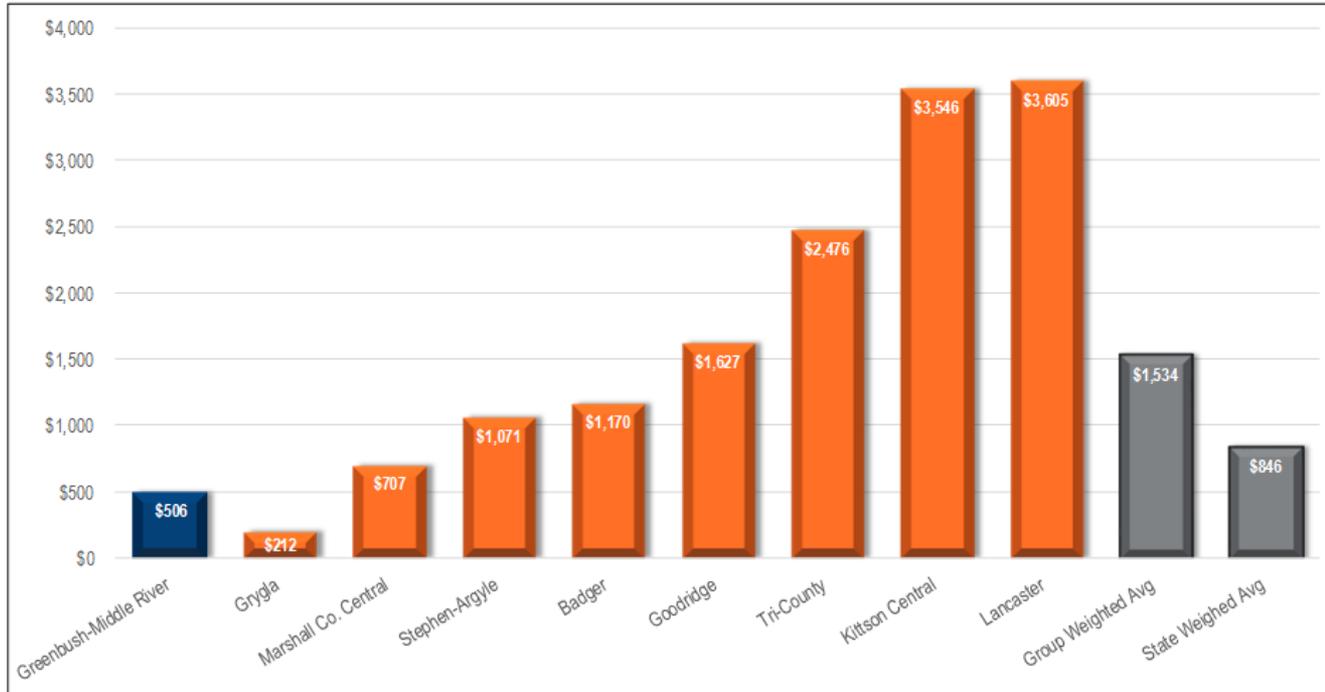
July 9, 2020 Board Work Session



Greenbush-Middle River School District

Voter Approved Referendum Authority Per Pupil Unit FY 20-21 (Excludes Local Optional Revenue)

Group Average	\$	1,534.01
Greenbush-Middle River	\$	506.05
Variance	\$	(1,027.96)



Source: MDE Operating Referendum Phaseout January 2020