Understanding Referendum Levies and Their Impact on Taxpayers
MASBO 2019 Annual Conference
Gold Mine Session
May 8, 2019

What is an Operating Referendum?
- Election ballot question
- Generate additional general education revenue
- Revenue is combination of local property tax levies and state aid
- Annual levy
- No debt is issued
- Used for operating or capital expenses (e.g., salaries / benefits, supplies, technology, etc.)

Current Referendum Provisions
Voter authorized as specific dollar amount per pupil
- Fixed amount
- Annual inflationary adjustment
Maximum 10-year term
Current Referendum Provisions
Revenue capped at $2,025 per adjusted pupil unit for fiscal year 2019-2020
- Cap adjusted annually for inflation
- No cap for sparsity revenue districts
- “Grandfathered” limit

Current Referendum Provisions
One operating referendum election per year
- Exception for districts in SOD

Election held either one year or two years prior to initial tax year

Vote can only occur on the November general election day, unless held by mail ballot

Notices must be sent to all taxpayers
- By mail
- Law-specified content

Current Referendum Provisions
- Property tax levies spread on Referendum Market Value (RMV)
  - 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
Current Referendum Provisions

- Amounts can qualify for state equalization aid
- State aid portion dependent on district’s RMV per resident pupil

RMV vs. NTC Levies Lake Area District

<table>
<thead>
<tr>
<th>RMV Market Value</th>
<th>Percent of Total</th>
<th>Referendum Market Value</th>
<th>Percent of Total</th>
<th>Net Tax Capacity*</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>367,254,320</td>
<td>477,564,250</td>
<td>5,502,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>257,945,342</td>
<td>250,596,780</td>
<td>3,296,489</td>
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<td></td>
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<tr>
<td>Other Residential</td>
<td>90,601,640</td>
<td>88,601,580</td>
<td>1,095,259</td>
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<td></td>
</tr>
<tr>
<td>Commercial / Industrial</td>
<td>27,586,175</td>
<td>25,706,715</td>
<td>350,011</td>
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<td></td>
</tr>
<tr>
<td>Agricultural</td>
<td>125,520,192</td>
<td>125,254,125</td>
<td>1,528,319</td>
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<td></td>
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<tr>
<td>Recreational</td>
<td>23,886,493</td>
<td>23,755,029</td>
<td>3,435,686</td>
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</table>

RMV vs. NTC Levies Rural/Regional School District

<table>
<thead>
<tr>
<th>RMV Market Value</th>
<th>Percent of Total</th>
<th>Referendum Market Value</th>
<th>Percent of Total</th>
<th>Net Tax Capacity*</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,224,441,414</td>
<td>890,650,427</td>
<td>11,542,449</td>
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<tr>
<td>Residential</td>
<td>596,211,109</td>
<td>422,090,088</td>
<td>5,591,296</td>
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<td>Other Residential</td>
<td>36,432,207</td>
<td>36,099,390</td>
<td>467,313</td>
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<tr>
<td>Commercial / Industrial</td>
<td>116,373,417</td>
<td>117,316,584</td>
<td>153,886</td>
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<td></td>
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<tr>
<td>Agricultural</td>
<td>135,434,265</td>
<td>138,329,746</td>
<td>1,691,675</td>
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<td></td>
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<tr>
<td>Recreational</td>
<td>3,898,583</td>
<td>3,639,770</td>
<td>47,243</td>
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</tbody>
</table>

*Net Tax Capacity is calculated as a percentage of the total referendum market value.
Advantages
- Equalized revenue potential
- Agricultural and cabin property excluded
- No interest or borrowing costs
- Additional revenue source for capital expense

Disadvantages
- Property tax increase
- Voter approval required
- Per pupil amount cap

Pupil Units
2013 Legislature changed Referendum Revenue, effective for Fiscal Year 2014-15
- Formerly based on RMCPU
- New pupil count for referendum (Adjusted Pupil Units (APU))
  - APU is based on pupils served, with new grade weightings and no declining enrollment factor
Three Tiers for Aid

1st Tier
Equalized at highest level up to $300 per pupil
• Most districts qualify for first tier aid

2nd Tier
Equalized at a lesser degree from $300 to $760 per pupil
• Most districts qualify for some second tier aid

3rd Tier
Equalized to an even lesser degree above $760 per pupil
• Most districts do not qualify for third tier aid

Board Approved Authority
➢ Convert up to $300 / pupil of voter approved
➢ Create up to $300 / pupil of voter approved
  • Authorize for up to 5 years
  • Same equalizing factor as voter approved authority
  • Converted authorities subject to LOR subtraction
  • Conversion must be rescinded before expiration

Local Optional Revenue
$424 / pupil unit
➢ Approved by School Board
➢ LOR equalized rate same as 2nd tier
➢ “Stacking” of LOR with the $300 is included
Referendum Authority Conversion

Example #1

Amount voters approved in 2011: $700
Estimated Fiscal Year 2019-20 allowance: $444.50

How did we get this?

Original voter-approved amount: $700
After 2013 pupil unit Legislative changes: $868.50
District LOR: $424
Net adjusted referendum allowance: $444.50
• ($868.50 - $424.00 = $444.50)

Referendum Authority Conversion

Example #1 – Options

• Create $300 board approved
  ➢ Let $144.50 expire
• Create $300 board approved
  ➢ Renewal of $144.50 with election
• Renew entire $444.50 with election
• Create $300 board approved and increase voter approved with election

Tax Impact Example

<table>
<thead>
<tr>
<th>Market Value</th>
<th>Estimated Authority</th>
<th>Residence</th>
<th>Income</th>
<th>Business</th>
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<tbody>
<tr>
<td>$50,000</td>
<td>$97</td>
<td>91</td>
<td>58</td>
<td>532</td>
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<tr>
<td>$100,000</td>
<td>118</td>
<td>102</td>
<td>186</td>
<td>274</td>
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<tr>
<td>$150,000</td>
<td>139</td>
<td>102</td>
<td>292</td>
<td>568</td>
</tr>
<tr>
<td>$200,000</td>
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<td>122</td>
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<td>837</td>
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<td>$250,000</td>
<td>181</td>
<td>150</td>
<td>414</td>
<td>1121</td>
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<tr>
<td>$300,000</td>
<td>202</td>
<td>168</td>
<td>471</td>
<td>1430</td>
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<tr>
<td>$350,000</td>
<td>223</td>
<td>204</td>
<td>521</td>
<td>1741</td>
</tr>
<tr>
<td>$400,000</td>
<td>244</td>
<td>222</td>
<td>571</td>
<td>2059</td>
</tr>
<tr>
<td>$450,000</td>
<td>265</td>
<td>240</td>
<td>621</td>
<td>2378</td>
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<tr>
<td>$500,000</td>
<td>286</td>
<td>258</td>
<td>671</td>
<td>2697</td>
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</table>
Average referendum authority per pupil has increased

- Average referendum authority was $332 per pupil in 1993
- Average referendum plus LOR authority is $1,202 per pupil in FY2019
Since 2002-03, state General Education Revenue formula has not kept pace with inflation.

For Fiscal Years 2017-18 and 2018-19, Legislature approved an increase of 2% per year:
- $121 per pupil unit in FY 2017-18
- An additional $124 for FY 2018-19

If allowance increased with inflation each year, it would be $618 higher, or $6,930 for Fiscal Year 2018-19.
Time of Board Action

$300 Board authority – Prior to preliminary certifying levy

August 25, 2019 – Last day to call for election

Tuesday, November 5, 2019 – General Election Date

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 $2,770 for homeowners and $2,150 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)

State Property Tax Refunds & Deferral

Senior Citizen Property Tax Deferral

• 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
2019 Potential Legislative Changes

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