

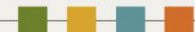


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# *Operating Referendum: Background Information and Trends*

**Floodwood School District**  
ISD No. 698

September 18, 2018



# What is an Operating Referendum?

Election ballot question

Allows districts to generate additional general education revenue

Revenue provided through a combination of local property tax levies and state aid

Annual levy, no debt is issued

Revenue may be used for any operating or capital expenses (e.g. staff salaries/benefits, utilities, supplies, technology)

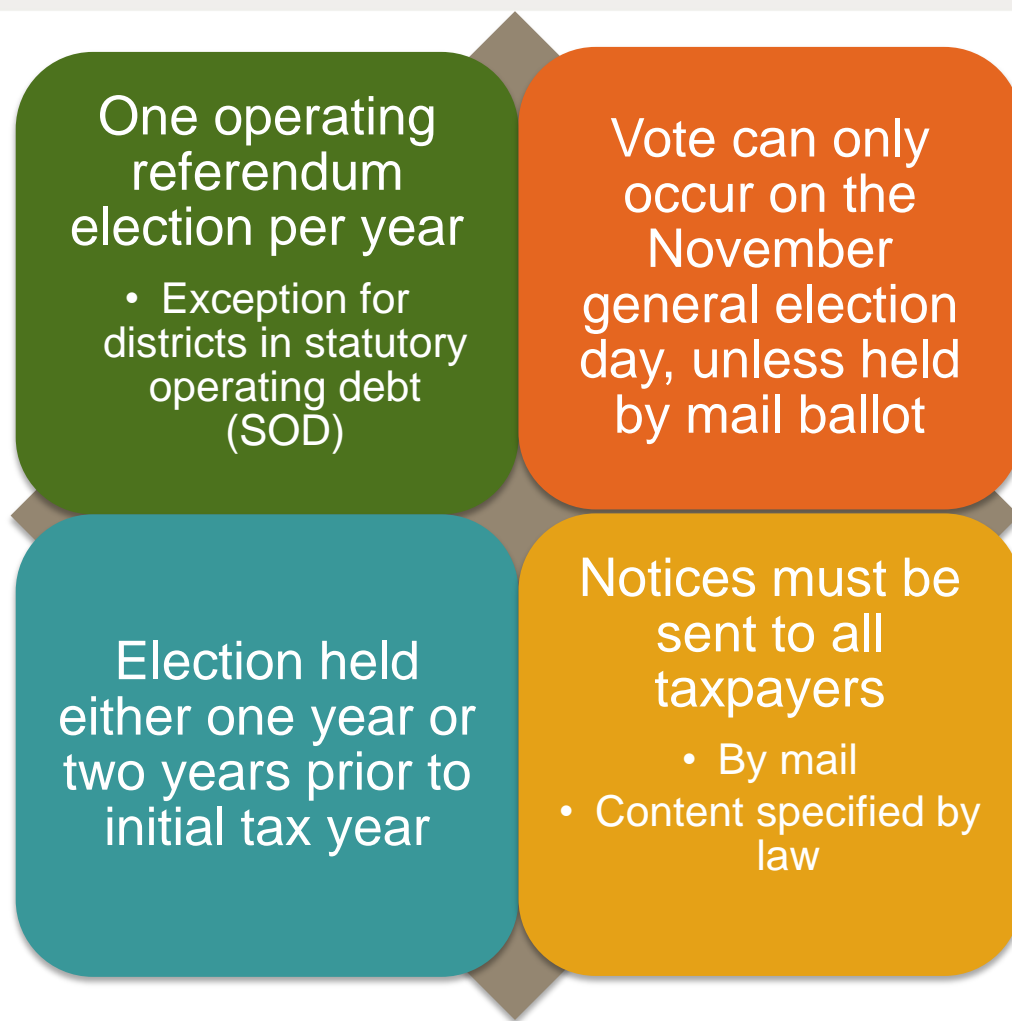


# Current Referendum Provisions

- Authorized by voters as a specific dollar amount per pupil
- Can be a fixed amount or subject to annual inflationary adjustments
- Term must be no more than 10 years
- Revenue capped at \$1,963 per adjusted pupil unit for fiscal year 2018-19
  - Cap adjusted annually for inflation
  - No cap for districts which qualify for sparsity revenue
  - Some districts have a higher “grandfathered” limit



# Current Referendum Provisions



# Current Referendum Provisions

- Operating referendum property tax levies spread on Referendum Market Value (RMV)
  - Referendum property taxes are 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
- Operating referendum revenue amounts can qualify for state equalization aid
- State aid portion of referendum revenue dependent on district's RMV per resident pupil



# Pupil Changes Impacted Allowances

2013 Legislature made significant changes to Referendum Revenue, effective for Fiscal Year 2014-15

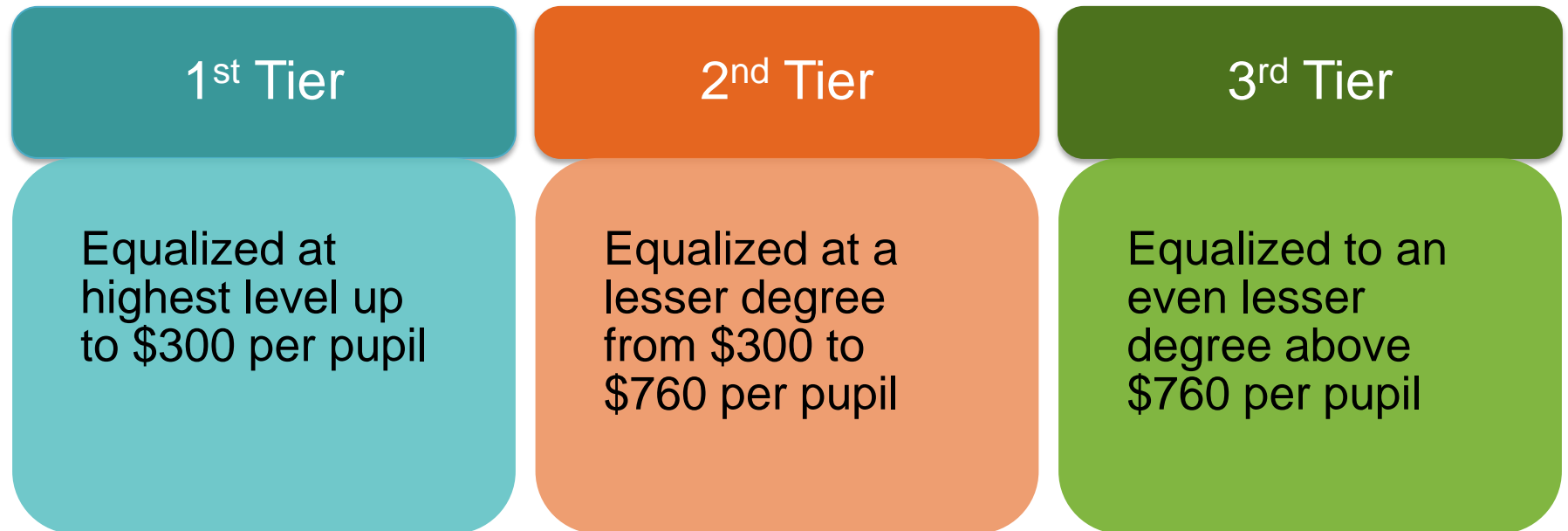
- New pupil count for referendum (Adjusted Pupil Units (APU))
  - APU is based on pupils served, with new grade weightings and no declining enrollment factor

Referendum authority converted (recalculated) based on change in pupil units

- Maintain same level of revenue, including alternative attendance
- Changes in estimated pupil units caused referendum authority to be adjusted through pay 2016, allowance was final for pay 2017



# Legislative Changes – Three Tiers for Aid



Floodwood does not qualify for operating referendum equalization aid in any tier



# Other Legislative Changes Impacting Allowances

Districts can convert up to \$300 / pupil of voter approved referendum authority to board approved authority, or create board approved authority up to \$300 / pupil

- Authorize for up to 5 years
- In 2015, Floodwood created \$300/pupil in board approved authority. This authority is in effect from Fiscal Year 2016 – Fiscal Year 2020.





# Other Legislative Changes Impacting Allowances

All districts qualify for up to \$424 per pupil unit of Local Optional Revenue (LOR)

- Approved by School Board as part of annual levy process (no separate resolution or voter approval required)
- LOR is equalized at the same rate as the 2nd tier of operating referendum
- “Stacking” of LOR with the \$300 is included – so all districts can receive \$724 per pupil unit of referendum and LOR without voter approval



# Referendum Trends

Number of districts relying on operating referendum revenue has increased

- In 1993, only 65% of districts had referendum authority
- For Fiscal Year 2018-19, more than 99% of districts receive referendum revenue
  - 2 districts currently do not have referendum authority in place
  - 10 districts currently do not accept any local optional revenue
    - *7 districts accept a portion of local optional revenue, averaging approximately \$307 per pupil*



# Referendum Trends

Fiscal Year	Number of Districts			Trends in Referendum Revenue			
	Receiving Referendum Revenue	Total No. of Districts	% Receiving Ref. Revenue	Total Referendum Revenue (\$000s)*	Total Pupil Units ***	Average Revenue/ Pupil Unit	Percent Change
1992-93	269	414	65.0%	\$283,103	853,076	\$332	
1993-94	273	395	69.1%	308,026	881,996	349	5.2%
1994-95**	269	382	70.4%	292,564	911,790	321	-8.1%
1995-96	272	365	74.5%	308,069	929,955	331	3.2%
1996-97	278	358	77.7%	351,686	944,187	372	12.4%
1997-98	281	353	79.6%	375,172	953,383	394	5.6%
1998-99	280	350	80.0%	407,776	961,776	424	7.7%
1999-00	284	347	81.8%	448,556	977,038	459	8.3%
2000-01	299	345	86.7%	490,899	981,370	500	9.0%
2001-02	306	343	89.2%	544,106	979,629	555	11.0%
2002-03**	268	343	78.1%	291,707	975,235	299	-46.1%
2003-04	285	343	83.1%	426,337	956,409	446	49.0%
2004-05	299	343	87.2%	504,721	952,281	530	18.9%
2005-06	301	343	87.8%	534,315	952,296	561	5.9%
2006-07	299	340	87.9%	598,966	952,429	629	12.1%
2007-08	300	340	88.2%	644,192	952,260	676	7.6%
2008-09	306	340	90.0%	720,567	947,476	761	12.4%
2009-10	303	337	89.9%	781,675	946,292	826	8.6%
2010-11	302	337	89.6%	803,506	946,955	849	2.7%
2011-12	302	337	89.6%	828,223	951,401	871	2.6%
2012-13	300	336	89.3%	856,326	962,379	890	2.2%
2013-14	296	332	89.2%	886,019	968,199	915	2.8%
2014-15 ***	316	332	95.2%	978,086	914,637	1,069	16.9%
2015-16	330	332	99.4%	1,039,165	921,288	1,128	5.5%
2016-17	328	332	98.8%	1,106,041	926,919	1,193	5.8%
2017-18	331	332	99.7%	1,137,985	941,895	1,208	1.3%
2018-19	329	331	99.4%	1,207,350	945,532	1,202	0.7%

\* Revenue shown is based on maximum authority. Some districts may choose to underlevy.

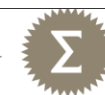
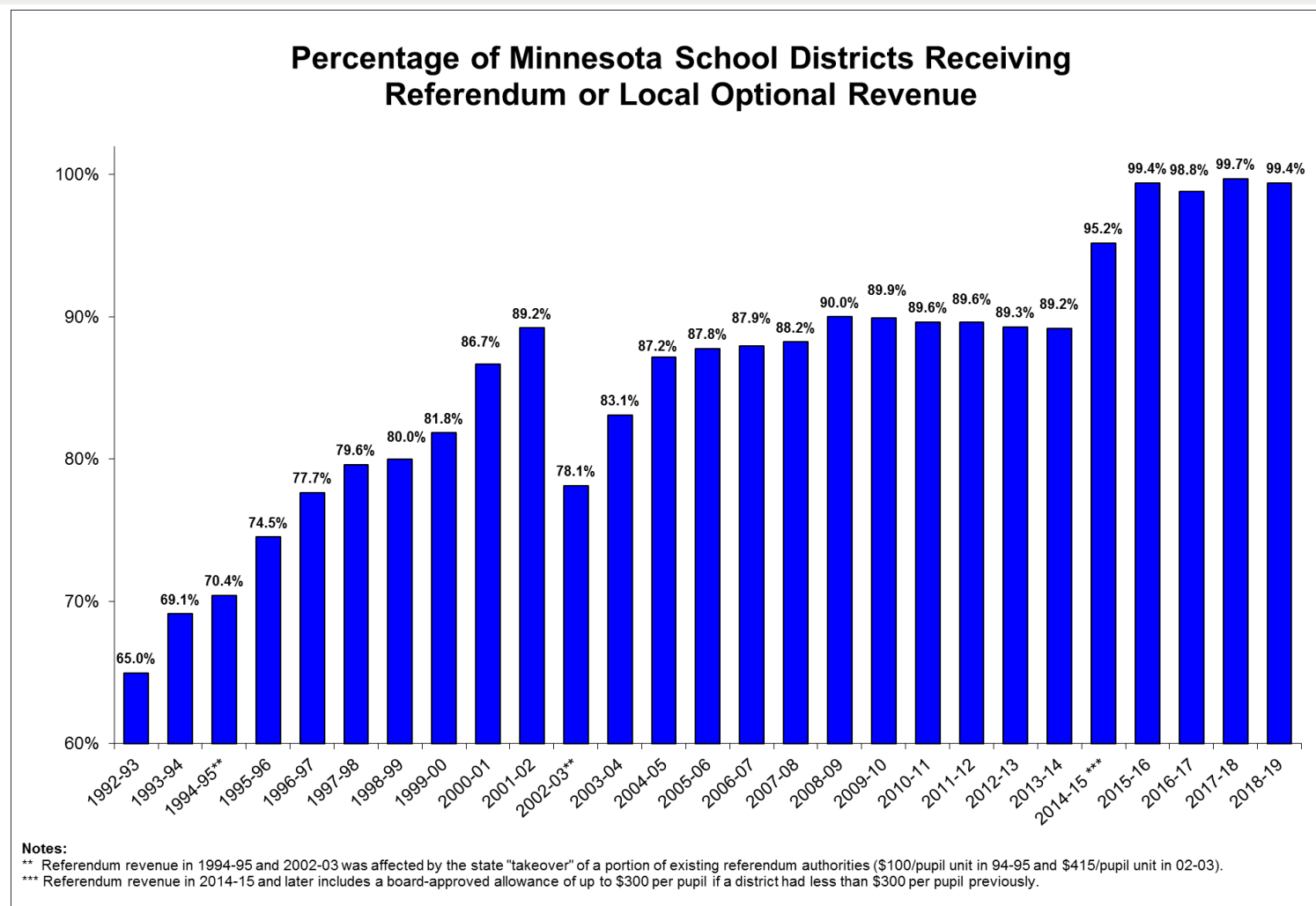
\*\* For 1994-95, all district's referendum and/or supplemental allowances were reduced by \$100, and the general education formula allowance was increased by the same amount. For 2002-03, referendum allowances were reduced by \$415 and the general education formula allowance was increased by the same amount.

\*\*\* For 2014-15 and later, Total Revenue includes both Referendum and Location Equity/Local Optional Revenue. In addition, significant changes were made to the way pupils are counted, reducing the total number of pupils in FY 14-15.

Source: Minnesota Department of Education



# Referendum Trends



# Referendum Trends

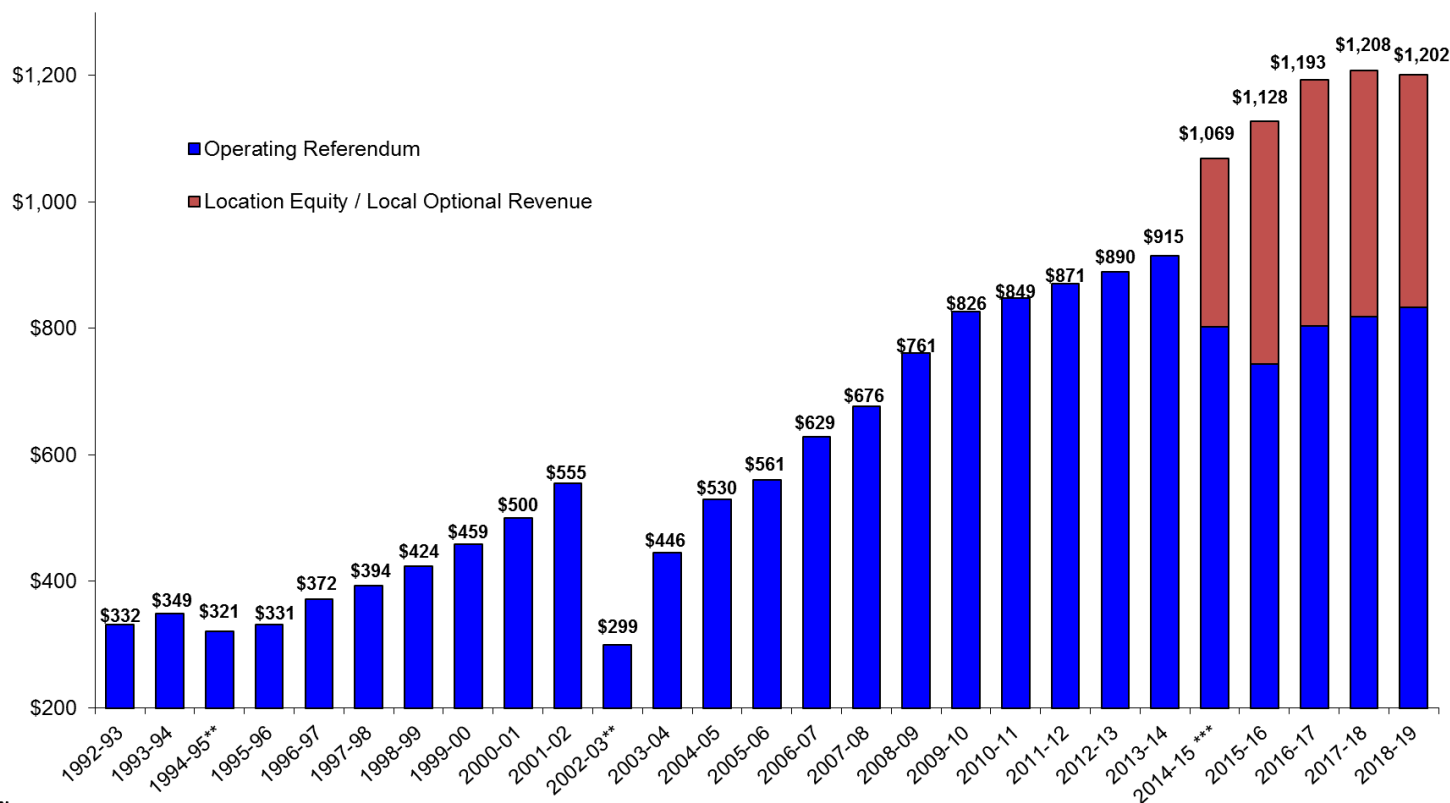
## Average referendum authority per pupil has increased

- In 1993, average referendum authority was \$332 per pupil
- For Fiscal Year 2018-19, average referendum plus local optional revenue authority is \$1,202 per pupil
  - Equal to 19% of general education formula allowance
  - Of this amount, \$833 is board approved or voter approved operating referendum, and \$368 is Local Optional Revenue



# Referendum Trends

**Average Referendum and Local Optional Revenue per Pupil Unit,  
All Minnesota School Districts**



**Notes:**

\*\* Referendum revenue in 1994-95 and 2002-03 was affected by the state "takeover" of a portion of existing referendum authorities (\$100/pupil unit in 94-95 and \$415/pupil unit in 02-03).

\*\*\* Referendum revenue in 2014-15 included an allowed board approved amount of \$300 if a district did not have referendum authority previously.



# Growing Reliance on Referendums

Since 2002-03, state General Education Revenue formula has not kept pace with inflation

If allowance increased with inflation each year, it would be \$618 higher, or \$6,930 for Fiscal Year 2018-19

2017-18 / 2018-19

2002-03

2018-19

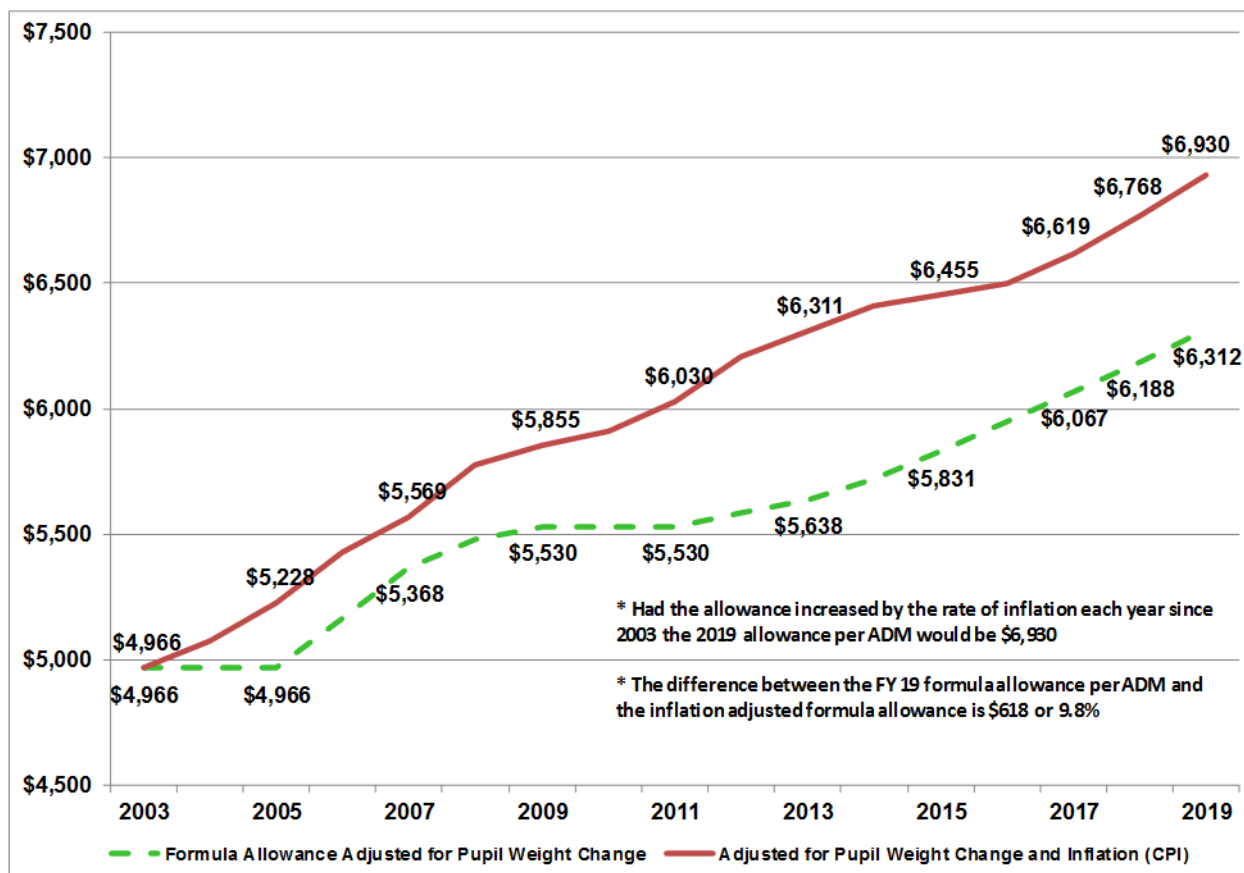
For Fiscal Years 2017-18 and 2018-19, Legislature approved an increase of 2% per year

- \$121 per pupil unit in FY 2017-18
- An additional \$124 for FY 2018-19



# Growing Reliance on Referendums

**General Education Formula Allowance, 2003-2019**  
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2018 Inflation Estimates

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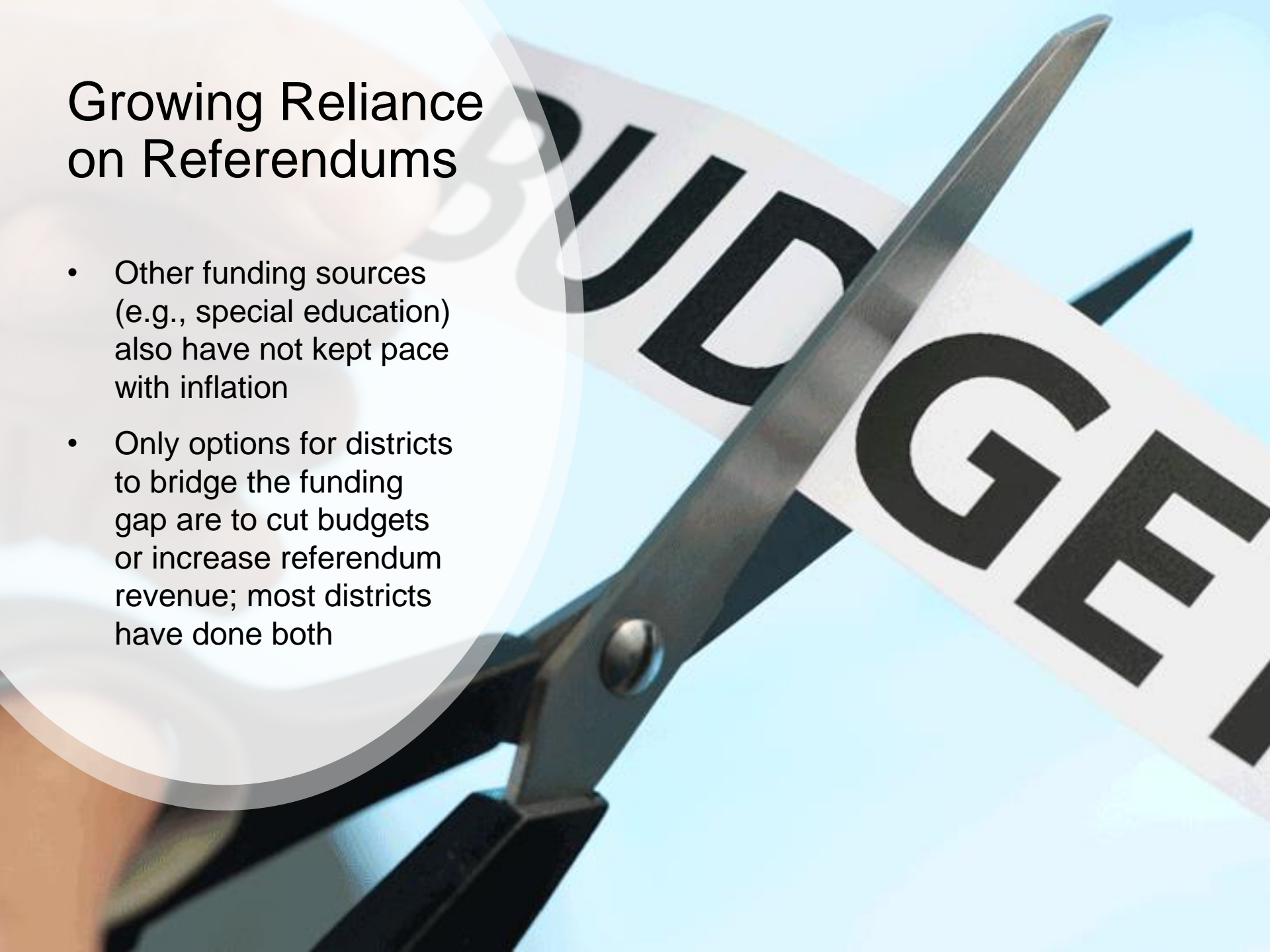
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# Growing Reliance on Referendums

- Other funding sources (e.g., special education) also have not kept pace with inflation
- Only options for districts to bridge the funding gap are to cut budgets or increase referendum revenue; most districts have done both

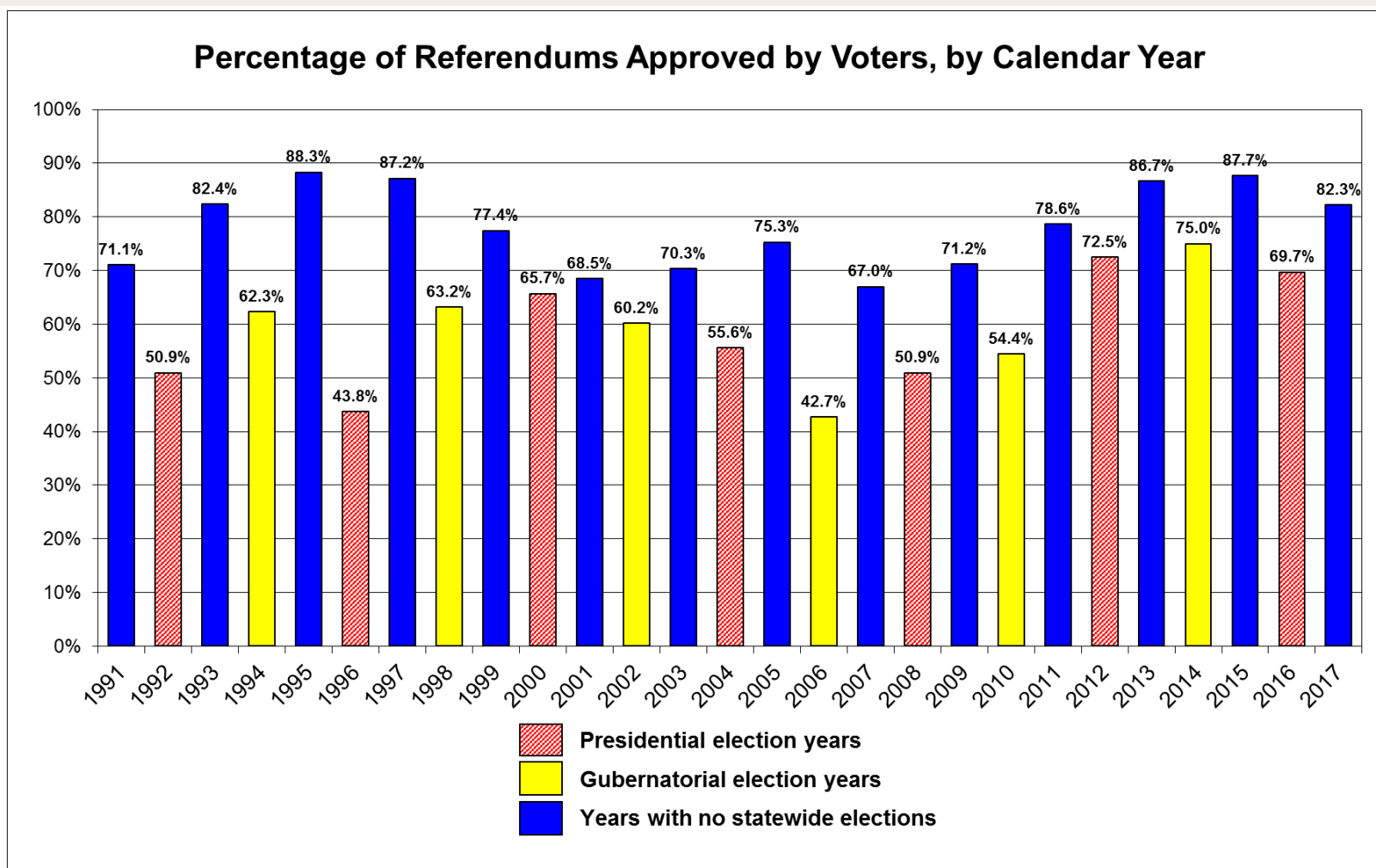


# Election Trends

- Approval rates are typically higher in odd-numbered years (no statewide elections) and lowest in presidential election years
- In total, over the past 25 years, voters have approved 69% of elections
- Ballot questions to renew expiring authority have a much higher approval rate
  - 100% of referendum renewals held between 2014 and 2017 were approved



# Election Trends



# District Specific Information

- Election Date: Tuesday, November 6, 2018
- Existing board approved authority is \$300 per pupil
  - Expires after FY 2019-20
- The district does not have existing voter approved authority
- Question on Ballot (on next slide)
  - Subject to annual inflationary adjustments
  - Expiration after 10 years (can go up to 10 years)



# Question on Ballot

## **School District Question Approval of School District Referendum Revenue Authorization**

The board of Independent School District No. 698 (Floodwood), Minnesota has proposed to increase the School District's general education revenue by \$1,815 per pupil, subject to an annual increase at the rate of inflation. The proposed referendum revenue authorization would be first levied in 2018 for taxes payable in 2019 and applicable for ten (10) years unless otherwise revoked or reduced as provided by law.



**YES**  
**NO**

Shall the increase in the general education revenue proposed by the board of Independent School District No. 698 (Floodwood), Minnesota be approved?



# Tax Impact

Year Taxes are Payable	2019
Referendum Authority per Pupil	\$1,815.00

Type of Property	Estimated Market Value	Estimated Tax Impact for Referendum Only*	
		Annual	Monthly
	\$50,000	\$80	\$7
	60,000	96	8
	70,000	112	9
	80,000	128	11
	90,000	144	12
Average market value of residential home in the school district →	94,885	152	13
	100,000	160	13
	125,000	200	17
Residential	150,000	240	20
Homesteads,	175,000	280	23
Apartments,	200,000	320	27
and Commercial-	225,000	360	30
Industrial Property	250,000	400	33
	275,000	440	37
	300,000	480	40
	350,000	560	47
	400,000	640	53
	500,000	800	67



# Tax Impact – Reduction in Bond Payments

- District's final payment on School Building Bonds will be made on April 1, 2022
- Final debt service levy related to that issue will be Payable in 2021
- Current payments approximately \$550,000 annually



# State Property Tax Refunds & Deferral

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- Programs may reduce net tax burden for local taxpayers, but only if property owners take time to complete and submit forms
- For help with forms and instructions
  - Consult your tax professional, or
  - Visit the Department of Revenue web site at [www.revenue.state.mn.us](http://www.revenue.state.mn.us)





# State Property Tax Refunds & Deferral

## 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 \$2,710 for homeowners and \$2,100 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





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