

Technical Discussion of Levies

Levy Rate Limits on Property Tax

A metropolitan park district (MPD) is a junior taxing district that has two regular property tax levies available: one of 50 cents per thousand dollars assessed valuation (AV) and one of 25 cents. They are considered as one levy of 75 cents, the statutory maximum, for the purposes of the levy limits. (Note that the levy is the total dollar amount, not the tax rate.)

Levy Growth Limits

In November 2001, voters in the state passed Initiative 747, limiting taxing jurisdictions to one hundred percent plus the lesser of one percent or inflation.

This law limited the property tax levy for the coming year to be the highest regular property tax levy for the last three years multiplied by a "limit factor," plus any additional taxes attributable to new construction and changes in the value of state-assessed utilities. *This rate has averaged about 1.6% during the life of the District.*

Inflation and Population Growth

Since the District's formation in 2004, area inflation has averaged 2.2% per year. During that period, the District's population has grown 1.1% annually. The combined impact on District resources is 3.3% per year.

With the District's levy limited to 1.6% growth per year, and the service requirements increasing at 3.3% per year, the District falls behind at a rate of 1.7% each year. Over the life of PenMet Parks, that is 21% that the current levy lacks to keep up with inflation and population increase.

Prorationing

The aggregate regular levy rates of senior taxing districts (counties and cities) and junior taxing districts (fire districts, metropolitan park districts, cemetery districts, library districts, park and recreation district, etc.) may not exceed \$5.90 per thousand dollars AV. If this limit is exceeded, the levy of at least one junior taxing district must be prorationed. If either the \$5.90 statutory limit or the one percent constitutional limit is exceeded, one or more of the levies involved are reduced according to a statutory formula. This reduction process is known as prorationing.

If the \$5.90 limit has been exceeded, levies are reduced or eliminated in a hierarchical order and metropolitan park districts are the first to have their levy reduced in our area.

Levy Rate Calculation

Each year, the county assessor performs all of the calculations in state law which limit the levy, and determines the dollar amount of the levy.

The assessor then divides the levy dollar amount by the assessed value (per \$1,000) of taxable properties in the jurisdiction to determine the levy rate.

Due to levy growth limits and proration, PenMet Parks has never been able to collect its full levy.

The chart below demonstrates the difference between PenMet’s Actual Levy (green) and the rising effect of inflation and population growth. PenMet’s levy is also limited below what is “Allowed” (blue) in statute by proration--very severely so in 2013-2015.

