

***2015 PAY 2016  
TRUTH IN TAXATION HEARING  
Albany Area Schools***

*7:00 P.M.  
DECEMBER 2, 2015*

*Board Room  
Albany District Office  
Albany MN 56307*

*For the School Year:  
July 1, 2016 – June 30, 2017*

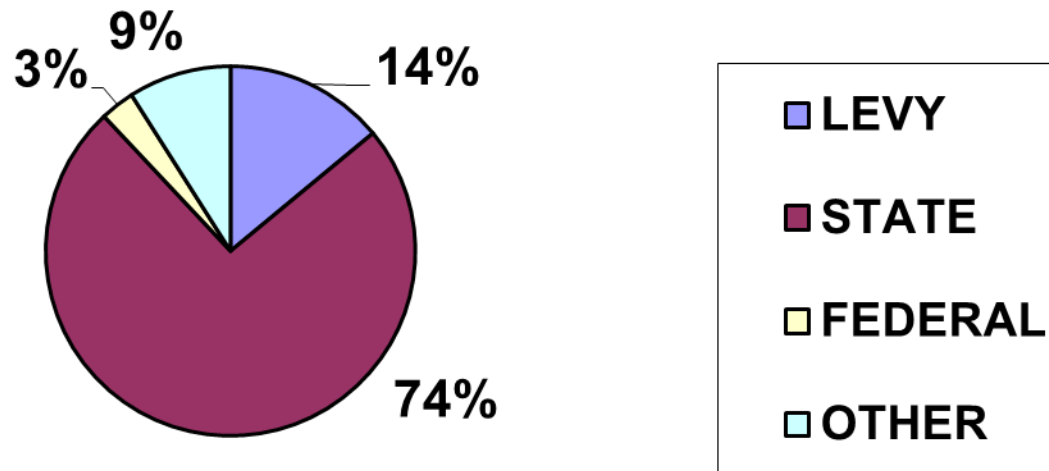
# Truth in Taxation

- School district revenue sources
- Audited revenues and expenditures 2014-15
- Budgeted revenue & expenditures 2015-16
- Enrollment history and projections
- Levy basics
- Levy detail 14 Pay 15 and 15 Pay 16
- Property tax rate
- Impact of rate change

# ALBANY AREA SCHOOLS

## Revenues

### 2014-2015 REVENUE SOURCE



## 2015-2016 Budget Review Revenues

REVENUES:	AUDITED 2014-2015	BUDGETED 2015-2016	% CHANGE
General Fund	15,946,489	17,093,959	1,147,470 7.19%
Food Service	1,051,852	1,027,810	-24,042 -2.20%
Community Service	892,038	846,197	-45,841 -5.10%
Building Construction			
Debt Service	1,673,897	1,701,311	27,414 1.60%
<b>TOTAL REVENUE</b>	<b>19,564,276</b>	<b>20,669,277</b>	<b>1,105,001</b> <b>5.60%</b>

## 2015-2016 Budget Review Expenditures

<b>EXPENSES:</b>	<b>AUDITED 2014-2015</b>	<b>BUDGETED 2015-2016</b>	<b>% CHANGE</b>
General Fund	16,369,005	17,306,932	937,927 5.7%
Food Service	1,001,536	1,048,177	46,641 4.7%
Community Service	798,184	840,500	42,316 5.3%
Building Construction			
Debt Service	1,666,368	1,683,138	16,770 1%
<b>TOTAL EXPENSE</b>	<b>19,835,093</b>	<b>20,878,747</b>	<b>1,043,654 5.3%</b>

# General Fund Budget by Objective of Expenditure

	AUDITED 2014-2015	BUDGETED 2015-2016
WAGES & SALARIES Percent of Total	10,643,015 65.0%	11,065,203 63.9%
EMPLOYEE BENEFITS Percent of Total	2,680,223 16.4%	2,817,625 16.3%
<b>TOTAL EMPLOYEE COSTS</b> <b>Percent of Total</b>	<b>13,323,238</b> <b>81.0%</b>	<b>13,882,828</b> <b>80.2%</b>
CONTRACTED SERVICES Percent of Total	1,646,709 10.1%	1,812,858 10.5%
SUPPLIES Percent of Total	563,137 3.4%	1,037,760 6.0%
CAPITAL EXPENDITURES Percent of Total	741,364 4.5%	483,093 2.8%
OTHER EXPENSES Percent of Total	94,556 0.6%	90,393 0.5%
<b>TOTAL</b>	<b>16,369,004</b>	<b>17,306,932</b>

# Types of Fund Balances

- Non-Spendable – Prepaid & inventory
- Restricted – Legislative requirement
- Committed – School Board determination
- Assigned – Designated for a particular purpose
- Unassigned – Not classified above

# Fund Balance History

## GENERAL FUND

YEAR	TOTAL FUND BALANCE	UNDESIGNATED/ UNRESERVED	PERCENT OF EXPENDITURES
2004-05	544,253	469,071	4.33%
2005-06	274,722	135,701	1.22%
2006-07	832,876	658,233	6.01%
2007-08	1,691,293	1,415,923	12.64%
2008-09	2,490,493	2,145,521	20.47%
2009-10	2,560,516	2,255,701	19.46%
2010-11	3,049,889	2,566,400	23.59%
		UNASSIGNED	
2011-12	3,514,331	2,740,701	26.56%
2012-13	3,903,730	2,869,430	28.20%
2013-14	3,495,185	2,307,781	23.07%
2014-15	3,072,670	1,917,775	11.72%

Recommendations: Albany Policy 1 month of operating expenditures=\$**1,364,084**  
 FY15, Auditors 10%, MDE 12% - 20%



# PUPIL UNIT WEIGHTING

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		\$5,174	\$5,224	\$5,302	\$5,831	\$5,948	\$6,067
<b>GEN ED AID</b>							
<b>PUPIL UNITS</b>							
Kindergarten	0.625	3,233.75	3,265.00	3,313.75			
1-3	1.115	5,769.01	5,824.76	5,911.73			
4-6	1.060	5,484.44	5,537.44	5,620.12			
7-12	1.300	6,726.20	6,791.20	6,892.60			
Kindergarten	1.000				5,831.00	5,948.00	6,067.00
1-3	1.000				5,831.00	5,948.00	6,067.00
4-6	1.000				5,831.00	5,948.00	6,067.00
7-12	1.200				6,997.20	7,137.60	7,280.35

# **ENROLLMENT:**

## **Foundation for Finances**

<b>GRADE</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>PROJECTED</b>
	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
<b>Pre-K</b>	16	19	24	24	21	22	21
<b>HK</b>	18	15	21	30	25	30	29
<b>K</b>	102	98	85	105	113	111	110
<b>01-03</b>	362	363	355	363	360	381	411
<b>04-06</b>	354	369	375	362	367	363	357
<b>07-12</b>	763	784	788	811	812	791	801
<b>Total</b>	<b>1615</b>	<b>1648</b>	<b>1648</b>	<b>1695</b>	<b>1698</b>	<b>1698</b>	<b>1729</b>

# Revenue Change Due To Enrollment

			ACTUAL 2013-2014	ACTUAL 2014-2015	PROJECTED 2015-2016	PROJECTED 2016-2017
<b>ENROLLMENT</b>			<b>1,698</b>	<b>1,698</b>	<b>1,729</b>	<b>1,735</b>
	<b>Weighting:</b>					
	<b>2008-2014</b>	<b>2015+</b>				
Pre-K	1.25	1.00	26.96	21.81	21.00	22.00
HK	1.0	1.00	25.03	30.10	29.00	25.00
Kindergarten	0.612	1.00	68.93	110.75	110.00	112.00
Grades 1 - 3	1.115	1.00	402.01	381.12	411.00	400.00
Grades 4 - 6	1.06	1.00	388.92	363.37	357.00	364.00
Grades 7 - 12	1.3	1.20	1,055.34	948.68	961.20	974.40
<b>TOTAL</b>			<b>1,967.19</b>	<b>1,855.83</b>	<b>1,889.20</b>	<b>1,897.40</b>
Enrollment Change			3.05	0.00	31.00	6.00
Pupil Unit Change			(0.15)	(111.36)	33.37	8.20
General Ed Aid Revenue Per PU			\$5,302	\$5,831	\$5,948	\$6,067
General Ed Revenue			10,430,041	10,821,345	11,236,962	11,511,526
<b>Revenue Increase</b>			<b>\$152,657</b>	<b>\$391,304</b>	<b>\$415,616</b>	<b>\$274,564</b>

# **Per Pupil Funding Comparison**

## **Comparison to State Averages (ppu)**

**General Ed Ranking 2014-15 = 326/330**

**General Ed Ranking 2015-16 = 312/331**

**Total Revenue Ranking 2014-15 = 304/330**

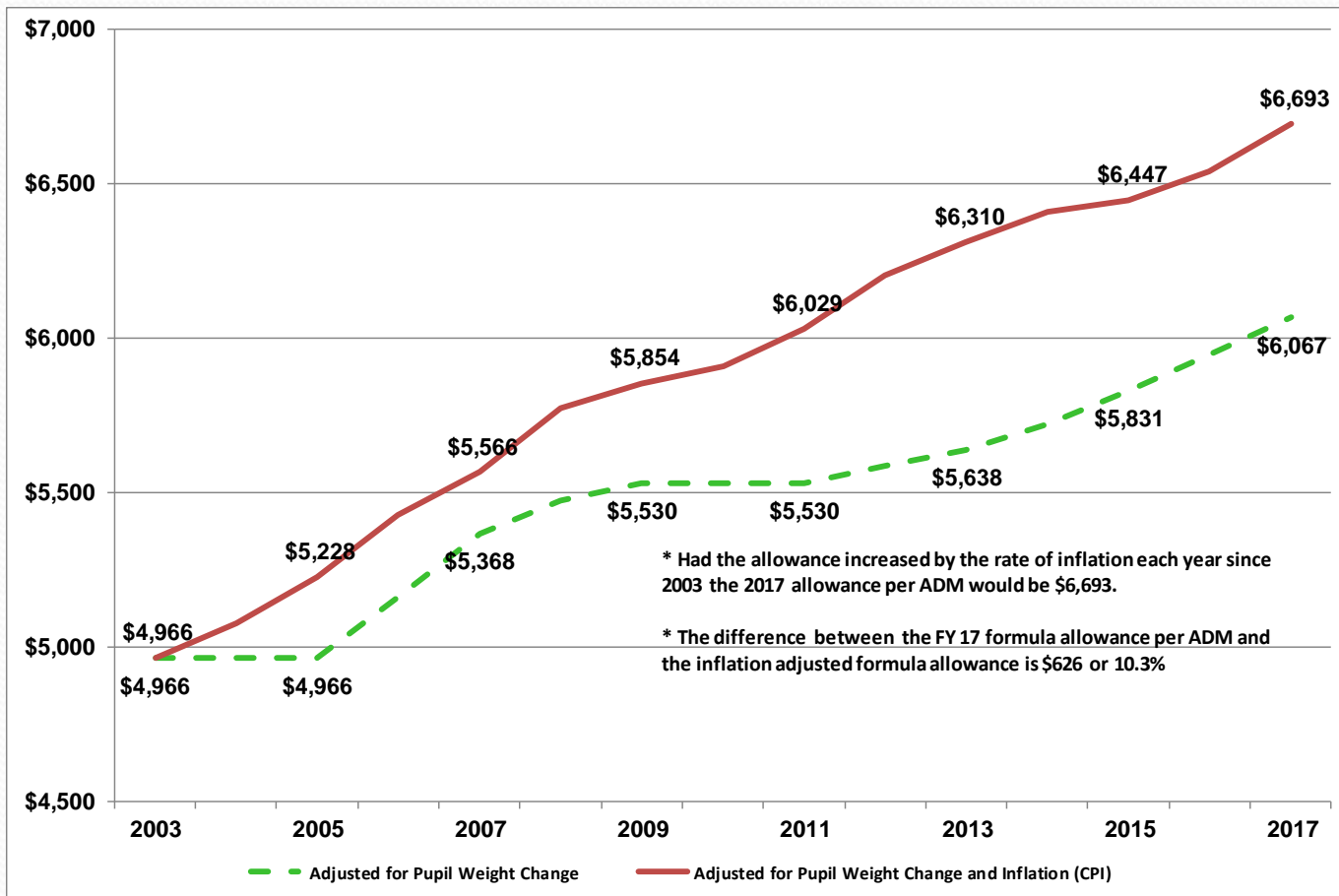
**Total Revenue Ranking 2015-16 = 287/331**

# Basic General Education Formula Lags Inflation

- Since 2003, the state General Education Revenue formula has not kept pace with inflation
- For FY 2016 and FY 2017, Legislature approved an increase of 2% per year
  - \$117 per pupil unit in FY 2016
  - An additional \$119 for FY 2017
- Per-pupil allowance for Fiscal Year 2017 would need to increase by another \$626 (10.3%) 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)  
2015 End of Session



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

- Other funding sources (e.g., special education, capital funds) also have not kept pace with inflation
- Cost of providing FY 14 special education programs on average is 40% underfunded or \$5,222 per special education student
- Dollars for regular program operations are used to subsidize under funding of special education
- Primary options for districts to bridge the funding gap are to cut budgets or increase referendum revenue; most districts have done both

# Referendum Trends

Average referendum authority per pupil is increasing

- In 1993, 65% of districts had referendum revenue averaging \$332 per pupil
- For 2016, 99.4% of district have referendum revenue plus local optional revenue authority averaging \$1,141 per pupil
  - 19.2% of general education formula allowance
  - Of this amount, \$758 is board approved or voter approved operating referendum, and \$383 is Local Optional Revenue



# Long-Term Facilities Maintenance (LTFM) Revenue

- New funding program approved by 2015 Legislature
  - Effective in Fiscal Year 2016-17
  - Initial Levy included with taxes payable in 2016
  - Step toward protecting community's investment in facilities
    - Significant State equalization aid with indexed equalizing factor
    - Required 10 year facilities plan is positive factor with bond rating agencies

# Long-Term Facilities Maintenance (LTFM) Revenue

- LTFM eliminates the existing funding formulas for health & safety and deferred maintenance programs
- LTFM Aid and Levy
  - Revenue is provided through combination of state aid and property tax levy
    - Aid/Levy mix is determined using a modified tax base
    - Districts with significant ag value appear to be more “property” poor; allows the district to qualify for additional aid

# Long-Term Facilities Maintenance (LTFM) Revenue

- Albany Area Schools' tax impact related to LTFM for taxes payable in 2016 is approximately the same as the tax impact for H&S and Deferred Maintenance programs in payable 2015; however, the district will receive \$331,000 in revenue for LTFM as compared to \$170,000 for H&S and Def. Maintenance.
- Tax impact is about the same because 57% of the LTFM funding will come from State equalization aid.

# ADJUSTED NET TAX CAPACITY (ANTC)

## Albany Area Schools ANTC History

The property value used for assessing most school taxes is the ANTC. ANTC is determined by equalizing differences in tax capacities by property type in different counties. This equalization process compares market values to actual sales and is intended to neutralize the effect of differing assessment practices.

2000	3,657,498	
2001	4,003,223	9.5%
2002	4,696,899	14.8%
2003	5,302,956	12.9%
2004	6,310,518	19.0%
2005	7,509,516	19.0%
2006	7,743,582	3.7%
2007	7,949,117	2.6%
2008	8,324,630	4.7%
2009	8,449,096	1.5%
2010	8,111,079	-4.0%
2011	7,261,992	-10.5%
2012	7,219,893	-.6%
2013	7,724,557	7.0%
2014	8,054,949	4.3%

# ADJUSTED NET TAX CAPACITY (ANTC)

	PAYABLE 2015	PAYABLE 2016
<b>GENERAL EDUCATION LEVY</b>		
<b>Net Tax Capacity</b>	7,404,641	7,758,605
<b>Sales Ratio</b>	95.9%	96.3%
<b>Adjusted Net Tax Capacity (ANTC)</b>	7,724,557	8,054,949

# Proposed 2016 Tax Levy

	2015 LEVY	2016 LEVY	CHANGE
General	1,655,874	1,807,862	151,988
Community Service	137,970	139,165	1,195
General Debt Service	1,699,311	2,236,773	537,462
<b>Total Levy</b>	<b>3,493,155</b>	<b>4,183,800</b>	<b>690,645</b>
Percent Increase			19.77%
Tax Base	7,724,557	8,054,949	330,392
Tax Rate	45.22%	51.94%	6.72%

# Detail Breakout of Levy

	14 PAY 15 LEVY		15 PAY 16 LEVY	
	<i>Referendum</i>	<i>Categorical</i>	<i>Referendum</i>	<i>Categorical</i>
<b>GENERAL FUND</b>				
General Referendum	0		0	
1st Tier Board Approved Referendum		203,434.88		215,661.05
Local Options Revenue		504,635.45		525,931.07
Equity		183,292.34		176,347.19
Transition		5,266.55		5,539.47
Student Achievement		25,491.04		24,164.85
Operating Capital		14,526.37		18,812.89
Achievement & Integration		28,414.40		10,927.55
Re-employment		1,188.65		(4,188.01)
LT Facilities (Def Maint./H&S)		58,252.76		312,976.74
Safe Schools		69,833.10		69,333.30
Career Technical		25,363.59		50,635.25
Building/Land Lease		237,348.29		215,600.00
OPEB		229,303.00		182,908.38
Abatement Adjustment		154.51		3212.25
<b>Total General Fund</b>	<b>0</b>	<b>1,655,873.90</b>	<b>0</b>	<b>1,807,861.98</b>

The 2015 Legislature created a new funding program, Long Term Facilities Maintenance revenue, encompassing funding for facilities, deferred maintenance and health & safety projects.

# Detail Breakout of Levy

	14 PAY 15 LEVY	15 PAY 16 LEVY
<b>COMMUNITY SERVICE</b>		
Basic Community Ed	72,610.84	75,716.52
Early Child Family Ed	28,780.91	27,330.60
Home Visiting	1,075.20	1,044.80
School Aged Care - Disabled	35,499.50	34,963.54
Abatement Adjustment	3.20	109.48
<b>Total Community Service</b>	<b>137,969.65</b>	<b>139,164.94</b>



# Detail Breakout of Levy

	14 PAY 15 LEVY	15 PAY 16 LEVY
<b>DEBT SERVICE</b>		
Initial Debt Service-Voter Approved	1,284,412.50	1,996,063.65
Reduction for Debt Excess	(50,872.32)	(9,326.15)
Abatement Adjustments	3,709.01	1,581.24
Initial Debt Service-NonVoter Approved	481,117.88	106,199.63
LT Facilities/Alt Fac/Cap Fac Bonds		184,811.57
Reduction for Debt Excess	(19,055.86)	(42,557.12)
<b>Total Debt Service</b>	<b>1,699,311.21</b>	<b>2,236,772.82</b>

# Increase in Proposed School Property Tax

## Property Taxes Determined By Legislation:

	2015 LEVY	2016 LEVY	CHANGE
General Fund	1,655,874	1,807,862	151,988
Community Service	137,970	139,165	1,195
Debt Service	<u>462,062</u>	<u>248,454</u>	<u>(213,608)</u>
	<b>2,255,906</b>	<b>2,195,481</b>	<b>(60,425)</b>
<b><i>Percent Increase</i></b>			<b><i>(2.67%)</i></b>

## Property Taxes Determined By Local Voters:

General Fund			
Community Service			
Debt Service	<u>1,237,249</u>	<u>1,988,319</u>	<u>751,070</u>
<b><i>Percent Increase</i></b>			<b><i>60.7%</i></b>
<b>Total Levy:</b>	<b>3,493,155</b>	<b>4,183,800</b>	<b>690,645</b>
<b><i>Percent Increase</i></b>			<b><i>19.77%</i></b>

# 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 Property Tax Refund (aka “Circuit Breaker” Refund)
  - Has existed since 1970s
  - Available to all owners of homestead property
  - Annual income must be approx. \$107,150 or less (income limit is higher if you have dependents)
  - Refund is a sliding scale, based on total property taxes and income
  - Maximum refund is \$2,620
  - 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

# QUESTIONS?

- Greg Johnson, Superintendent of School 845-2171 ext. 5050
- Sue Clemen, Business Manager 845-2171 ext. 5075
- Greg Crowe, Ehlers, Financial Advisor 651-697-8522
- Jodie Zesbaugh, Ehlers, Financial Advisor 651-697-8526