

Welcome

Facility Fallout—Part 2 Virtual Meeting

The meeting will begin shortly.

- Please mute yourself when not speaking.
- Use a headset for better audio.
- You also may ask questions using the chat feature on the lower right.

What to Expect

- Background on the issue.
- Feedback and dialogue.



VIRTUAL MEETING

Facility Fallout– Part 2
October 2015

Agenda: Facility Fallout Part 2

- Facility Working Group Findings and Recommendations
- What has been enacted so far--successes
- What has NOT been enacted so far—need to set priorities
 - Debt Service Equalization
 - Working Group Recommendation #2
 - MREA Ag2School to address Ag Land Valuation
 - Feedback to MREA Board on importance and direction
 - Other un-enacted recommendations of the Working Group
 - Feedback to MREA Board on importance and direction
- MREA Board of Directors Elections
- MREA Annual Conference Nov. 15-17
- Services Available with MREA Discounts

Recommendation 6a:

Provide enhanced debt service equalization to address unique situations or needs

- A district that has experienced a natural disaster (as defined by FEMA) and has incurred repair and replacement costs not already covered by FEMA or insurance payments

Recommendation 7:

- Streamline the review and comment process
 - In
 - co

DONE!

Recommendation 1: Long-Term Facilities Maintenance Revenue Proposed Phase-In for Districts Not Currently Eligible for Alternative Facilities Funding

DONE!

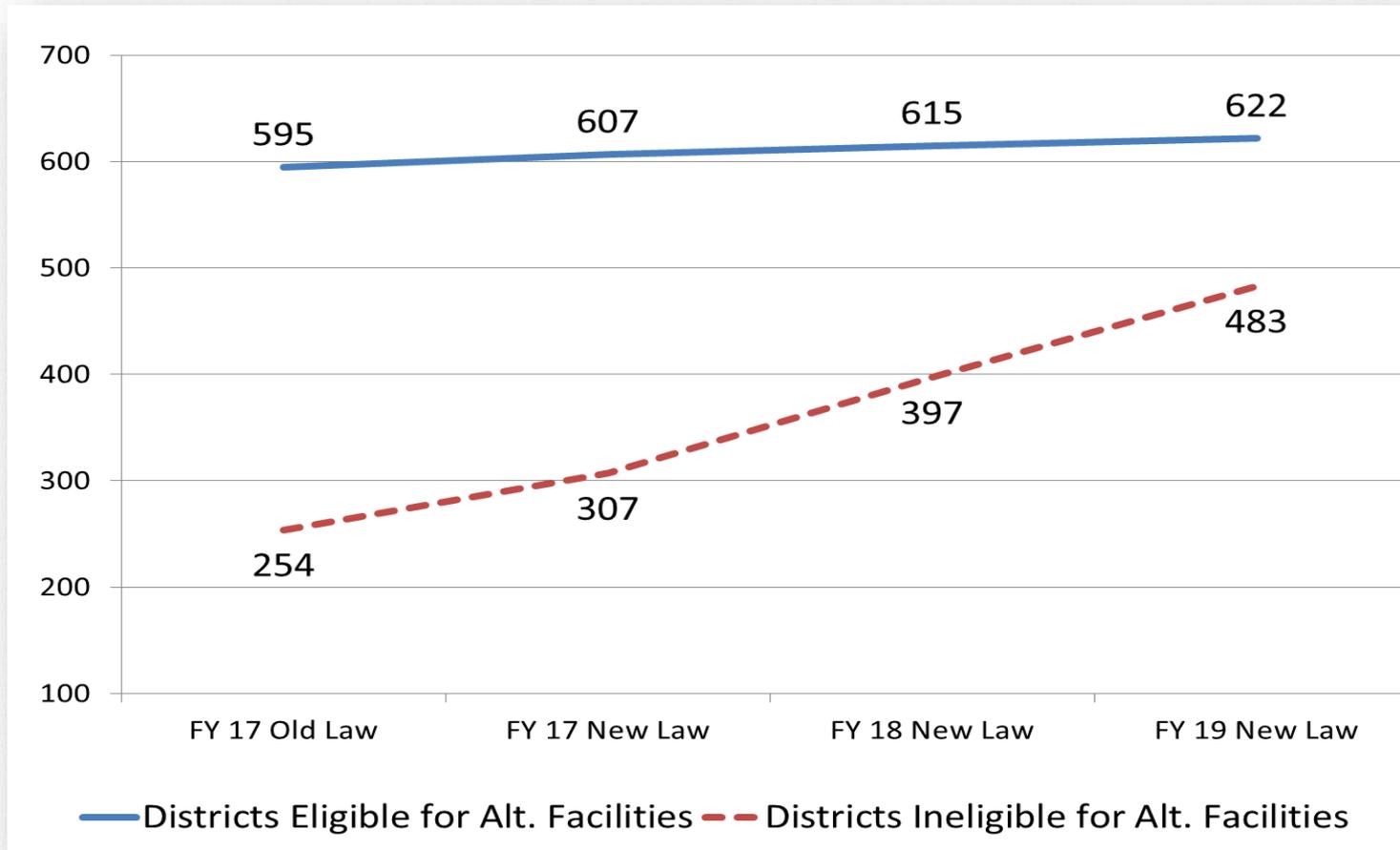
Establish a state revenue program for facilities maintenance and safety, which provides adequate, equitable and sustainable long-term maintenance funding for all school districts statewide.

This was MREA's #1 Priority in 2015.

Long Term Facilities Maintenance

Districts Eligible for Alternative Facilities Revenue vs Other Districts

FY 17 – FY 19, Current Dollars, 2015 End of Session Estimates



Recommendation 8:

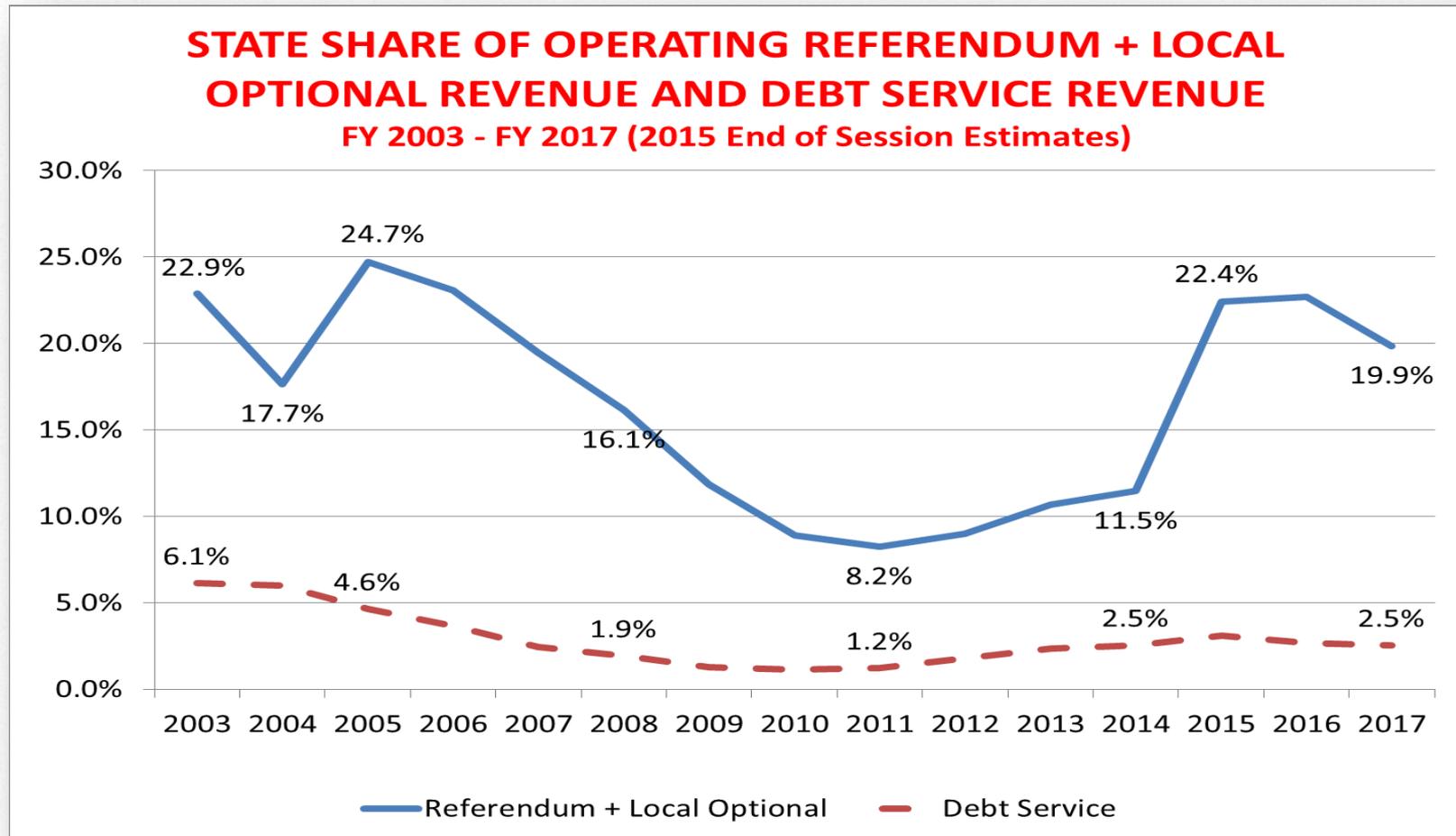
- Address the facilities needs of other educational entities for LTFM

DONE!

MREA made it a priority to include Ed Districts and cooperatives in LTFM.

Closing the Facility Fallout - Part 2

The Equalization Gap



Recommendation 2: Improve the debt service equalization formula by

- increasing the portion of debt service revenue that is eligible for equalization,
- restoring the state share of equalized revenue, and
- indexing future equalization to maintain stability in state and local shares of revenue.

Specifics: modify the current debt equalization formula as follows:

- Lower the threshold for debt service equalization from 15.74 percent to 10 percent of ANTC (District residents are responsible for 100% of Debt Rev up to 10% of ANTC);
- Replace two-tiered debt equalization formula with single tier based on 125 percent of the state average ANTC / third year prior APU to ensure equity and stability over time (equivalent to \$8,281 for FY 2015, compared with \$3,550 for Tier 1 and \$7,900 for Tier 2 under current law).
- This is the same equalizing factor proposed for the long-term facilities maintenance levy, the capital projects referendum levy and the facilities improvement levy
- $125\% = \$9350 \text{ ANTC/APU in Pay '16}$

Effects of Recommendation #2

See MREA Color-Coded Spreadsheet

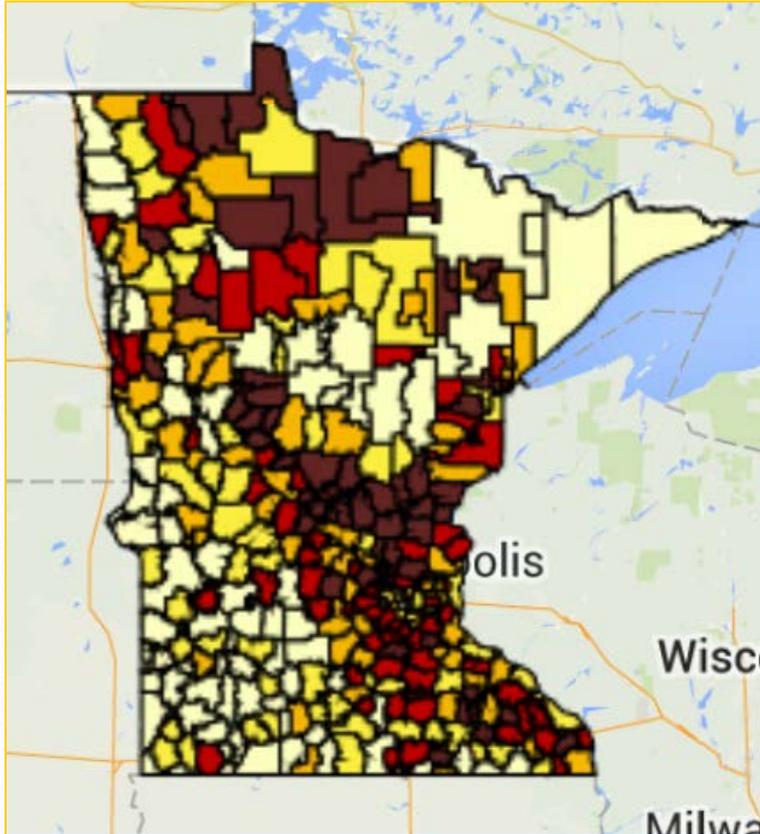
- 115 districts see increased equalization
- Those 112 Districts would see a 16% average in state share of bond payments
- Statewide, state share of bond payments goes to 14.4%
- \$67M per year increase in state share of school bonds to \$88M state-wide

Effects of Recommendation #2

- 215 districts see NO increase equalization
 - 134 Districts are above \$9,350 ANTC per APU or above 125% of average & don't qualify
 - 51 Districts have debt that is less than 10% of ANTC or is Alt Facility Debt* & don't qualify
 - 30-81 districts (including the 50 above) could be eligible in the future if school bond debt with voter approval exceeds 10% of ANTC
 - 196 Districts possible can access aid—115 now
- *Equalized under LTFM @ 125% of ANTC

Closing Facility Fallout - Part 2

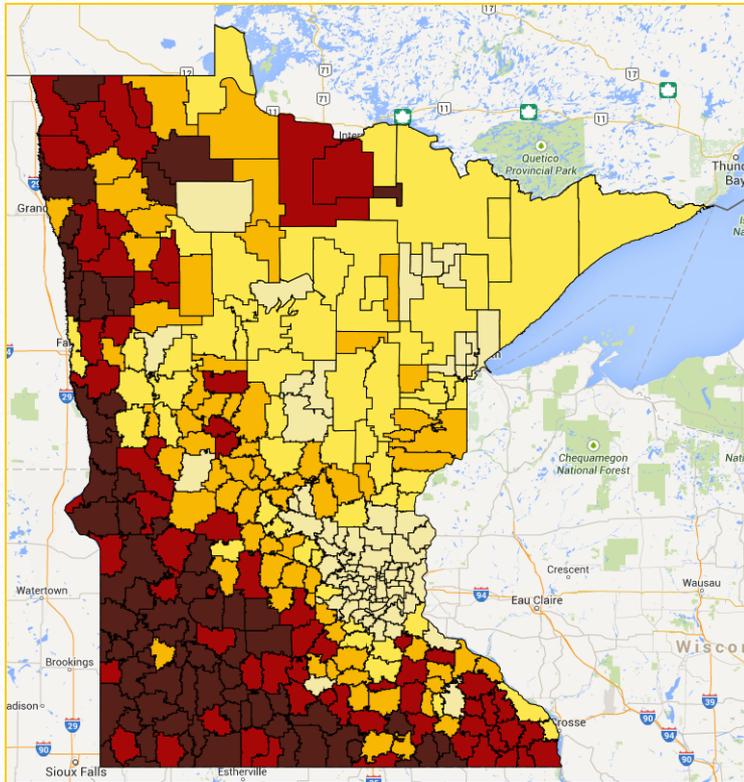
Debt Service and Net Tax Capacity



- MDE Working Group recommended 125% of ANTC
- Increased ANTC equalization not distributed equally
- Agriculture land values greatly impact NTC (and seasonal rec)
- 43% gap in median household incomes rural to 7-county metro
- Rural bonds pass at less than $\frac{1}{2}$ rate of metro in 2015

Property Wealth Impact

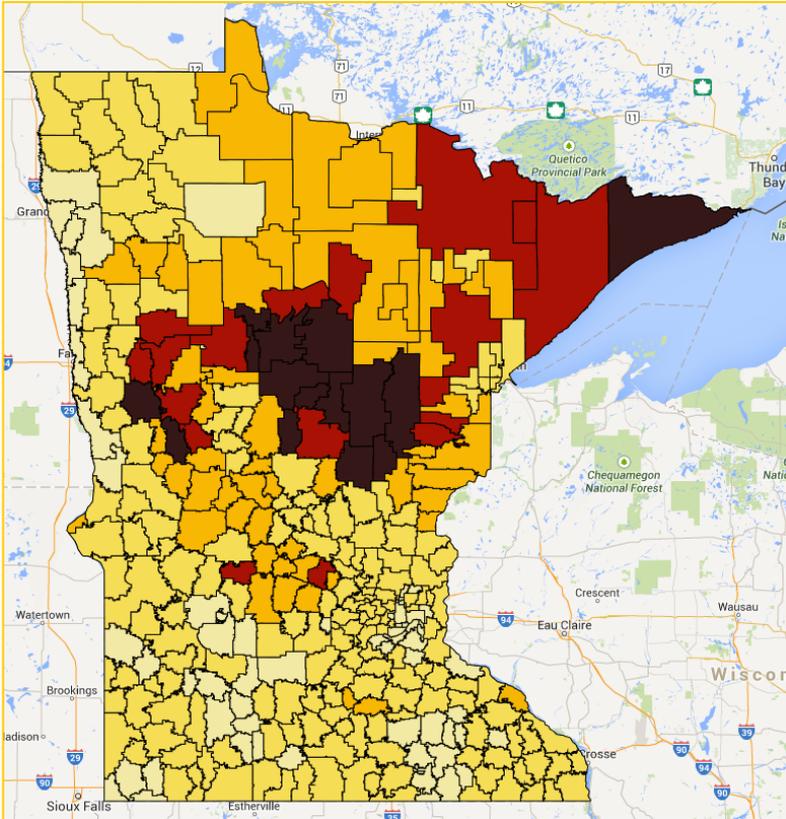
Ag Land Affects Net Tax Capacity



- Ag land is over 75% of TMV in 20% of districts (Brown)
(after class rates and exclusions applied)
- Ag land is 42-74% of TMV in 20% of districts (Red)
- Ag land is over 50% of TMV in one-third of districts

Seasonal Rec

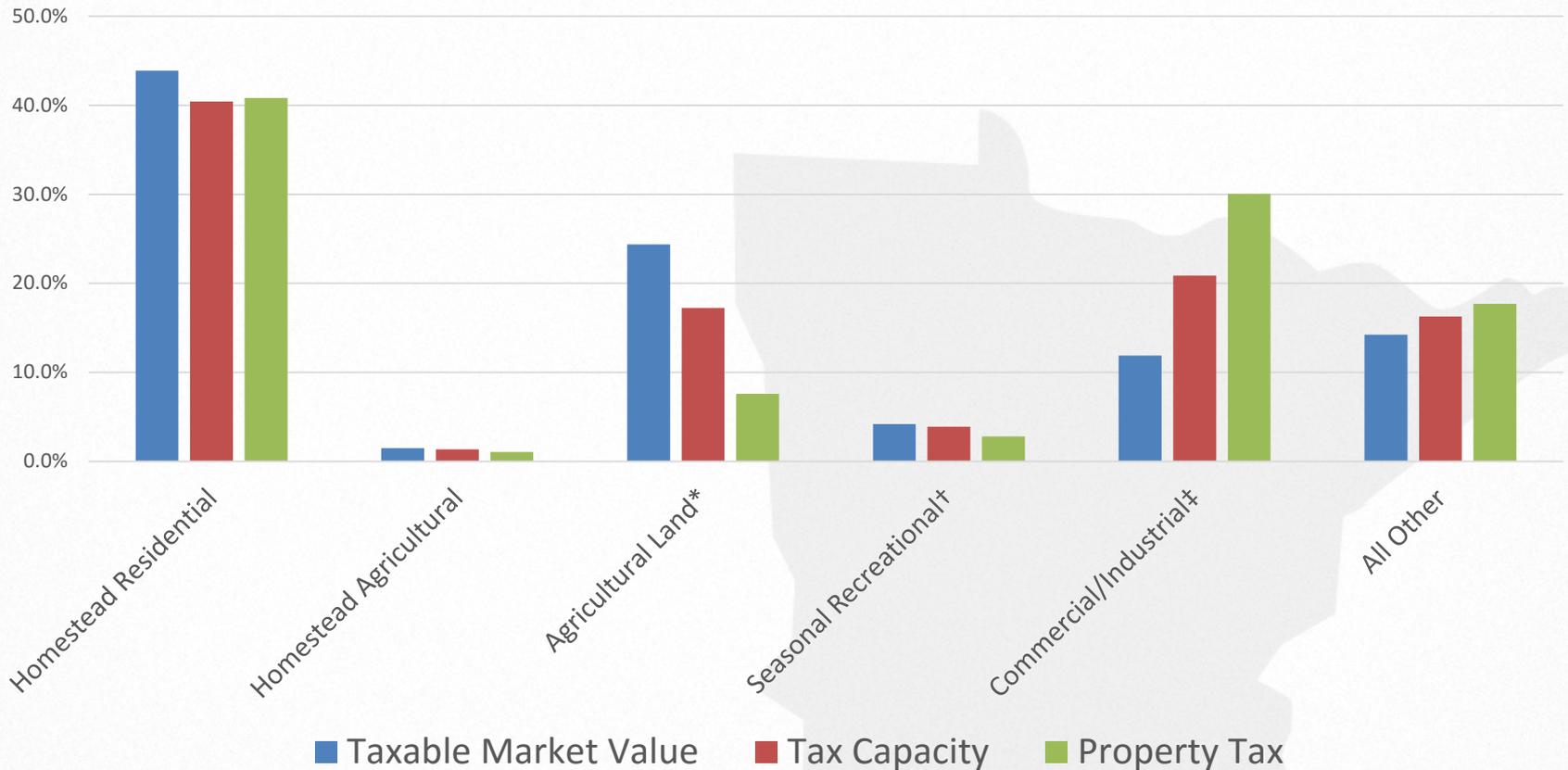
Impact on Net Tax Capacity



- Brown Districts
 - Seasonal Rec is 33% or more of TMV
- Red Districts
 - Seasonal Rec is 20-32% of TMV
- Seasonal Rec Value counts for bond elections.
Perception vs Reality

2015 Statewide Property Taxes

2014 Assessment Year, Taxes Payable 2015



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.

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

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	\$30,000,000*
Percent of Credit from State Appropriation	85%
Amount of Credit from State Agricultural Land Tax	\$5,193,402
Percent of Credit from State Agricultural Land Tax	15%
Uniform Statewide Agricultural Land Tax Rate	0.023%
Ag2School Tax Equity Tax on a \$1 million Agricultural Homestead Land Based on Uniform Statewide Rate	\$2.30

Ag2School - Pay 2016 Effects

@ 40% credit / \$30 million in state dollars

Median Effect by School District: -\$180/ \$1 M Ag Value		
Average Effect by School District: -\$211/ \$1 M Ag Value		
# of Districts with Reductions	278	\$1-\$809
# of Districts with Increases	53	\$1-\$23
	Current	Ag2School 40% / \$5 million
Districts with...		
Over \$1,000 in debt tax per \$1 million Ag Value	73	17
Over \$1,500 in debt tax per \$1 million Ag Value	17	0

Facility Fallout –Debt Service

Key Considerations

- Have you found your district on both spreadsheets (Facility Recommendation #2 and Ag2School)? Questions?
- How important is it to you for **equitable support existing debt or for new or remodeled facilities and technology?**
- How should Minnesota **rebalance the local-state responsibility** for school facilities?—relative ranking
 - Equalization through ANTC/APU?
 - Targeted property class credits like Ag2School?
 - Direct state aid such as a bonding pool for school districts?
 - Other

Other Working Group Recommendations regarding capital projects and technology:
—How important are they to you?

Recommendation 3:

- Equalize the capital projects referendum levy.
 - the proposed state equalization aid is \$7 million. This would establish the state share of capital project referendum revenue at 12.4 percent.

Recommendation 4:

Establish a new school facilities improvement revenue program to replace the current building lease levy, providing all school districts with access to a uniform allowance per student for locally defined facility needs @\$180 per APU plus \$46 per APU for Cooperative/Ed Districts members for coop

The total revenue increase would be \$120 million, of which \$55 million would be state aid and \$65 million would be property tax levies

Recommendation 5:

- Increase the operating capital revenue allowances and index operating capital funding for inflation.
- change the operating capital formula from:
 - a. $[(\$ 79 \times \text{APU}) + (\$109 \times \text{APU} \times \text{limited Age Index}) + (\$31 \times \text{Year-round PU})]$ to:
 - b. $[(\$100 \times \text{APU}) + (\$120 \times \text{APU} \times \text{limited Age Index})]$
 - Cost estimate: This is a \$32.3 million increase in operating capital revenue (16%)

Recommendations 6b and c: Provide enhanced debt service equalization to address unique situations or needs

- A group of districts that are consolidating or that recently consolidated and needs to build or remodel facilities as part of the consolidation plan;
- A district that has a debt service tax rate after regular debt service equalization that exceeds 30 percent of ANTC

Help MREA prioritize:

- Rec 2: Debt Service—125% / Ag2School
- Rec 3: Equalize the capital projects levy
- **Rec 4: New school facilities improvement revenue program expansion of lease levy**
- Rec 5: Increase the operating capital revenue allowances by 16%
- **Rec 6b: Consolidating or recently consolidated enhanced equalization**
- Rec 6c: Enhanced equalization after debt service exceeds 30 percent

MREA Board Openings 2016

Four-Year Terms, unless otherwise specified.

South

- **Teacher** (incumbent eligible for a second term)
- **Admin** (incumbent eligible for a second term)

South Central

- **At Large** (incumbent eligible for a second term)

North Central

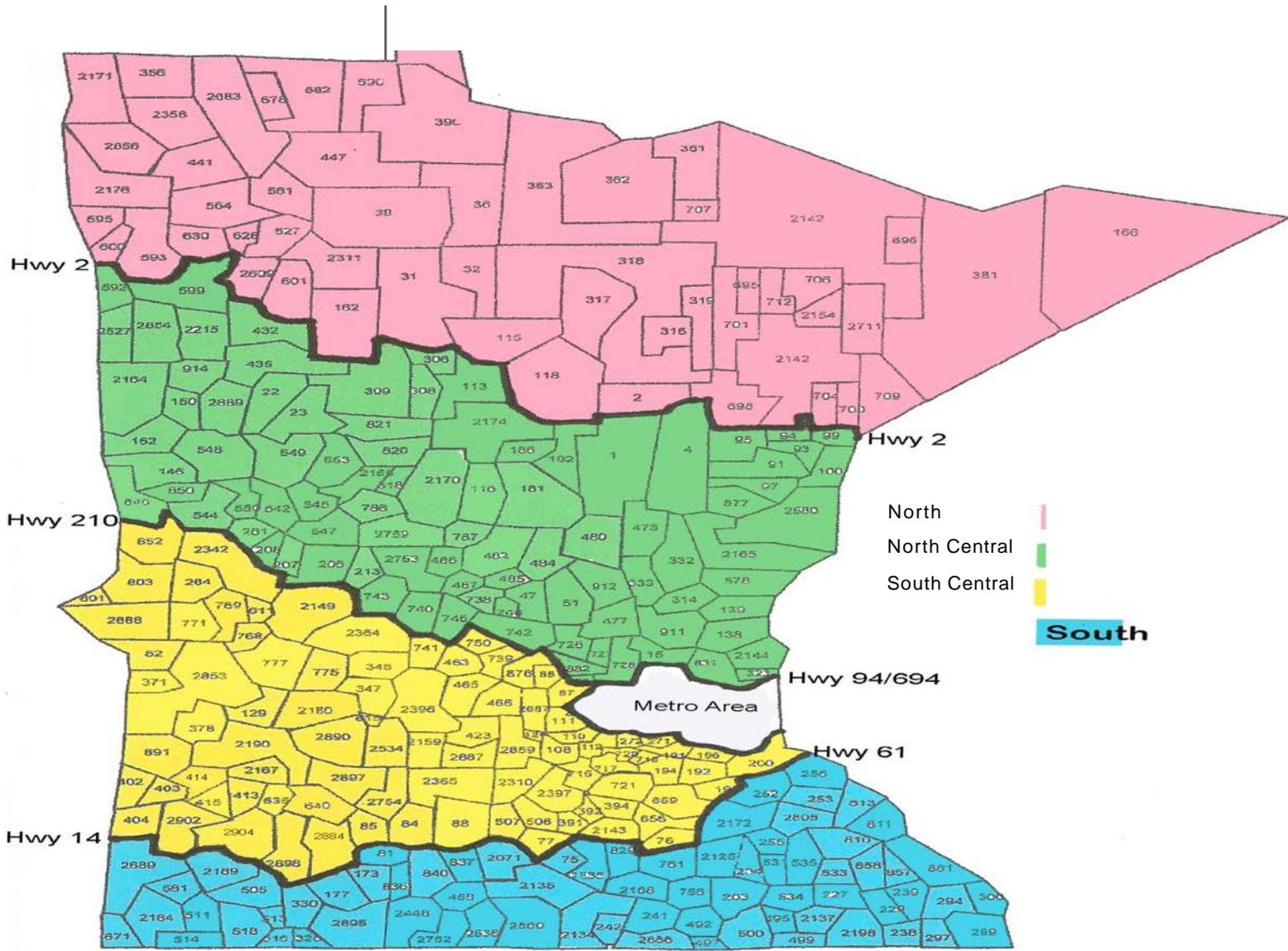
- **Admin** (incumbent eligible for a second term)
- **Teacher: Final 3-yrs of term** (currently open)

North

- **School Board** (incumbent eligible for a second term)

Nominations open Sept. 21-Oct. 23

All positions effective Jan. 1, 2016



- North
- North Central
- South Central
- South**

MREA Annual Conference

MREA 2015 Annual Conference

MREA
Voice For Greater Minnesota Education

Great Beginnings: When Learning Starts Early, Inspires and Applies

NOVEMBER 15-17, 2015

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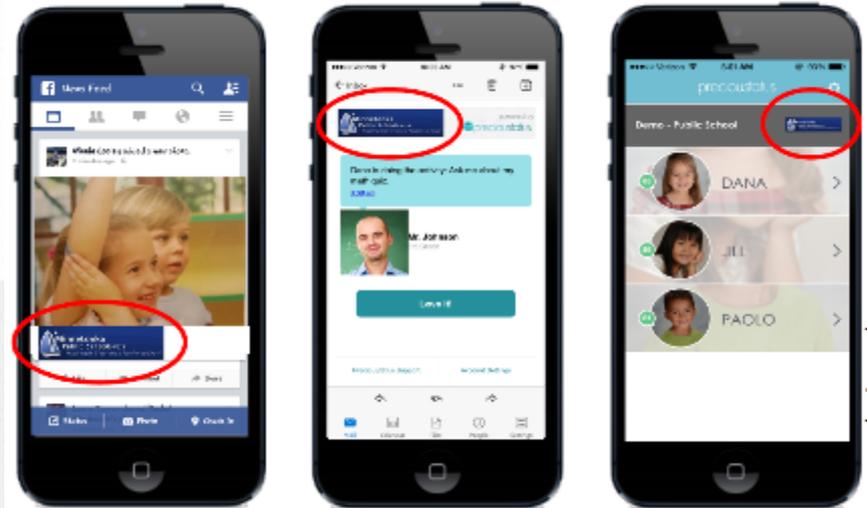
- ACT Test Prep
 - John Baylor Test Prep
- Cross Cultural Communications
 - Marnita's Table
- Increased rigor and relevance in secondary instruction
 - Center for Authentic Intellectual Work

Learn more at MnREA.org/Partners

PreciouStatus

Exclusive MREA Partnership

- Proven Parent-teacher engagement tool.
 - Driven by teachers
 - Bank/Military level security
 - Significant outcomes



- Gain tool, branded Parent App and logo on all pictures shared through social media for \$500 per school (up to 1,000 students)
- All training, set up and technical support provided by PreciouStatus

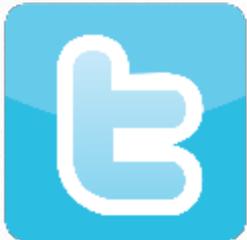
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Thank You

- Watch for our continued e-blasts.
- Register for Conference Nov. 15-17.
- Connect with Governor Dayton, your Senator, and House Member(s) this fall.

Thanks for Part 1 for Long Term Facility Maintenance equalized funding. Now address Part 2: the inequitable tax efforts for new construction bonds.