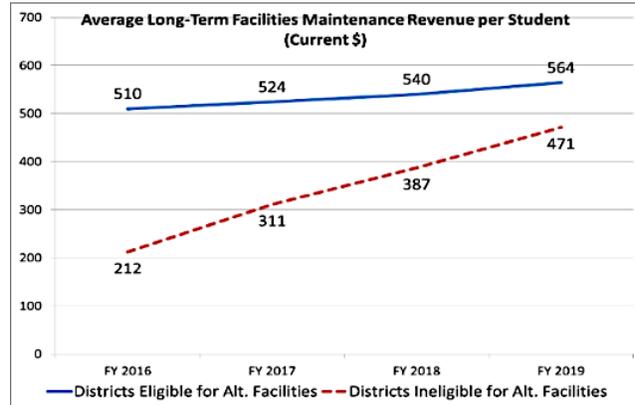


Facility Fallout Defined

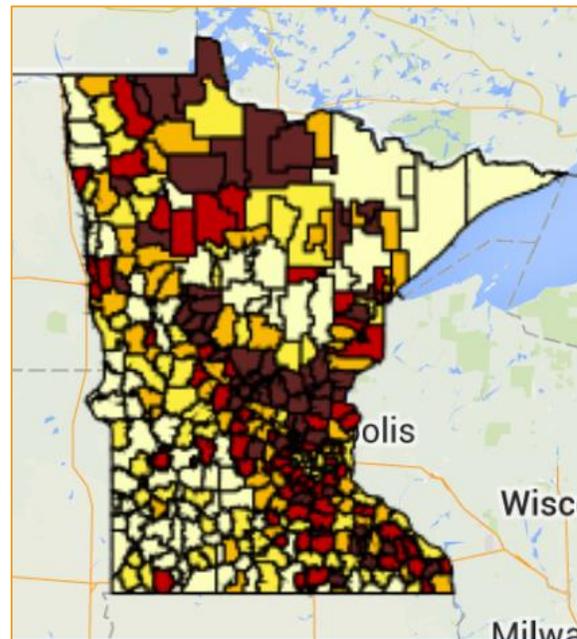
The inequities in deferred maintenance of school facilities is well documented and the severity of the issue led the Minnesota Department Education Facilities Work Group identify it as its #1 recommendation in its report to the Legislature.

- >> **\$2.79 per square foot** for 25 Alternative Facility School Districts
- >> **\$0.58 per square foot** for all other Minnesota School Districts



Trends & Considerations

- **Increased ANTC equalization is not distributed equally** across the state, as shown in the map to the right 42% of districts will not see any equalization at \$8,281 and farmland would be called upon to pick up much of the tab.
- **Agriculture land values greatly impact ANTC.** 20% of districts have at least 75% of ANTC wealth in agriculture land and one-third have 50% of ANTC wealth in ag land.
- **Huge gap in median household incomes** by district in state with 43% difference between rural and the 7-county area.
- **RMV is equalized in three tiers.** It currently excludes agricultural land and seasonal recreational properties from the tax base for school operating referendums.



View maps on these at MnREA.org/Ag2SchoolMaps

Next Steps

Gaining widespread support to advance a long-term maintenance requires a new approach. MREA has developed a well-rounded two-part plan called "Ag2School Facilities." This encompasses two solutions described on the next page: Ag2School Long-term Facility Maintenance (HF 2121/SF 1996 Kiel/Dahle) and Ag2School Tax Equity for school bonds (HF 2122/SF 1995 Kiel/Dahle).

>> **LEARN MORE** at MnREA.org/Ag2School

Part 1: Ag2School Long Term Facility Maintenance (HF 2121/SF 1996 Kiel/Dahle)

HOW IT WORKS>> The focus of this solution is transitioning from ANTC (Adjusted Net Tax Capacity) as a tax base for school long term maintenance to RMV (Referendum Market Value). This would include a high level of equalization (\$670,000 RMV/RPU) to buy down the impact on homeowners while lowering the impact on the farm community since RMV levies are on House-Garage-One Acre. Rural businesses are treated better under RMV since the commercial/Industrial tax base is at a lower rate on RMV than on ANTC.

Existing bonded debt for health and safety and Alt Facility deferred maintenance will remain on NTC (Net Tax Capacity) at the current equalization (\$3165 ANTC/APU)

WHAT'S THE IMPACT>> The state's equalization share to increase current maintenance levy authority to \$470 per pupil from the current av. of \$220 per pupil would be \$68 million in fiscal year 2017. This proposal is scalable and can be phased in over time starting with FY '17.

| IMPACT FOR FY 2017 | Ag2School |
|---|--------------|
| Districts with increasing revenues and decreasing levies | 58 |
| Districts with both increasing revenues and levies | 207 |
| Districts with no change in revenue and decreasing levies | 39 |
| District with no change in both revenue or levies | 28 |
| State Investment | \$68 million |

Part 2: Ag2School Tax Equity for School Bonds (HF 2122/SF 1995 Kiel/Dahle)

HOW IT WORKS>> Under this plan, the general school debt service tax rate stays the same and only agricultural land changes in its property class. This plan calls for the state to smooth out the impacts of school bond taxes on agricultural production land in a manner similar to an insurance pool for crop insurance. Agricultural production land would be assessed a state tax rate to produce a pool of revenue (about \$5 million each year). That would be coupled with \$30 million each year from the state's general fund to produce a 40 percent credit beginning in 2016 back to farmland that is taxed by local school districts for facility bond payments.

WHAT'S THE IMPACT>> The tax impact on an acre valued at \$10,000 is 2.3 cents. An acre with valued at \$5,000 would be 1.2 cents. This delivers major reductions in taxes for the farmers with school building debt taxes beginning in 2016. From the schools perspective, this proposal doesn't ask homeowners and business to pay more in the future than what current law would otherwise require. Currently, 282 school districts have some building debt. The net impact of a 40 percent credit and the statewide ag land tax would reduce the school debt service property taxes paid by agricultural land in 278 school districts and 53 would see an increase. The median net impact is \$180 decrease per \$1 million of ag value.

"Minnesota Farm Bureau has maintained and continues to support the importance of adequate and responsible funding for rural education. This Ag2School plan is supported by the Farm Bureau Property Tax Task Force as being a fiscally sound approach to take care of necessary maintenance with an equal share of this expense shared equally across tax classifications."

Doug Busselman
Director of Public Policy
Minnesota Farm Bureau