



MREA
Voice For Greater Minnesota Education

Fix Facility Fallout Ag2School Solutions

March 2015

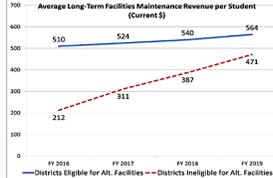
Facility Fallout

State Work Group Findings:

- \$2.79 per square foot for 25 Alt. Facility School Districts
- \$0.58 per square foot for all other Minnesota School Districts

Recommendations:
Establish a **new long-term facilities maintenance revenue program** to replace the current alternative facilities, deferred maintenance and health & safety revenue programs.

Gradually close the revenue gap between districts currently **eligible and ineligible** for alternative facilities revenue

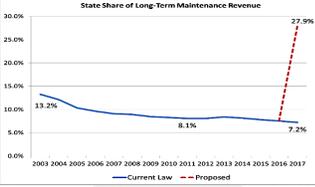


MREA
Voice For Greater Minnesota Education

State Facility Task Force Recommendations

Improve equalization to 125% of average ANTC/APU of **\$8,281**.
(Based on FY15)

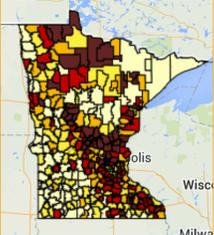
Up from current equalizing factor of **\$5,965**.



MREA
Voice For Greater Minnesota Education

ANTC/APU

Current tax base for facilities/debt service



Increased equalization is not distributed equally across the state.

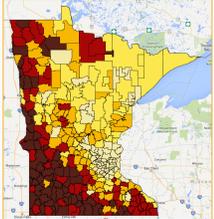
42% of districts will not see any equalization at \$8,281.

View interactive map at MnREA.org/Ag2SchoolMaps

MREA
Voice For Greater Minnesota Education

Ag Land Values

Big Impact on ANTC



20% of districts have at least 75% of ANTC wealth in Ag land.

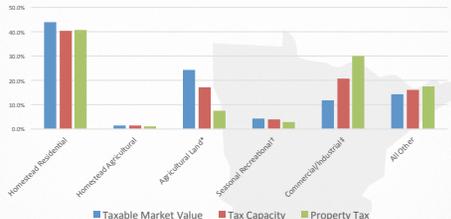
One-third have 50% of ANTC wealth in Ag land.

View interactive map at MnREA.org/Ag2SchoolMaps

MREA
Voice For Greater Minnesota Education

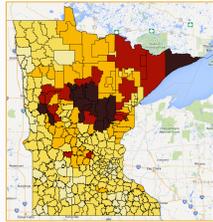
2015 Statewide Property Taxes

2014 Assessment Year, Taxes Payable 2015



MREA
Voice For Greater Minnesota Education

Seasonal Rec Impact on ANTC



Seasonal Rec as a percentage of School District ANTC is similar to ag land.

Seasonal rec is more concentrated.

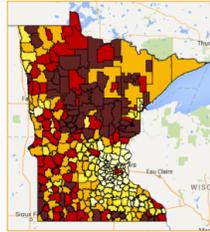
Brown = 33% to 60%
Red = 20% to 32%

View interactive map at MnREa.org/Ag2SchoolMaps



7

Median Household Income Wide Gaps



Light to dark reflects highest to lowest median income.

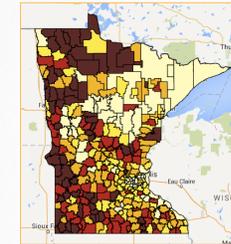
43% difference between rural and 7 County Metro averages.

Enormous range from highest of \$105,594 to lowest of \$21,458.

View interactive map at MnREa.org/Ag2SchoolMaps



8



RMV

Established in 2001.

Excludes agricultural land and seasonal recreation properties from tax base for school district operating referendums.

Closely resembles median household income.



9

Ag2School Solution - Part 1 Transition to RMV Tax Base

- No changes for Alt Facility Districts
- Maximum equalized revenue of \$470 per APU for all non-Alt Facility Districts
 - Equalized at \$880,000 per RMV/RPU
- Existing bonded Health and Safety, Deferred Maintenance and Alt. Facility revenue remains on ANTC.
 - With current equalizing factor of \$3165 per ANTC/APU.
- Long Term Facilities Maintenance debt issued after 2015 levied on RMV with the equalization factors applied.



10

Ag2School – Total State Effects

	Current	Ag2School	Change	Percent
State Total LGTM Maintenance	346 M	451 M	105 M	30%
Ag2School LGTM Maintenance	113 M	218 M	105 M	93%
Alt Facility LGTM Maintenance	233 M	233 M	0	0%
State Total LGTM Aid	22 M	89 M	67 M	305%
State Total LGTM Levy	324 M	361 M	37 M	11%
State Total Revenue per APU	402	523	122	30%
Ag2School Revenue per APU	245	472	227	93%
Alt Facility Revenue per APU	583	583	0	0%
Ag2School as a % of Alt Fac. per APU	42%	81%	41%	98%
State Total Revenue per sq. ft.	1.24	1.62	0.38	31%
Ag2School Revenue per sq. ft.	0.58	1.12	0.54	93%
Alt Facility Revenue per sq. ft.	2.79	2.79	0	0%



11

Ag2School Highly Equalized RMV Levy Effects

Impact for FY '17:	MREA Ag2School	125% ANTC
Districts with increasing revenues and decreasing levies	50	56
Districts with both increasing revenues and levies	216	177
Districts with no change in revenue and decreasing levies	41	48
District with no change in both revenue or levies	28	53
State Investment	\$67 million	\$60 million



12

Ag2School Tax Equity Part 2 of Ag2School Solution



- Farmers have little control over bond elections for schools.
- Ag2School Tax Equity functions like insurance.
- Reduces negative effort on profitability of tax credit.



13

Ag2School Tax Equity Proposal

- General school debt service tax rate stays same, no change to property classes, except for agricultural land.
- For ag land, a percentage of the school debt service property tax paid through a debt service credit.
- Credit funded through direct state appropriation and statewide tax levied against agricultural property at a uniform statewide rate (the insurance pool).
- School general debt service property taxes paid by ag land:
 - Current law general debt service property tax **minus**
 - School debt service credit **plus**
 - Statewide tax rate times the agricultural land tax capacity



14

Ag2School Tax Equity Statewide Impact

Ag2School School Debt Service Credit Percentage	40%*
Total Estimated Statewide Credit Payment	\$35,193,402
Amount of Credit from State Appropriation	\$15,000,000*
Percent of Credit from State Appropriation	43%
Amount of Credit from State Agricultural Land Tax	\$20,193,402
Percent of Credit from State Agricultural Land Tax	57%
Uniform Statewide Agricultural Land Tax Rate	1.803%
Ag2School Tax Equity Tax on a \$1million Agricultural Homestead Land Based on Uniform Statewide Rate	\$90.15



*Parameters to be set by legislative action 15

Ag2School - Pay 2016 Effects @ 40% credit / \$15 million in state dollars

Median Effect by School District: -\$113/ \$1 M Ag Value		
# of Districts with Reductions	235	\$1 to \$742 / \$1 M
# of Districts with Increases	97	\$4 to \$90 / \$1 M
	Current	Ag2School 40% / \$15 million
Districts with...		
Over \$1,000 in debt tax per \$1 million Ag Value	72	17
Over \$1,500 in debt tax per \$1 million Ag Value	18	0



16