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## Fix Facility Fallout Ag2School Solutions

March 2015

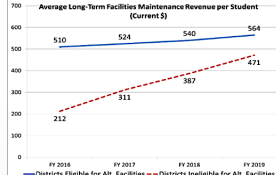
### Facility Fallout

**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

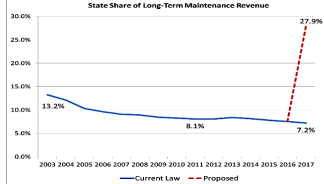


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### State Facility Task Force Recommendations

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

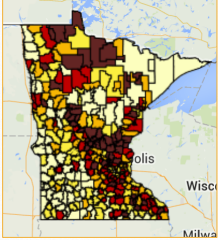
Up from current equalizing factor of **\$5,965**.



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### ANTC/APU

**Current tax base for facilities/debt service**



Increased equalization is not distributed equally across the state.

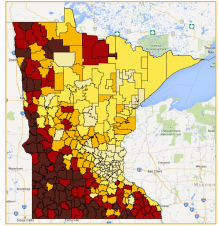
42% of districts will not see any equalization at \$8,281.

View interactive map at [MnREA.org/Ag2SchoolMaps](http://MnREA.org/Ag2SchoolMaps)

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### Ag Land Values

**Big Impact on ANTC**



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

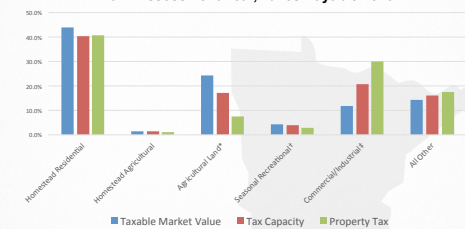
One-third have 50% of ANTC wealth in Ag land.

View interactive map at [MnREA.org/Ag2SchoolMaps](http://MnREA.org/Ag2SchoolMaps)

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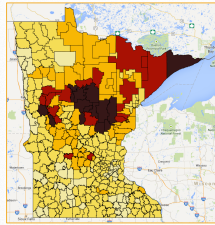
### 2015 Statewide Property Taxes

**2014 Assessment Year, Taxes Payable 2015**



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## Seasonal Rec Impact on ANTC



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

Seasonal rec is more concentrated.

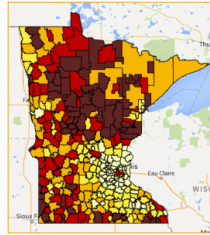
Brown = 33% to 60%  
Red = 20% to 32%

View interactive map at  
[MnREA.org/Ag2SchoolMaps](http://MnREA.org/Ag2SchoolMaps)

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## 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](http://MnREA.org/Ag2SchoolMaps)

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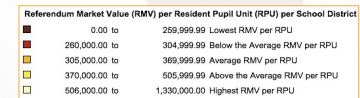
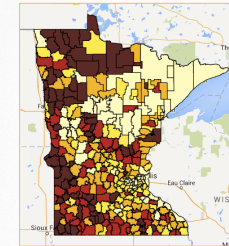
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## RMV

Established in 2001.

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

Closely resembles median household income.



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## 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.

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## Ag2School – Total State Effects

	Current	Ag2School	Change	Percent
<b>State Total LGTM Maintenance</b>	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%
<b>State Total Revenue per APU</b>	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%
<b>State Total Revenue per sq. ft.</b>	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%

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## Ag2School Highly Equalized RMV Levy Effects

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

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## 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.

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## 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

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## 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

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\*Parameters to be set by legislative action

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## 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
Districts with...	Current	Ag2School 40% / \$15 million
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

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