



**OVERVIEW**

**OF**

**MINNESOTA PROPERTY TAX SYSTEM**

**AND**

**SCHOOL DISTRICT LEVY PROCESS**

**2005 Payable 2006 Levy**

**Division of Program Finance**

**March 2006**

**TABLE OF CONTENTS**

Overview of the Minnesota Property Tax System..... 1

K-12 Education Property Tax Levy Summary ..... 8

Class Rates used in Computing Net Tax Capacity ..... 9

School District Levy Limitation & Certification Calendar ..... 10

Dates of Importance for the November 2, 2005 Referendum Elections ..... 13

Referendum Cap Inflation Estimates ..... 14

Summary of Methods Used to Determine School District Levy Limitations ..... 15

## **OVERVIEW OF THE MINNESOTA PROPERTY TAX SYSTEM**

### **A. Levy Limitation and Certification**

School district property tax levies are limited by state law. The Minnesota Department of Education computes the levy limitation for each school district. The school district then certifies the levy to the county auditor. The county then sends out the tax statements, collects the tax and makes the payments to the school districts.

### **B. Determination of the Net Tax Capacity Tax Base**

#### **1. Determination of Tax Capacities**

County assessors determine the estimated market value as of January 2 of each year for all taxable property in their jurisdiction. All property is to be reassessed once every five years. Estimated market value is subject to reductions for statutory exclusions such as green acres farmland, limited market value and “this old house” provisions in determining taxable market value.

The tax capacity is calculated by multiplying the taxable market value by the class rate percentages set in law for each category of property. (See tables for various percentages.)

#### **2. Determination of Adjusted Tax Capacities**

In order to adjust for differing assessment practices by county assessors, the Minnesota Department of Revenue each year conducts a sales ratio study. The sales ratio study compares the assessor’s market values with the actual sales prices of properties sold over a 21-month period. The tax capacities are then adjusted by the results of the sale ratio study. The results are called the Adjusted Net Tax Capacity (ANTC).

### **C. Determination of Tax Rates**

#### **1. Adjustments to Tax Capacity**

The county auditor uses the taxable tax capacity of the school district to determine the tax capacity rate. In many school districts the tax capacity and the taxable tax capacity are the same. However, in some districts certain adjustments are made. These adjustments are for:

- a. Power Line Credit Value
- b. Tax Increment Financing Districts
- c. Fiscal Disparities

The net effect of these adjustments is to reduce the taxable tax capacity and increase the tax capacity rate. The additional taxes collected as a result of the higher tax capacity rate are then used to provide funding for these purposes.

#### **2. Tax Rate Computations**

##### **a. Initial Tax Rate**

The initial tax rate is computed by dividing the total property tax levy by the total taxable tax capacity. This is done for each taxing district (county, city, town, school district and special taxing district).

b. Local Tax Rate

The local tax rate is equal to the total initial tax rate minus the disparity reduction aid divided by the taxable tax capacity. The adjustment for disparity reduction aid cannot reduce the total local tax rate for all taxing districts to less than 90 percent. This adjustment is calculated for each unique taxing area and thus, may result in a non-uniform school tax rate.

**D. Total Tax Before Property Tax Credits**

The gross property tax for a parcel of property before the deduction for any applicable property tax credits is calculated by multiplying the local tax rate for all taxing districts times the tax capacity of the property. This tax amount does not include special assessments which may apply to the property.

**E. State Paid Property Tax Relief**

The state provides property tax aids and credits to reduce the actual amounts of tax paid by property owners. School aids (such as referendum equalization aid, debt service equalization aid, community education aid, etc) and referendum tax base replacement aid reduce the property tax levy before it is certified to the county.

1. Disparity Reduction Aid

Disparity reduction aid is computed for the unique taxing area and provides additional aid to districts that had an effective tax rate of more than 1% of the first \$69,000 of homestead market value (approximately 125 equalized mills) for taxes payable in 1988.

2. Property Tax Credits

Property tax credits are calculated for each parcel of qualifying property and they reduce the tax on that parcel. The property tax credits are:

Market Value Homestead Credits

- Replace education homestead and education agricultural credits, beginning with taxes payable in 2002.
- a. Residential Homestead Market Value Credit
  - Eligible properties include residential homesteads and the house, garage & 1 acre of land for farm and class 1c resort\* homesteads  
\*commercial seasonal recreational not used >250 days per year, which includes a portion used as homestead by owner
  - Total Credit = 0.4% of first \$76,000 of taxable market value, less 0.09% of taxable market value over \$76,000. (Maximum is \$304 for a homestead valued at \$76,000; no credit for a homestead with value of \$413,778 or higher.)
- b. Agricultural Homestead Market Value Credit
  - Eligible property is agricultural homestead property excluding the house, garage and 1 acre (Class 2a)

- Total Credit = 0.3% of the first \$115,000 of taxable market value, less 0.05% of taxable market value over \$115,000. Maximum reduction is \$115. (Maximum credit is \$345 for homestead valued at \$115,000; for homesteads valued at \$345,000 or more, the credit is \$230.)
  - Total credit is allocated among local taxing jurisdictions in proportion to final local tax rate (referendum levies, which are levied against market value, are not included in this calculation).
- c. Disparity Reduction Credit
- Provides relief to apartment, commercial, industrial and public utility properties in certain cities located along a state border
- d. Disaster Credit
- Provides relief to homesteads located in declared disaster or emergency areas
- e. Agricultural Preserve Credit
- Provides relief to agricultural property in the seven county metro area
- f. County Conservation Credit
- Provides relief of \$1.50 per acre for land located in an agricultural preserve created under chapter 40A.
- g. Power Line Credit
- Provides relief to certain property classes, over which runs a high -voltage transmission line constructed after 1974
- h. Taconite Homestead Credit and Supplemental Homestead Credit
- Provides relief to Iron Range homeowners. Depending on the characteristics of the mining industry within the district, the credit is either 66% of the tax up to \$315.10 per property, or 57% of the tax up to \$289.80 per property

## **F. Net Tax**

The net tax is computed by subtracting the applicable tax credits from the total tax before credits. The net tax is the amount actually paid by the property owner, except for special assessments.

## **G. Tax Collections, Distributions and Revenue Recognition**

### **1. Payment Dates**

Property taxes are paid to the county treasurer in two equal installments. For real estate taxes over \$50, the first half of the tax is due by May 15, and second half is due by October 15. For agricultural property, the second half payment is due by November 15. If the real estate taxes are \$50 or less, the entire amount is due by May 15.

2. School District Settlement Dates

<u>Taxes Due from Taxpayers:</u>	<u>Settlement between Auditor and Treasurer:</u>	<u>Percentage Paid to School District:</u>	<u>Payment to School District By:</u>
May 15	May 20	50%	7 business days after the taxes due date
		100%	14 business days after the taxes due date
October 15		50%	7 business days after the taxes due date
		100%	14 business days after the taxes due date
November 15		100%	10 business days after the taxes due date
			January 25
	January 5	Balance	January 25

3. Revenue Recognition

From 1983 until 1998, property taxes paid in a calendar year were recognized as revenue in two different school years. This change in revenue recognition was referred to as the “property tax shift.” The state then made an adjustment to state aid payments to balance the school district’s revenues with the statutory formulas. At its peak for taxes payable in 1993, 50% of the levy was recognized as revenue in FY 1993, and 50% was recognized as revenue in FY 1994. Beginning with taxes payable in 1994, the state began to reduce the percentage of the levy recognized early, and pay back the aid adjustments that were taken in earlier years.

For taxes payable in 1998 through 2003, most levies were recognized as revenue in the fiscal year beginning on July 1 of the year the levy is payable (e.g., 1999 payable 2000 levy recognized in FY 2001). However, a portion of some levies were still recognized early, as outlined below:

- Operating referendum – frozen at the sum of (i) 31% of the levy for taxes payable in 2001, plus (ii) an additional referendum shift to avoid a revenue loss for districts with a decrease in the Pay 1994 referendum levy because of changes in HACA allocations and an increase in equalization aid
- Integration levy for Minneapolis, St Paul & Duluth – 100% of current levy
- Health benefits & Health Insurance levies – 100% of current levy
- Minneapolis & St Paul Retirement levies—100% of current levy
- Reemployment insurance levy – 100% of current levy
- Levy adjustments due to retroactive law changes—100% of current levy

For taxes payable in 2004 and 2005:

- Operating referendum – greater of (i) 31% of the levy for taxes payable in 2001, or (ii) 48.6% times current referendum levy
- Integration levy for Minneapolis, St Paul & Duluth – 100% of current levy
- Health benefits & Health Insurance levies – 100% of current levy
- Minneapolis & St Paul Retirement levies—100% of current levy
- Reemployment insurance levy – 100% of current levy
- Career & Technical levy – 100% of current levy
- Levy adjustments due to retroactive law changes—100% of current levy

- All other school district general and community service fund levies – shifted by 48.6% of current levy.

Under the current forecast, the state is again reducing the percentage of the levy recognized early and paying back the aid adjustments that were taken in earlier years. Starting with taxes payable in 2006, most levies will again be recognized as revenue in the fiscal year beginning on July 1 of the year the levy is payable (e.g., 2005 payable 2006 levy recognized in FY 2007). However, a portion of some levies will still be recognized early, in the same manner as outlined above for taxes payable in 1998 through 2003.

If the May, June & July tax settlement revenue is insufficient to cover the amount to be recognized early, then a portion of July and August general education aid is also recognized in the prior fiscal year.

## H. UFARS Coding

<u>Fund</u>	<u>Source</u>	<u>Levy</u>
General	001	Except Reemployment and Operating Debt
	005	Reemployment insurance (only levies and adjustments for FY 2003 and earlier)
	GNL 414	Operating Debt (Special legislation in 1990 or 1992)
Other K-12 Funds	001	

## I. Statistical Summary

<u>State Totals</u>	<u>Amount</u>	<u>Percent Change</u>
<u>Market Value</u>		
1998	222.4 billion	8.0%
1999	241.0 billion	8.4%
2000	264.4 billion	9.7%
2001	292.0 billion	10.4%
2002	325.0 billion	11.3%
2003	363.2 billion	11.8%
2004	411.7 billion	13.4%
<u>Referendum Market Value</u>		
1997	\$200.5 billion	
1998	215.2 billion	7.3%
1999	233.6 billion	8.6%
2000 (a)	227.2 billion	-2.7%
2001	252.6 billion	11.2%
2002	282.3 billion	11.8%
2003	316.5 billion	12.1%
2004 (b)	358.4 billion	13.2%

(a) Excludes ag land and seasonal recreational cabin property; total based on old definition = \$256.6 billion

(b) Excludes JOBZ valuation

<u>State Totals</u>	<u>Amount</u>	<u>Percent Change</u>
<u>Net Tax Capacity</u>		
1998	3,277,886,359	6.1%
1999	3,588,274,759	9.5%
2000	2,923,195,009	-18.5%
2001	3,175,071,192	8.6%
2002	3,508,747,661	10.5%
2003	3,905,152,321	11.3%
2004 (b)	4,410,081,320	12.9%
<u>Average Sales Ratio</u>		
1998	88.3%	-0.7%
1999	87.4%	-1.0%
2000	84.9%	-2.9%
2001	81.9%	-3.5%
2002	80.2%	-2.1%
2003	80.9%	0.9%
2004	81.5%	0.7%
<u>Adjusted Net Tax Capacity</u>		
1998	3,713,745,242	7.0%
1999	4,105,783,376	10.6%
2000 (c)	3,443,714,302	-16.1%
2001	3,855,999,333	12.0%
2002	4,354,956,241	12.9%
2003	4,812,393,350	10.5%
2004 (b)	5,386,446,668	11.9%
<u>Total Certified Levy Before Credits</u>		
1999 Pay 2000	2,270,569,400	3.6%
2000 Pay 2001	2,407,101,100	6.0%
2001 Pay 2002	1,068,295,500	-55.6%
2002 Pay 2003	1,266,956,600	18.6%
2003 Pay 2004	1,357,718,800	7.2%
2004 Pay 2005	1,440,731,500	6.1%
2005 Pay 2006 est.	1,675,392,300	16.3%
<u>Total Net Levy After Credits</u>		
1999 Pay 2000	1,793,059,800	-2.5%
2000 Pay 2001	1,922,416,100	7.2%
2001 Pay 2002	986,134,500	-48.7%
2002 Pay 2003	1,183,432,900	20.0%
2003 Pay 2004	1,278,624,900	8.0%
2004 Pay 2005	1,367,903,100	7.0%
2005 Pay 2006 est.	1,601,494,300	17.1%

(b) Excludes JOBZ valuation

(c) Reflects major changes in class rates. Total based on old class rates is \$4,641,916,620 (13.1% increase over 1999). Total based on new class rates is 74.1% of total based on old class rates.

<u>State Totals</u>	<u>Amount</u>	<u>Percent Change</u>
<u>Education Homestead Credit</u>		
1999 Pay 2000	395,013,000	29.7%
2000 Pay 2001	404,102,400	2.3%
2001 Pay 2002 and later	-0-	(Repealed)
<u>Education Agricultural Credit</u>		
1999 Pay 2000	45,979,200	N/A
2000 Pay 2001	55,112,300	19.9%
2001 Pay 2002 and later	-0-	(Repealed)
<u>School HACCA</u>		
1999 Pay 2000	24,676,600	-31.3%
2000 Pay 2001	13,468,200	-45.4%
2001 Pay 2002 and later	-0-	(Repealed)
<u>Residential Market Value Credits (School Portion)</u>		
Pay 2002	68,860,000	N/A
Pay 2003	68,531,000	-0.5%
Pay 2004	64,240,000	-6.3%
Pay 2005	58,749,000	-8.5%
Pay 2006 est.	58,959,000	.4%
<u>Ag Land Market Value Credits (School Portion)</u>		
Pay 2002	3,853,000	N/A
Pay 2003	5,879,000	52.6%
Pay 2004	5,209,000	-11.4%
Pay 2005	5,296,000	1.7%
Pay 2006 est.	5,545,000	4.7%

**K-12 EDUCATION PROPERTY TAX LEVY SUMMARY**  
**Taxes Payable in 2005 vs. Taxes Payable in 2006**  
**February 2006 Forecast Estimates**

Levy Type	Total \$ in Millions			<u>Percent Change</u>
	<u>Pay 2005</u>	<u>Pay 2006</u>	<u>Change</u>	
<b><u>General Fund</u></b>				
Referendum	403	475	72	17.9%
Transition	18	22	4	22.2%
Equity	25	62	37	148.0%
Operating Capital	44	102	58	131.8%
Alternative Compensation	0	6	6	n/a
Safe Schools	24	24	0	0.0%
Integration	25	25	0	0.0%
Health & Safety	83	67	-16	-19.3%
Building Lease	36	40	4	11.1%
Alternative Facilities	61	60	-1	-1.6%
Capital Projects	21	25	4	19.0%
Career & Technical	13	13	0	0.0%
Other	18	29	11	61.1%
Taconite Adjustment	-6	-7	-1	16.7%
Other Adjustments	-17	-3	14	-82.4%
Subtotal, General Fund	748	940	192	25.7%
<b><u>Community Service Fund</u></b>				
Basic	35	36	1	2.9%
ECFE	22	22	0	0.0%
Other	10	11	1	10.0%
Taconite Adjustment	-1	-1	0	0.0%
Other Adjustments	0	0	0	0.0%
Subtotal, Community Service	66	68	2	3.0%
<b><u>Debt Redemption</u></b>				
Gross Initial Levy	675	707	32	4.7%
Debt Equalization	-25	-18	7	-28.0%
Debt Excess	-25	-25	0	0.0%
Taconite Adjustment	0	0	0	0.0%
Other Adjustments	2	3	1	50.0%
Subtotal, Debt Redemption	627	667	40	6.4%
<b>Subtotal before Credits</b>	1,441	1,675	234	16.2%
<b>Subtotal, Referendum &amp; Debt Levies</b>	1030	1142	112	10.9%
<b>Subtotal, Other Levies</b>	411	533	122	29.7%
<b><u>Credits</u></b>				
Market Value Residential Homestead Credit	59	59	0	0.0%
Market Value Agric Homestead Credit	5	6	1	20.0%
Other	9	9	0	0.0%
<b>Subtotal Credits</b>	73	74	1	1.4%
<b>Net Levy After Credits</b>	1,368	1,601	233	17.0%

## CLASS RATES USED IN COMPUTING NET TAX CAPACITY

Property Tax Class	Tax Rate Pay 2005	Tax Rate Pay 2006	Subject to State Levy?
<b>Residential Homestead (1a) &amp; Migrant Housing (1d)</b> Up to \$500,000 Over \$500,000	1.00% 1.25%	1.00% 1.25%	No
<b>Disabled homestead up to \$32,000 (1b)</b>	0.45%	0.45%	
<b>Residential Non-Homestead</b> Single unit (4bb) Up to \$500,000 Over \$500,000 1-3 units, undeveloped resident land, & unclassified mftg homes (all 4b)	1.00% 1.25% 1.25%	1.00% 1.25% 1.25%	No
<b>Apartments:</b> Regular 4+ units (4a), including for profit hospitals Low-income rental housing (4d)	1.25% NA <sup>1</sup>	1.25% 0.75%	
<b>Commercial-Industrial-Public Utility (3a)</b> Up to \$150,000 Over \$150,000 Other public utility machinery	1.50% 2.00% 2.00%	1.50% 2.00% 2.00%	Yes
Electric generating machinery	2.00%	2.00%	No
<b>Employment Property (3b)</b> Up to \$150,000 Over \$150,000	1.50% 2.00%	1.50% 2.00%	Yes
<b>Commercial Seasonal Recreational Residential--Homestead Resorts (1c)</b> Up to \$500,000 (tier one) \$500,001 to \$2.2 million (tier two) Over \$2.2 million (tier three)	1.00% NA <sup>2</sup> NA <sup>2</sup> NA <sup>2</sup>	NA <sup>2</sup> 0.55% 1.00% 1.25%	No
<b>Commercial Seasonal Recreational Residential--Seasonal Resorts (4c(1))</b> Up to \$500,000 Over \$500,000	1.00% 1.25%	1.00% 1.25%	Yes <sup>3</sup>
<b>Non-Commercial Seasonal Recreational Residential--Cabins (4c(1)):</b> Up to \$500,000 Over \$500,000	1.00% 1.25%	1.00% 1.25%	
<b>Qualifying Golf Courses (4c(2))</b>	1.25%	1.25%	
<b>Nonprofit Community Service Oriented Organization (4c(3))</b>	1.50%	1.50%	
<b>Post Secondary Student Housing (4c(4))</b>	1.00%	1.00%	
<b>Manufactured Home Parks (4c(5))</b>	1.25%	1.25%	No
<b>Qualifying Metro Nonprofit Recreational Property (4c(6))</b>	1.25%	1.25%	
<b>Certain Non-commercial Aircraft Storage Hangars (4c(7) and 4c(8))</b>	1.50%	1.50%	
<b>Bed and Breakfast--up to 5 units (4c(9))</b>	1.25%	1.25%	
<b>Agricultural Homestead (2a)</b> House, Garage and One Acre Up to \$500,000 Over \$500,000 Land and Buildings Up to \$600,000 Over \$600,000	1.00% 1.25% 0.55% 1.00%	1.00% 1.25% 0.55% 1.00%	No
<b>Agricultural Non-Homestead and Timberland (2b)</b>	1.00%	1.00%	
<b>Miscellaneous and Iron Ore Property (5)</b>	2.00%	2.00%	Only for iron

<sup>1</sup> Class 4d low-income rental housing was re-enacted for taxes payable 2006.

<sup>2</sup> For taxes payable in 2006, a three-tier class rate for class 1c property was enacted. The reference to the 800 by 500 foot "box" was removed so the area outside the box would no longer be classified as class 4c property. If any class 1c homestead resort property has market value in tier three, the entire property must meet the requirements for classification as a class 4c resort to qualify for classification as class 1c. The value of class 1c property in tier three only is subject to the state general tax.

<sup>3</sup> For the purposes of the state general tax only, the tax rate for the first \$76,000 of non-commercial class 4c(1) seasonal residential recreational property is 0.40 percent.



August 12	Last day for school districts to review and update the EDRS ADM and LEP estimates for fiscal years 2006, 2007 and 2008 for the initial levy report and forecast. Additional changes can be made through September 30.
August 15	Deadline for districts to submit the following data via Summer Levy Reporting system. Health Benefits Pupil Transportation Projections Training & Experience Index Elementary Sparsity Secondary Sparsity Building/Land Leases Debt Service Community Ed & Miscellaneous Levy Data
September 8	Deadline for the department to certify levy limitations to school districts.
September 15**	Last day to adopt resolution calling for referendum election.
September 16**	Last day to notify county auditors of the date of the election and the questions to be voted on (at least 53 days prior to election).
September 16	Last day district may make changes via Health & Safety website.
September 20**	Last day to notify the Commissioner of Education of the date of the election and the questions to be voted on (at least 49 days prior to election).
September 26	Deadline to adjust the 2005 Pay 2006 maximum costs for Health and Safety Projects. (For changes after September 16, see 2005 Health & Safety letter.)
September 30	Deadline for school boards to certify proposed property tax levies to home county auditor.  Deadline for the department to certify school district levy limitations to county auditors.
October 7	Deadline for school districts to submit copy of proposed levies to the department.
October 24**	Deadline for school districts holding referendum elections on November 8 to deliver by first class mail a notice of the referendum to each taxpayer in the district (at least 15 days prior to date of election). The notice may not be mailed to taxpayers prior to Oct 9 (no more than 30 days prior to election).  Deadline for school districts holding referendum elections on November 8 to provide copy of first class mail notice to county auditors and to the department.

November 1	Last day district may submit closeout documentation in support of provisional approvals (PPA's) for health and safety projects.
November 8**	General election day. Referendum elections can be held only on this date (except by mail-in ballot).
November 24	Deadline for county auditor to prepare and county treasurer to deliver by first class mail a notice of proposed property taxes for all taxing authorities to each taxpayer. (This notice cannot be mailed earlier than November 10.)
At Least Two Days But Not More Than Six Days Before Truth-in-Taxation Hearing *	Each school district must advertise its truth-in-taxation hearing in an official newspaper of general circulation in the district.
Between November 29 and December 20 *	School districts must hold their scheduled truth-in-taxation hearing(s).
At Least Five Business Days But No More Than 14 Business Days After the Public Hearing	School districts must hold continuation hearing if the public hearing is not completed on the scheduled date.
One Or More Days After The Public Hearing But No Later than four working days after December 20 ( <i>December 27</i> )	School districts must adopt their final property tax levy.
Five Working Days After December 20 ( <i>December 28</i> )	Deadline for school districts to certify final adopted levies to home county auditor.
January 7 ( <i>effectively January 9th</i> )	Deadline for school districts to notify the department of final certified levies.
February 1	Deadline for county auditors to submit School Tax Abatement Report for previous year to the department.
April 1	Deadline for county auditors to submit School Tax Report to the department.

**NOTES:**

\* Common school districts 323 and 815, and cooperative secondary facilities districts are exempt from the public hearing requirements of truth-in-taxation. However, these districts must comply with other levy certification requirements, including certification of proposed levies by September 30 and certification of final levies on or before five working days after December 20.

\*\* Districts holding referendum election on November 8th should also reference "*Important Referendum Election Dates*" on MSBA website at [www.mnmsba.org](http://www.mnmsba.org) under Communications and then Election Information for a more detailed list of election related deadlines.

**DATES OF IMPORTANCE FOR THE  
NOVEMBER 8, 2005 REFERENDUM ELECTIONS**

Source: MSBA Website

September 16, 2005	Last day to adopt resolution calling the referendum election.
September 16, 2005	Last day to notify county auditors and the commissioner of the date of the election and the questions or offices to be voted on.
October 9, 2005	First day absentee ballots must be available for November election (30 days prior to election).
October 9, 2005	First day district may mail required notice (no more than 30 days prior to election).
October 18, 2005	Last day to preregister for November election (at least 21 days prior to date of election).
October 24, 2005	Last day to mail required notice (at least 15 days prior to date of election).
October 24, 2005	Last day to provide copy of required notice to commissioner of Education and county auditors (at least 15 days prior to date of election).
October 25, 2005	Last day to publish first notice of November election.
October 29, 2005	Last day to post notice of November election (at least 10 days prior to date of the election).
November 1, 2005	Last day to publish second notice of November election.
November 4, 2005	Last day to post sample ballot of November election (at least 4 days prior to date of election).
November 7, 2005	Last day to apply for absentee ballot for November election (day prior to date of election).
November 8, 2005	Election day.
November 15, 2005	Last day to adopt resolution canvassing for November election.
15 days after canvass	Last day to notify commissioner of results of election.

**REFERENDUM CAP INFLATION ESTIMATES**  
**FY 2005 – FY 2016**

CPI – Urban Consumers  
 July 2005 Update

<b>Fiscal Year</b>	<b>Annual Projected Inflation</b>	<b>Projected Inflation Ratio Std. Cap</b>	<b>Projected Std. Cap</b>	<b>Std. Cap Increase over FY 2004</b>	<b>Projected Inflation Ratio Alt. Cap*</b>
2005	3.02%	1.0302	\$ 881.63	\$ 25.84	1.0302
2006	2.67%	1.0577	905.17	49.38	1.0577
2007	1.49%	1.0735	1,389.11	533.32	1.0735
2008	1.80%	1.0928	1,414.08	558.29	1.0928
2009	2.05%	1.1152	1,443.07	587.28	1.0928
2010	2.13%	1.1390	1,473.87	618.08	1.0928
2011	2.42%	1.1665	1,509.45	653.66	1.0928
2012	2.65%	1.1974	1,549.44	693.65	1.0928
2013	2.69%	1.2296	1,591.10	735.31	1.0928
2014	2.64%	1.2621	1,633.16	777.37	1.0928
2015	2.63%	1.2952	1,675.99	820.20	1.0928
2016	2.63%	1.3292	1,719.98	864.19	1.0928

\*Assumes no increase allowance after FY 2008 as per current law.

*Source of CPI Data: DOF – John Peloquin*

**SUMMARY OF METHODS USED TO  
DETERMINE SCHOOL DISTRICT LEVY LIMITATIONS  
2005 Payable 2006**

**1. Equalized Levies**

a. Goals

- i. Equal revenue per pupil unit for equal local tax effort (horizontal tax equity)
- ii. Proportionately higher revenue per pupil unit for districts with higher local effort (Vertical tax equity)

b. Program Types

i. Fixed Level programs

1) Description – All districts receive the same revenue per need unit from a uniform local property tax rate

2) Example:

a) Early Childhood Family Education:

Revenue = \$104 X population under 5 years of age

Levy = lesser of revenue or .00427250 \* ANTC

Aid = Revenue – Levy

ii. Variable Level Programs

1) Description – Districts receive varying levels of revenue per need unit based on approved expenditures or referendum allowances. Districts levy for a percentage of revenue based on the ratio of the district's tax base per pupil unit to an "equalizing factor" or guaranteed tax base set in law.

2) Examples:

a) Health & Safety:

Revenue = Approved expenditure

Levy = Revenue \* lesser of 1 or (district ANTC / PU / \$2,935)

Aid = Revenue – Levy

b) Operating Referendum

• First \$600/PU:

Revenue = Allowance approved by voters \* PU

Levy = Revenue \* lesser of 1 or  
(district referendum market value / PU / \$476,000)

Aid = Revenue – Levy

• Over \$600/PU up to Unadjusted Standard Referendum Cap:

Revenue = Allowance approved by voters \* PU

Levy = Revenue \* lesser of 1 or  
(district referendum market value / PU / \$270,000)

Aid = Revenue – Levy

## 2. Percentage Matching Levies

- a. Integration Revenue
  - Revenue = Statutory Allowance \* PU
  - (Allowance varies from \$92/PU to \$445/PU, depending on district group)
  - Levy = 30% of Revenue
  - Aid = 70% of Revenue
- b. Disabled Adults
  - 50% aid; 50% levy

## 3. Unequalized levies

- a. Flat tax rate programs
  - i. Uniform tax rate based on statutory formula
    - 1) Operating debt
- b. Allowance per pupil
  - i. Safe Schools Levy -- \$27 / Adjusted marginal cost pupil unit
- c. Variable amount based on expenditure
  - i. Reemployment insurance
  - ii. Judgment
  - iii. Retired employee health benefits
- d. Variable amount based on local referendum
  - i. Unequalized portion of debt service, operating referendum
  - ii. Capital projects referendum