



Independent School District 196

Public Hearing for Taxes Payable in 2021

DECEMBER 14, 2020

PRESENTED BY:

MARK D. STOTTS,

DIRECTOR OF FINANCE &
OPERATIONS

Minnesota State Law Requires:

A Public Meeting...

- Between November 25th & December 28th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

...and Presentation of:

- Current year budget
- Proposed property tax levy

Hearing Agenda

- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2021
- Public Comments

MN Legislature Must Set Funding for Minnesota Public Schools

Minnesota Constitution ARTICLE XIII

MISCELLANEOUS SUBJECTS

Section 1

“UNIFORM SYSTEM OF PUBLIC SCHOOLS. The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The *legislature shall make such provisions by taxation or otherwise* as will secure a thorough and efficient system of public schools throughout the state.”

As a result...

Funding is Highly Regulated

State Sets:

- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters in November)

State also authorizes school board to submit referendums for operating and capital needs to voters for approval

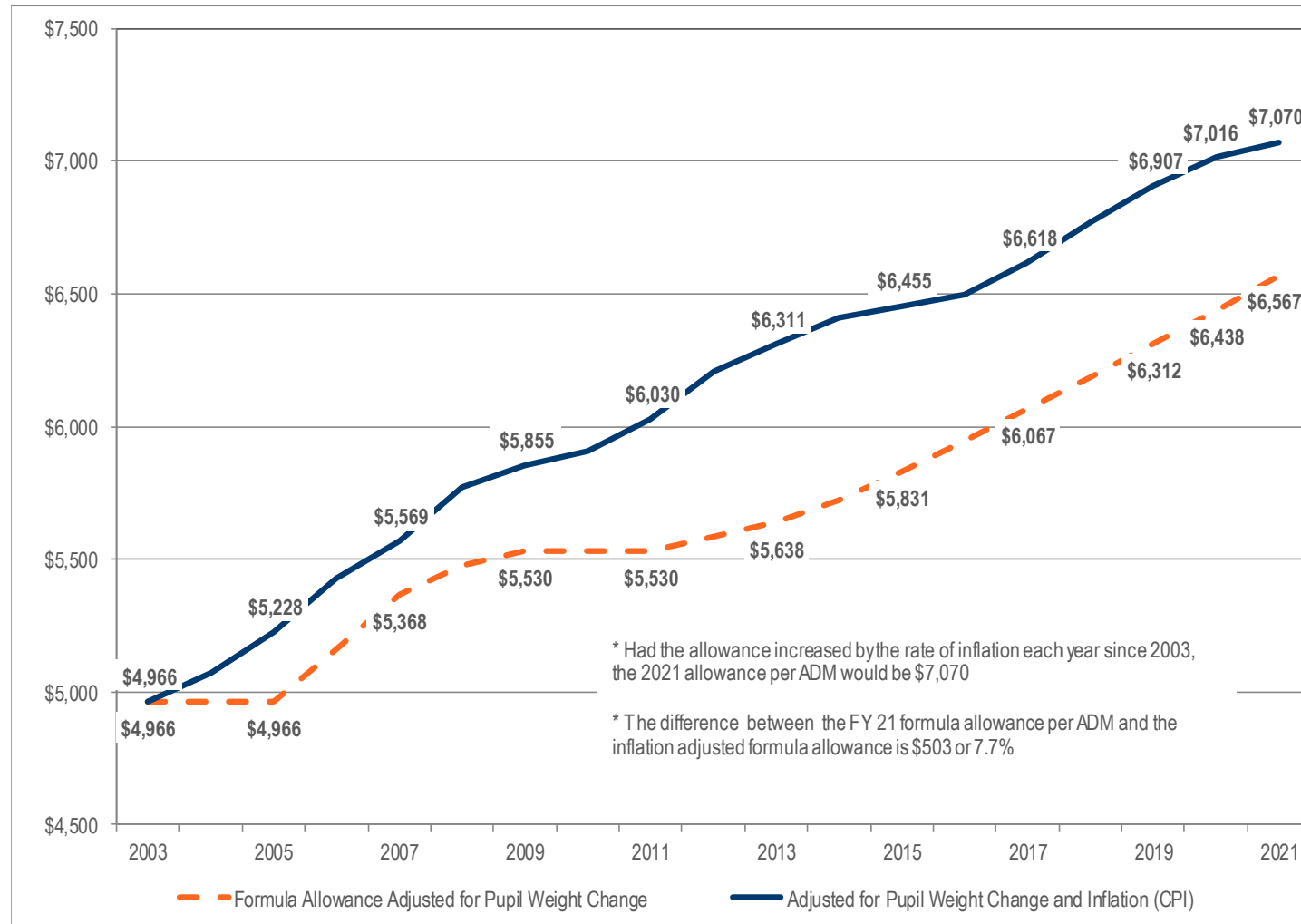
Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2020-21, an increase of 2% or \$129 over previous year was approved
- No additional changes to formula have been approved by legislature

Per-pupil allowance for Fiscal Year 2020-21 of \$6,567 would need to increase by another \$503 (7.7%) to have kept pace with inflation since 2002-03

General Education Formula Allowance, 2003-2021

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2020 Inflation Estimates

Underfunding of Special Education

MDE reports FY 2018 cost of providing special education programs was underfunded by \$822 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,705 per special education student

Underfunding of special education costs requires a transfer from regular program resources to support an underfunded program mandated by state and federal law

Primary options to bridge special education funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

Result: Growing Dependence on Referendum Revenue

- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,570 per pupil
 - Of this amount, \$846 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)
 - Statewide, referendum revenue including Local Optional Revenue (LOR) provides 14.3% of General Fund operating revenue

Change in Tax Levy does not Determine Change in Budget

1

Tax levy is based on many state-determined formulas plus voter approved referendums

2

Some increases in tax levies are revenue neutral, offset by reductions in state aid

3

Expenditure budget is limited by state-set revenue formulas, voter-approved levies, and fund balance

4

An increase in school taxes does not always correlate to an equal increase in budget

School District Levy Cycle Differs from City/County Levy Cycle

City/County:

- Budget Year same as calendar year
- 2021 taxes provide revenue for 2021 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2021 taxes provide revenue for 2021-22 school fiscal year
- Budget will be adopted in June 2021

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information be presented at this hearing. Fiscal Year 2021-22 budget will be adopted by School Board in June 2021.

All school district budgets are divided into separate funds, based on purposes of revenue, as required by law

Our District's Funds:

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Trust
- Internal Service
- OPEB* Trust
- OPEB* Debt Service

**Other Post-Employment Benefits*

Independent School District 196

District Revenues and Expenditures

Actual for FY 2020, Budget for FY 2021

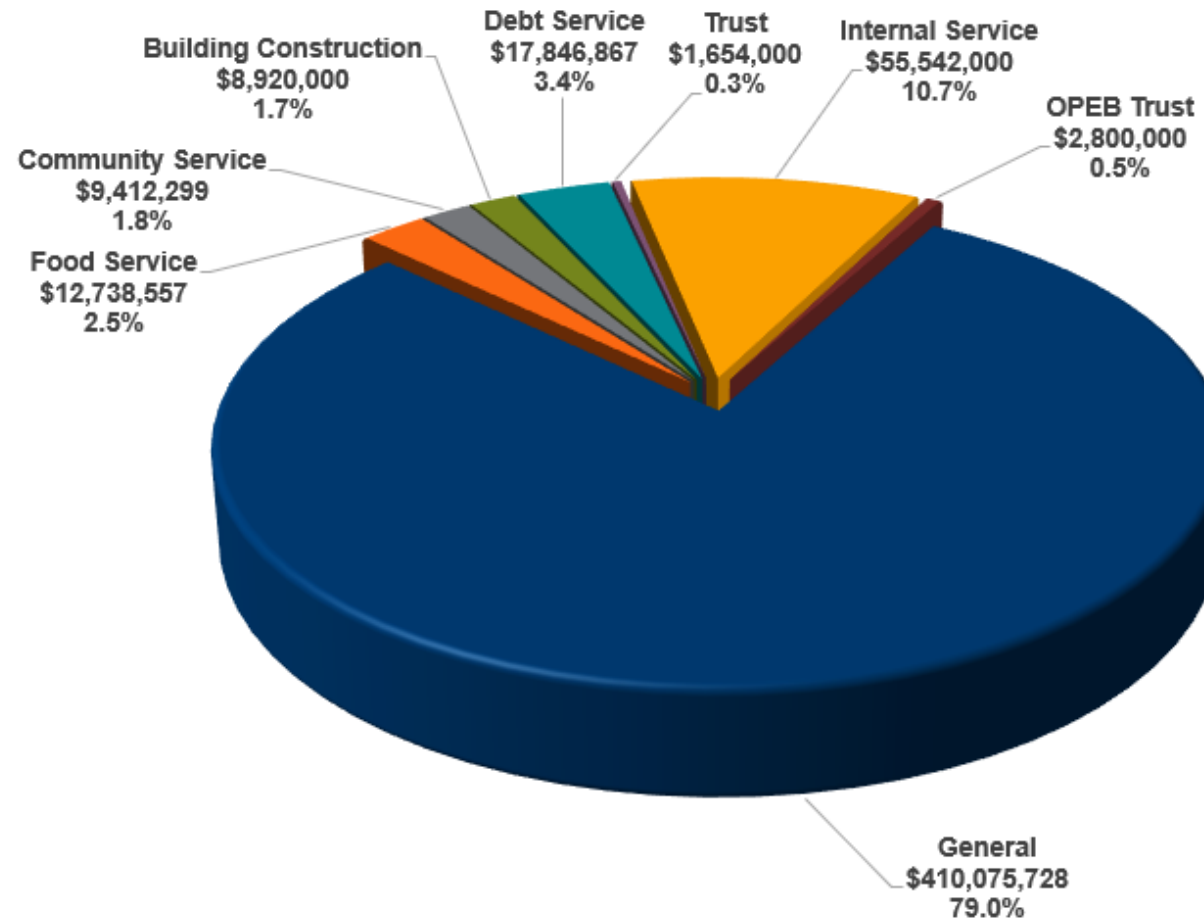
FUND	FISCAL 2020 BEGINNING FUND BALANCES	2019-20 ACTUAL REVENUES & TRANSFERS IN	2019-20 ACTUAL EXPENDITURES & TRANSERS OUT	JUNE 30, 2020 ACTUAL FUND BALANCES	2020-21 BUDGET REVENUES & TRANSERS IN	2020-21 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2021 PROJECTED FUND BALANCES
General/Restricted	\$10,840,843	\$27,969,833	\$28,737,933	\$10,072,743	\$26,069,674	\$29,753,005	\$6,389,412
General/Other	40,441,845	363,516,169	355,310,372	48,647,643	384,006,054	378,065,954	54,587,743
Food Service	4,115,838	11,628,899	11,092,547	4,652,190	12,738,557	13,183,430	4,207,317
Community Service	2,794,089	8,515,716	8,434,713	2,875,092	9,412,299	8,943,428	3,343,963
Building Construction	6,027,687	9,732,081	6,290,382	9,469,386	8,920,000	6,000,000	12,389,386
Debt Service	(554,624)	18,063,350	17,102,594	406,132	17,846,867	17,064,920	1,188,079
Trust	629,395	1,813,004	1,823,060	619,339	1,654,000	1,650,000	623,339
Internal Service	8,269,818	57,729,725	52,662,983	-	55,542,000	59,739,999	-
OPEB* Irrevocable Trust	54,485,170	6,546,997	3,643,391	57,388,776	2,800,000	4,500,000	55,688,776
OPEB* Debt Service	2,254,614	9,018	-	2,263,632	-	-	2,263,632
Total All Funds	\$129,304,676	\$505,524,794	\$485,097,975	\$136,394,934	\$518,989,451	\$518,900,736	\$140,681,648

*Other Post Employment Benefits

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Revenue - All Funds

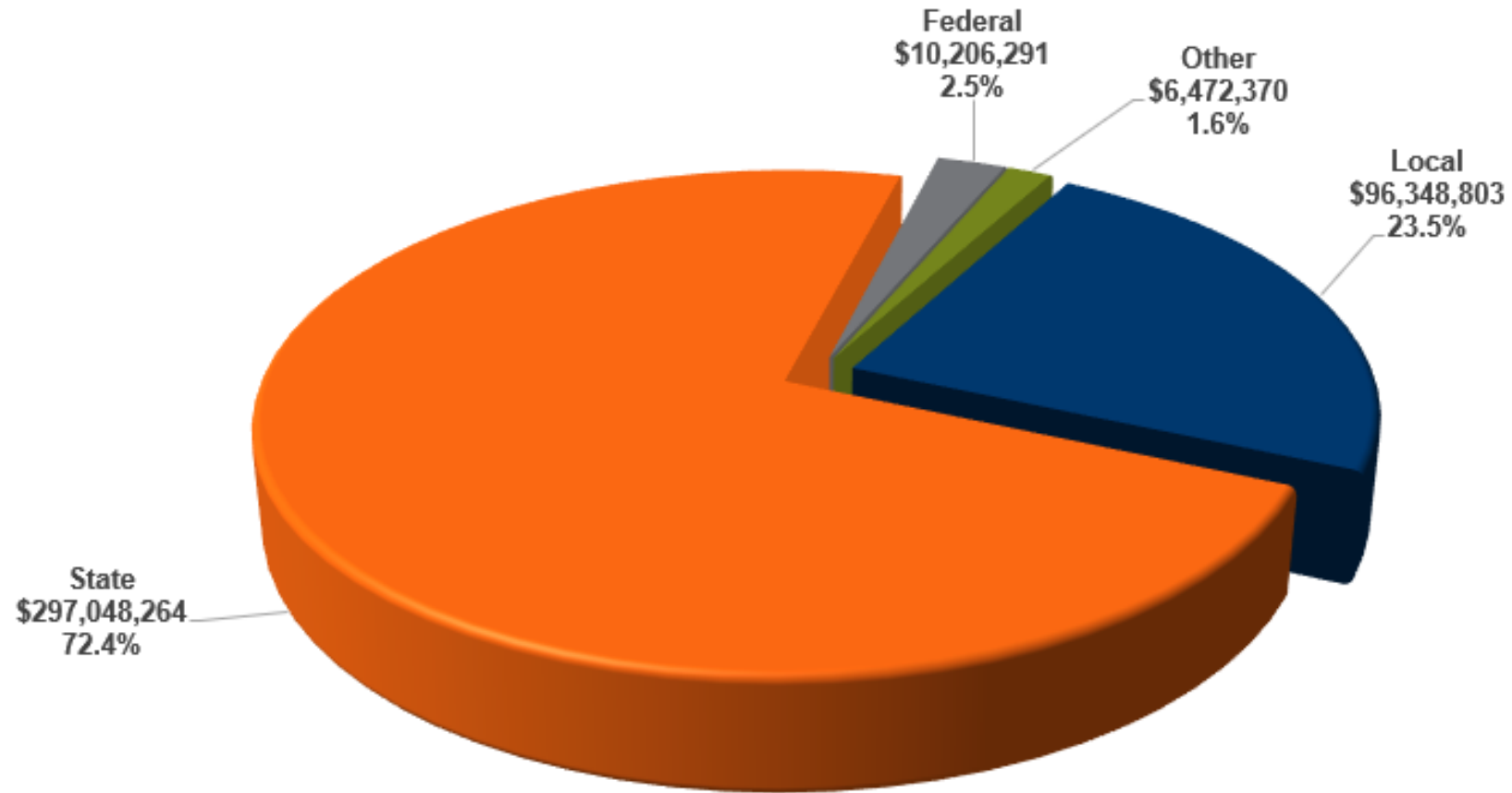
2020-21 Budget \$518,989,451



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General Fund Revenue

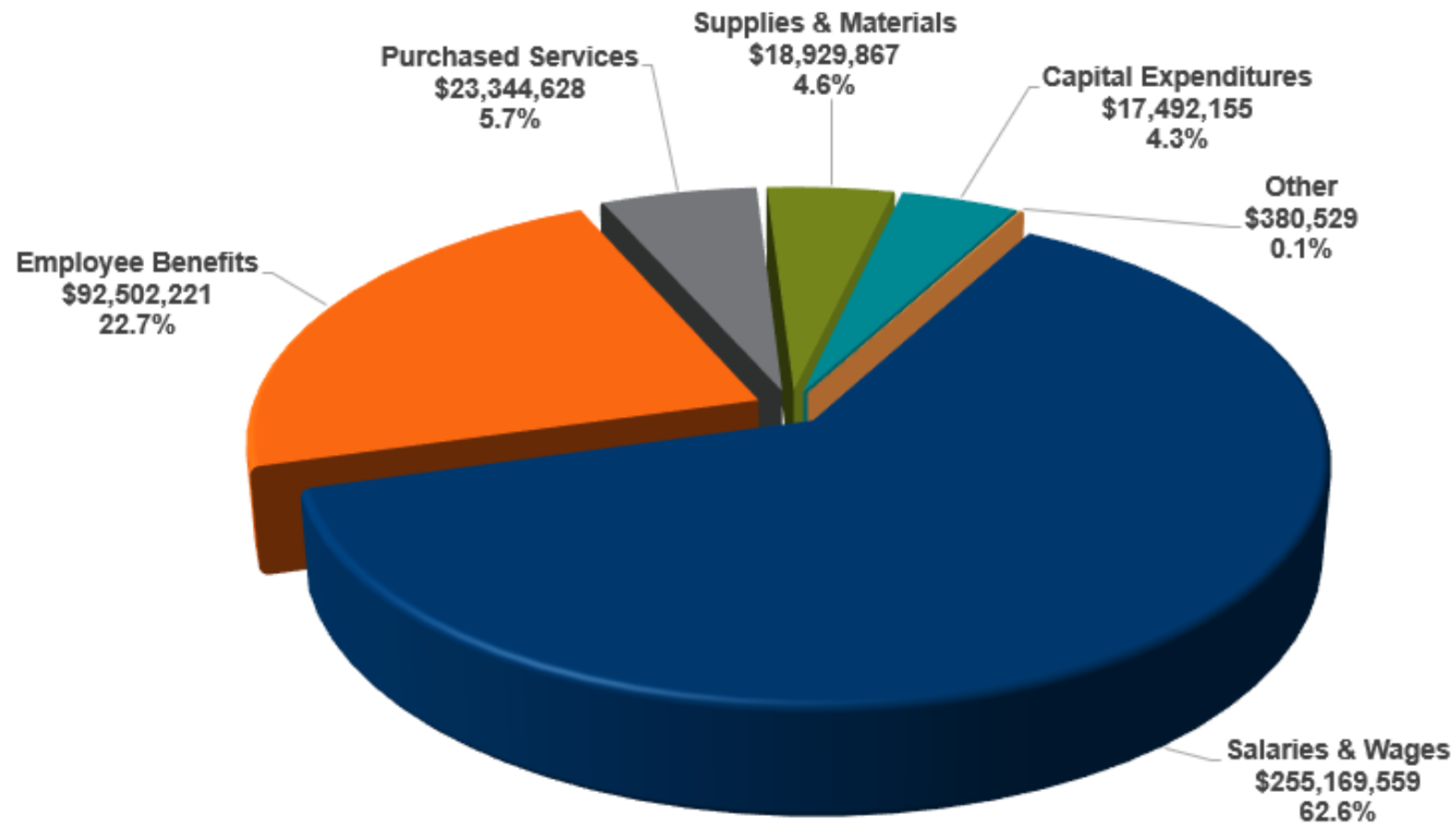
2020-21 Budget \$410,075,728



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General Fund Expenditures by Object

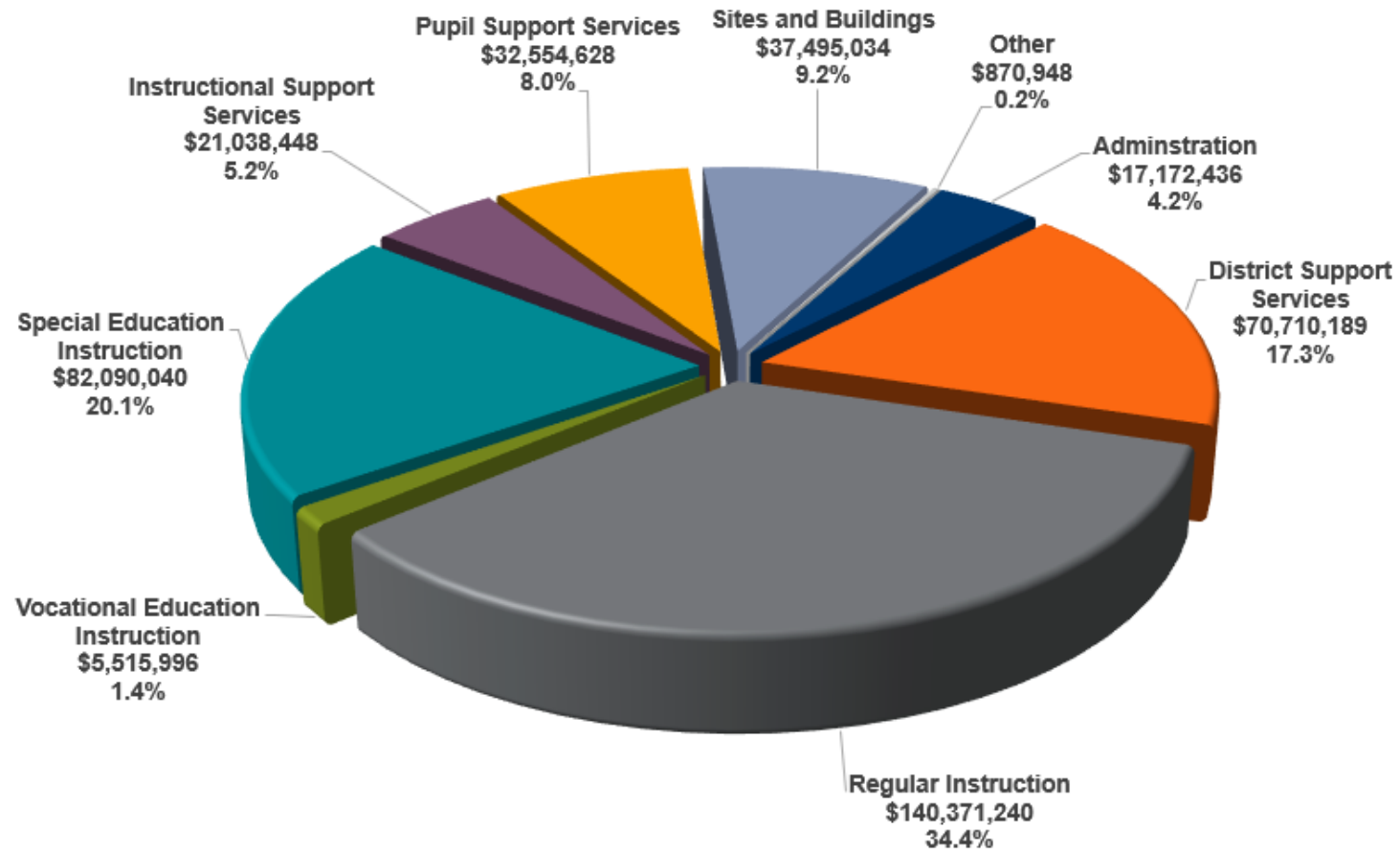
2020-21 Budget \$407,818,959



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General Fund Expenditures by Program

2020-21 Budget \$407,818,959



Payable 2021 Property Tax Levy

- Determination of levy
- Comparison of 2020 to 2021 levies
- Reasons for changes in tax levy
- Impact on taxpayers

Property Tax Background

- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions

Sample of parcel specific notice mailed to every property owner between November 11 & November 24 with information on impact of Proposed 2021 levy

Contents:

- Proposed property taxes compared to last year
- By taxing jurisdiction
- Contains time and place of public meetings
- By voter approved and other for school district



Spruce County
Jane Smith, Auditor-Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-6789
www.co.spruce.mn.us

TAXPAYER(S):

John and Mary Johnson
123 Pine Rd S
Spruceville, MN 55555-5555

Property Information

PIN Number: 01.234.56.789.R1 Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2021

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step			
1	<u>Taxes Payable Year</u>	<u>2020</u>	<u>2021</u>
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
PROPOSED TAX			
2	Property Taxes before credits	\$1,562.46	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,550.46	
Step			
3	PROPERTY TAX STATEMENT		
	Coming in 2021		
The time to provide feedback on PROPOSED LEVIES is NOW			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2020	Proposed 2021	
State General Tax	No public meeting	\$0	\$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 4, 7:00 PM	\$438.06	\$484.18	
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 3, 6:30 PM Spruceville City Hall	\$273.79	\$312.06	
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 10, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$374.60	
<i>Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2021 may be higher than the proposed amount shown on this notice.</i>				
Metro Special Taxing Districts		\$57.76	\$58.70	
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 7:30 PM Spruce Park Centre 500 Pine St.			
Other Special Taxing Districts Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$13.02 \$11.22	
Total excluding any special assessments		\$1,422.02	\$1,550.46	9.0%

School District Property Taxes

- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts for each category are set by:
 - State law
 - Voter approval

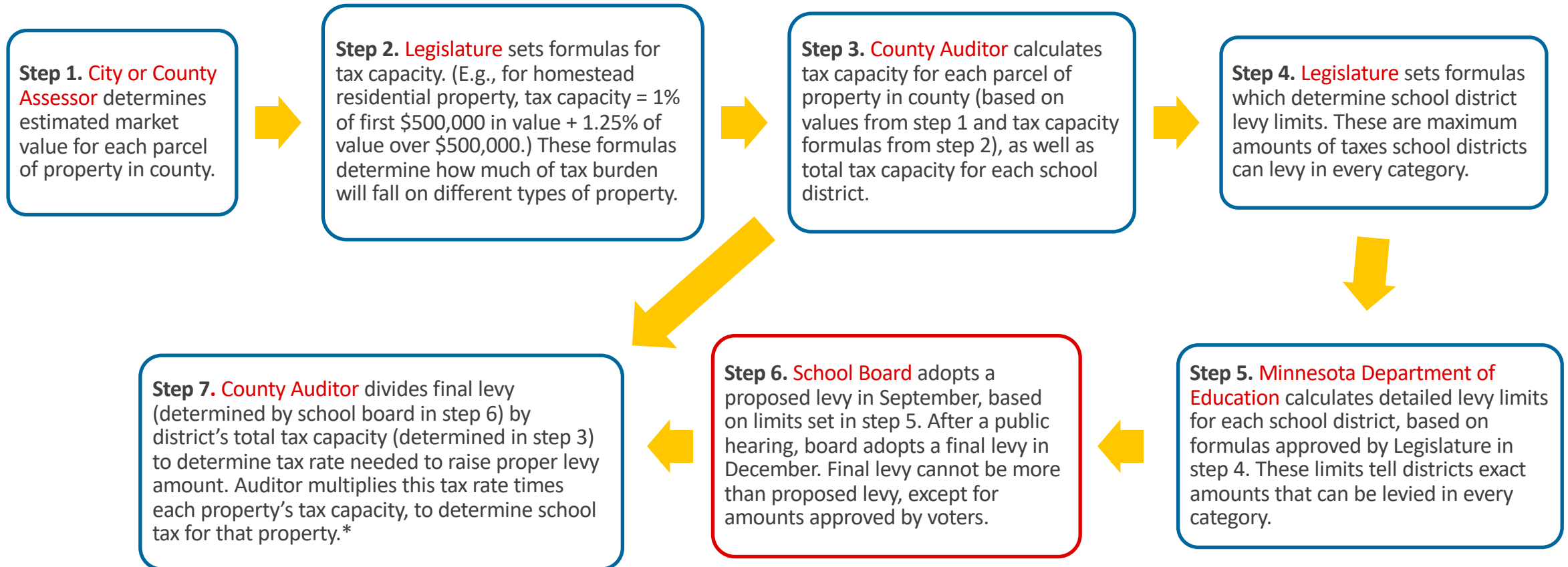
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

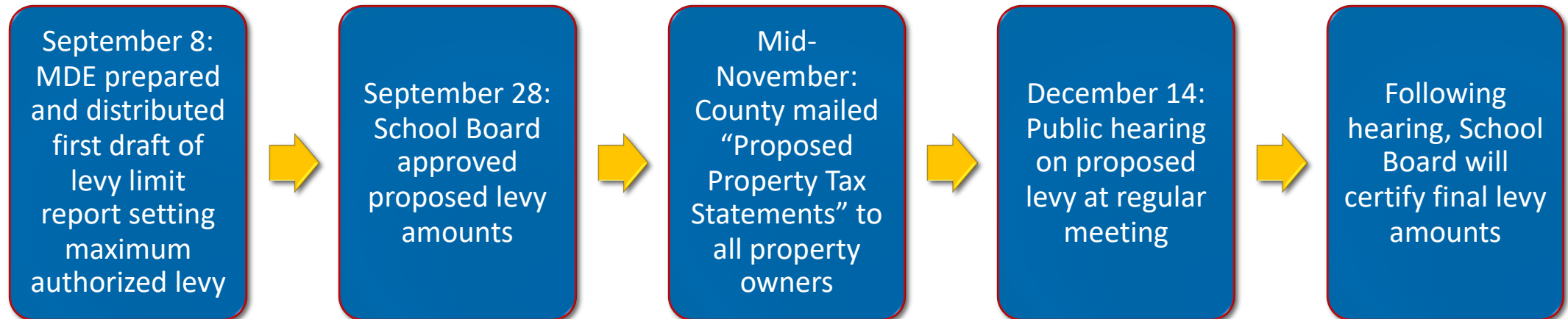
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

School District Property Tax Process



Step 7*. For certain levy categories (referendum, equity & transition levies), tax rates & levy amounts are based on referendum market value, rather than tax capacity.

Schedule of Events in Approval of District's 2020 (Payable 2021) Tax Levy



Overview of Proposed Levy Payable in 2021

- Proposed property tax levy for 2021 is an increase from 2020 of \$5,388,113 or 4.6%
- Reasons for major changes in levy are included on following slides

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Comparison of Actual Tax Levy Payable in 2020 to Proposed Levy Payable in 2021

Fund Levy Category	Actual Levy Payable in 2020	Proposed Levy Payable in 2021	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$50,436,183	\$51,933,626	\$1,497,442	
Local Optional Revenue (LOR)	20,067,394	20,700,279	632,885	
Equity	2,630,993	2,617,563	(13,429)	
Capital Project - Technology Referendum	6,149,636	6,589,708	440,073	
Operating Capital	2,043,290	2,166,125	122,835	
Alternate Teacher Compensation	2,830,086	2,868,919	38,833	
Achievement and Integration	1,542,229	1,581,902	39,672	
Safe Schools	1,158,957	1,166,422	7,465	
Long Term Facilities Maintenance (LTFM)	8,130,622	8,105,733	(24,890)	
Instructional Lease	2,399,672	3,455,189	1,055,517	
Other	1,507,317	1,541,748	34,432	
Prior Year Adjustments	(2,465,491)	(768,725)	1,696,766	
Total, General Fund	\$96,430,887	\$101,958,489	\$5,527,602	5.7%
Community Service				
Basic Community Education	\$1,092,904	\$1,106,022	\$13,118	
Early Childhood Family Education	600,337	596,695	(3,642)	
Other	19,836	20,603	767	
Prior Year Adjustments	7,743	3,246	(4,497)	
Total, Community Service Fund	\$1,720,819	\$1,726,565	\$5,746	0.3%
Debt Service				
Voter Approved	\$17,907,667	\$17,764,919	(\$142,748)	
Prior Year Adjustments	17,928	15,442	(2,486)	
Total, Debt Service Fund	\$17,925,595	\$17,780,361	(\$145,234)	-0.8%
Total Levy, All Funds	\$116,077,302	\$121,465,415	\$5,388,113	4.6%
Subtotal by Truth in Taxation Categories:				
Voter Approved	73,928,782	75,869,223	1,940,442	
Other	42,148,520	45,596,192	3,447,672	
Total	\$116,077,302	\$121,465,415	\$5,388,113	4.6%

Explanation of Levy Changes

Category: General Fund – Voter Approved Operating Referendum

Change: +\$1,497,442

Use of Funds: General Operating Expenses

Reason for Change:

- Voter approved operating referendum authority includes an annual inflationary increase
- Inflation factor is determined by the State, as set in statute
- Revenue is based on estimated number of students and enrollment is projected to increase

Explanation of Levy Changes

Category: General Fund – Local Optional Revenue (LOR)

Change: +\$632,885

Use of Funds: General Operating Expenses

Reason for Change:

- Revenue is based on per pupil allowance of \$724, as set by statute, and is provided through a combination of local tax levy and state aid
- Because District's total property value increased, share of funding provided through tax levy increased

Explanation of Levy Changes

Category: General Fund – Voter Approved Capital Project/Technology Levy

Change: +\$440,073

Use of Funds: Technology costs

Reason for Change:

- Levy is based on voter approved tax rate applied to tax base
- District's tax base increased

Explanation of Levy Changes

Category: General Fund – Instructional Lease

Change: +\$1,055,517

Use of Funds: Instructional lease costs

Reason for Change:

- Amount is based on estimated cost of state-approved instructional lease costs
- Includes costs for new lease levy to finance turf fields at Eagan High School and Rosemount High School

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: +\$1,696,766

Use of Funds: General Operating Expenses

Reason for Change:

- Each year, initial levies are based on estimates of enrollment, values, and expenditures for future years
- In later years, estimates are updated, and levies are retroactively adjusted
- Adjustments in several categories for taxes payable in 2020 are larger negative amounts as compared to the adjustments for taxes payable in 2021

Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property in District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors

Four Year School Levy Comparison

- Following table and charts show examples of changes in school district portion of property taxes from 2018 to 2021
- Based on a 16.3% increase in property value over four-year period
 - Actual changes in value may be more or less for any parcel of property
 - Intended to provide a fair representation of what happened to school district property taxes over this period for typical properties

Impact on Taxpayers

- For commercial-industrial property, examples are for property in City of Eagan; school taxes in other parts of District may be slightly higher or lower due to variations in impact of Fiscal Disparities Program
- Amounts for 2021 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

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Estimated Changes in School Property Taxes, 2018 to 2021

Based on 16.3% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Type of Property	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Actual Taxes Payable in 2019	Estimated Market Value for 2020 Taxes	Actual Taxes Payable in 2020	Estimated Market Value for 2021 Taxes	Estimated Taxes Payable in 2021	Change in Taxes 2018 to 2021	Change in Taxes 2020 to 2021
Residential Homestead	\$171,956	\$780	\$182,274	\$810	\$191,388	\$998	\$200,000	\$1,015	\$235	\$17
	193,451	888	205,058	920	215,311	1,132	225,000	1,152	264	20
	214,946	995	227,842	1,031	239,234	1,266	250,000	1,288	293	22
	236,440	1,102	250,627	1,142	263,158	1,400	275,000	1,424	322	24
	257,935	1,210	273,411	1,253	287,081	1,534	300,000	1,560	350	26
	279,429	1,317	296,195	1,364	311,005	1,668	325,000	1,697	380	29
	282,657	1,333	299,616	1,380	314,597	1,688	328,754	1,717	384	29
	300,924	1,425	318,979	1,474	334,928	1,802	350,000	1,833	408	31
	322,418	1,532	341,763	1,585	358,852	1,936	375,000	1,969	437	33
Commercial/ Industrial #	343,913	1,640	364,548	1,696	382,775	2,070	400,000	2,105	465	35
	\$343,913	\$1,751	\$364,548	\$1,823	\$382,775	\$2,203	\$400,000	\$2,235	\$484	\$32
	429,891	2,215	455,685	2,304	478,469	2,778	500,000	2,818	603	40
	515,869	2,678	546,822	2,785	574,163	3,353	600,000	3,401	723	48
	644,837	3,373	683,527	3,506	717,703	4,215	750,000	4,275	902	60
Apartments and Res. Non-Homestead (2 or more units)	859,782	4,531	911,369	4,708	956,938	5,653	1,000,000	5,732	1,201	79
	\$343,913	\$1,837	\$364,548	\$1,893	\$382,775	\$2,266	\$400,000	\$2,308	\$471	\$42
	644,837	3,444	683,527	3,549	717,703	4,248	750,000	4,327	883	79
	859,782	4,592	911,369	4,732	956,938	5,664	1,000,000	5,770	1,178	106

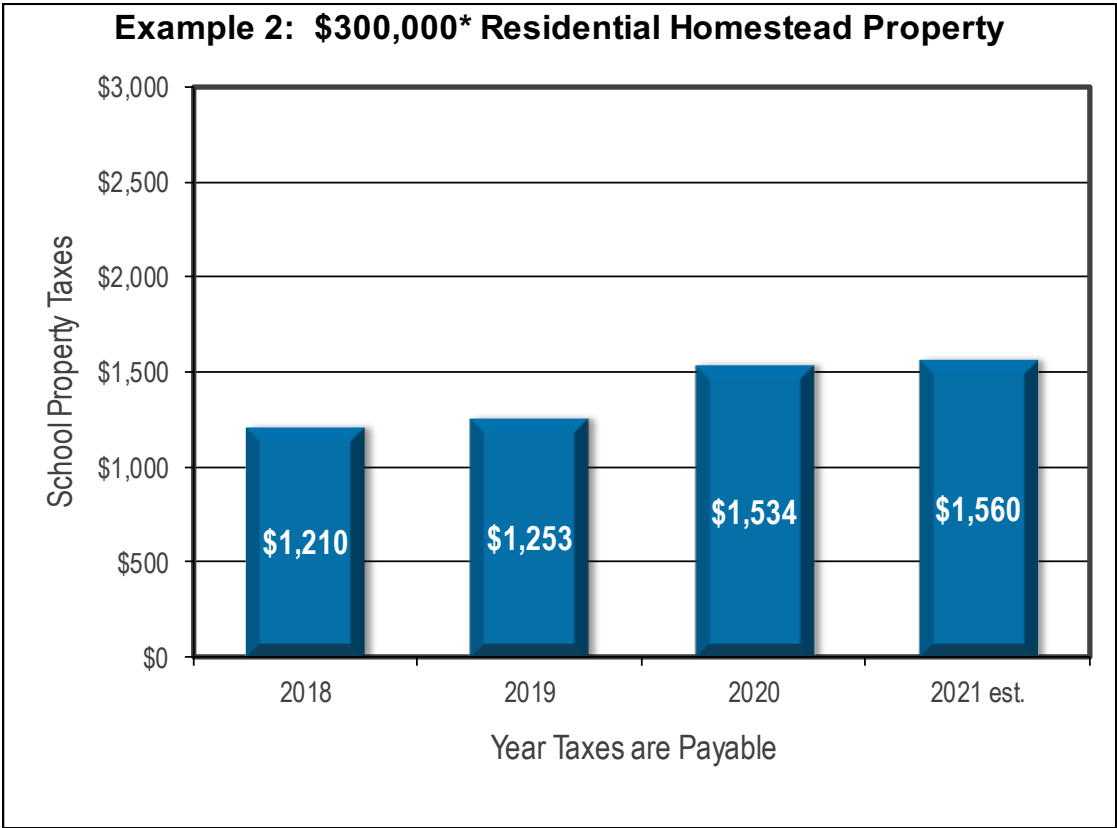
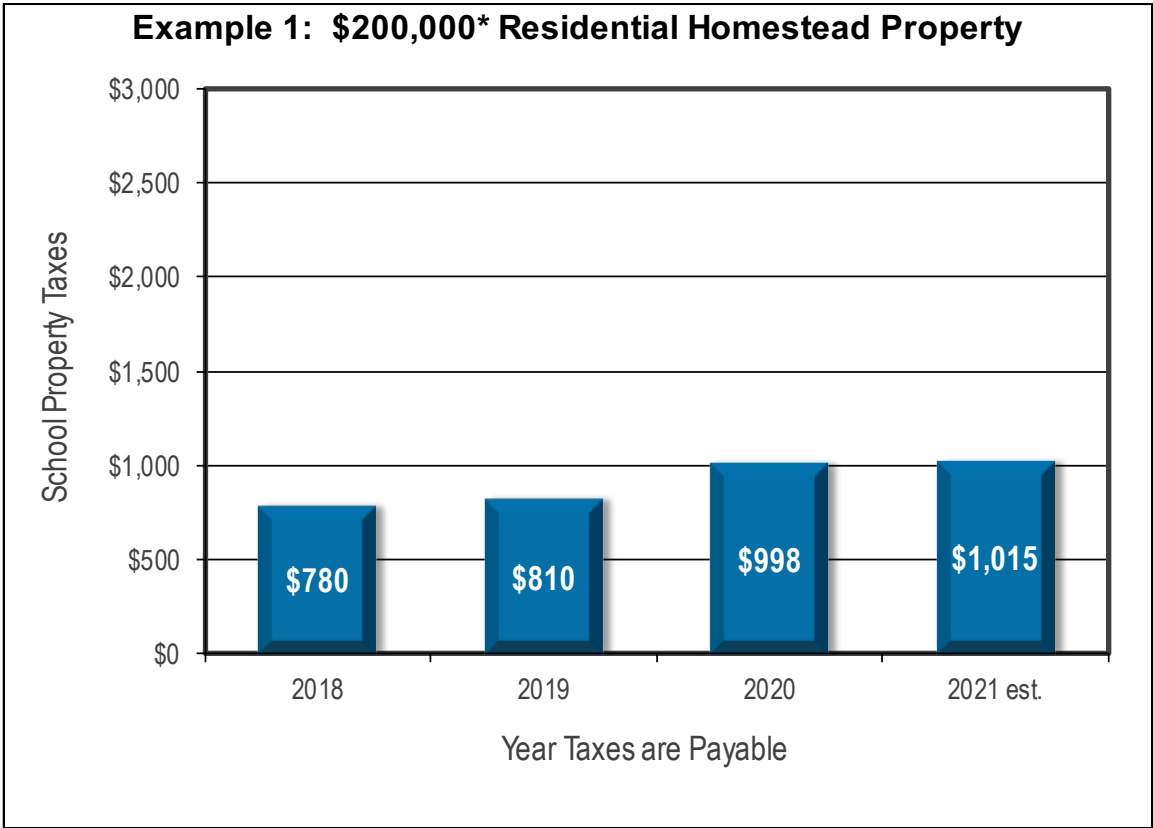
For commercial-industrial property, amounts above are for property in the City of Eagan. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

General Notes

1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 6.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.5% from 2020 to 2021.

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Estimated Changes in School Property Taxes, 2018 to 2021
Based on 16.3% Cumulative Changes in Property Value from 2018 to 2021 Taxes

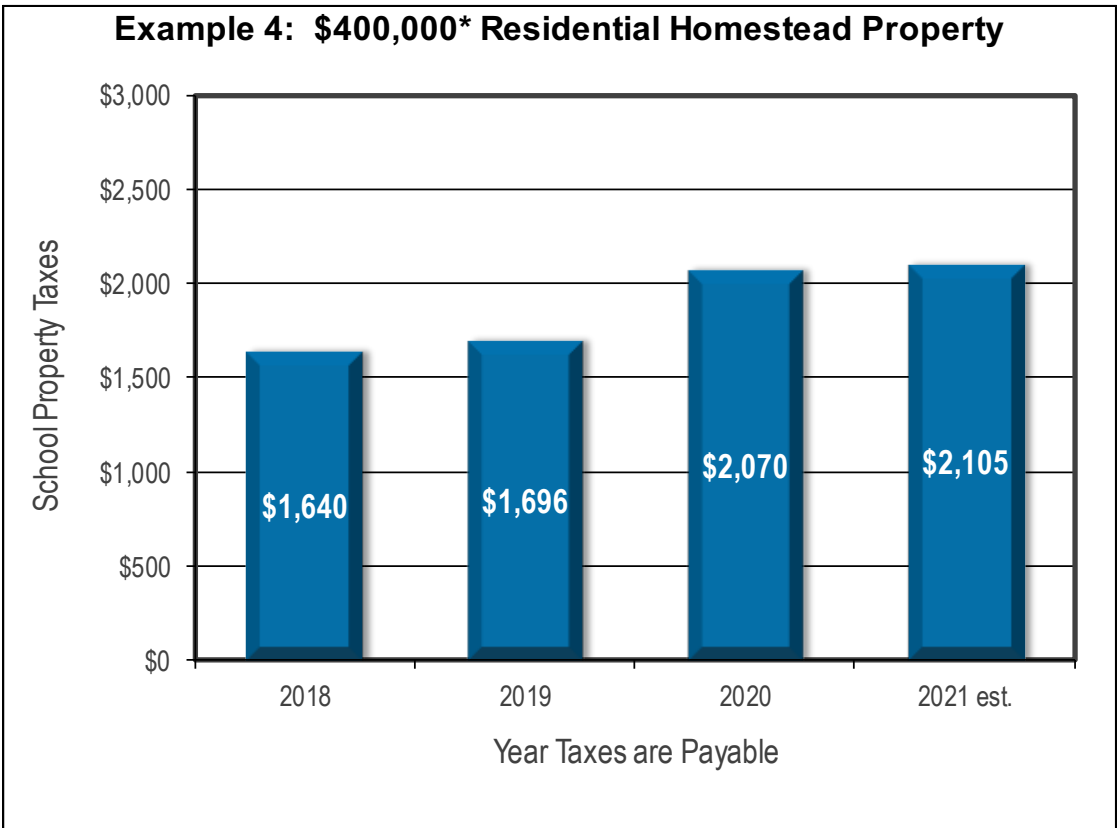
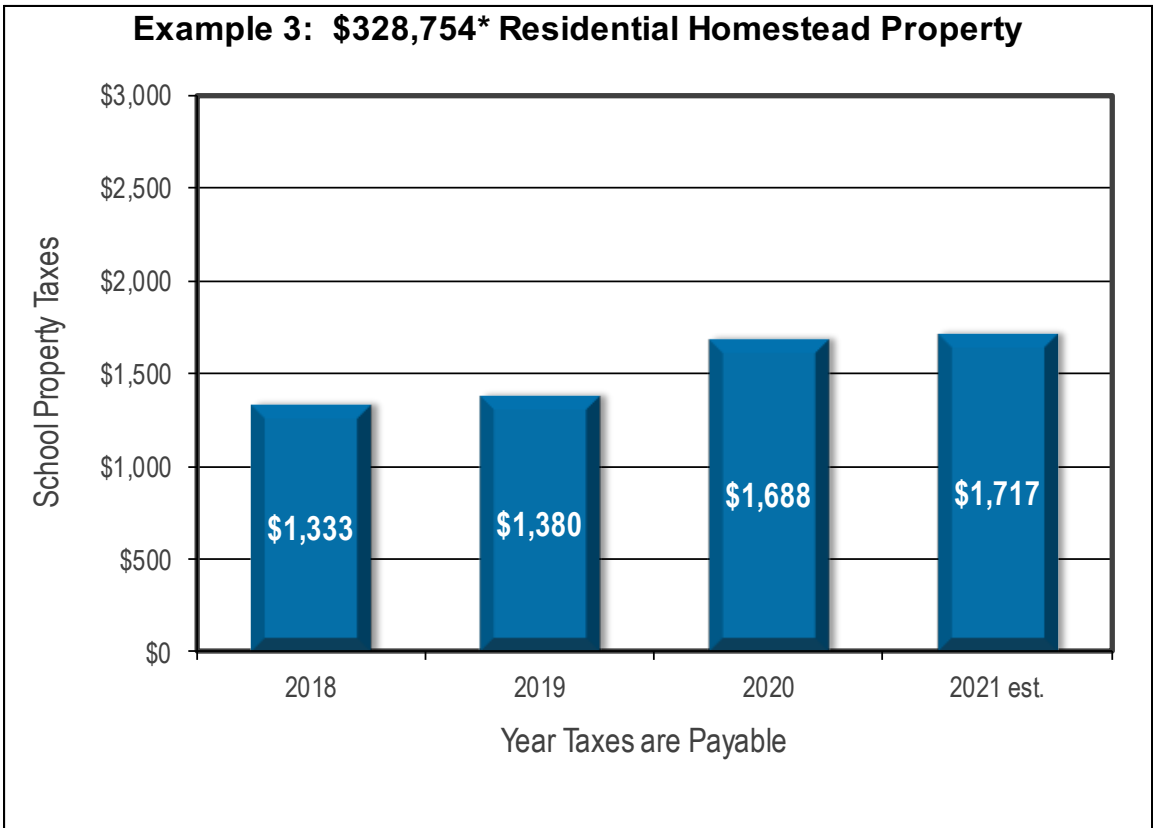


* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 6.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.5% from 2020 to 2021.

Independent School District 196

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 16.3% Cumulative Changes in Property Value from 2018 to 2021 Taxes



* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 6.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.5% from 2020 to 2021.

Next Steps

1

Board will accept public
comments on proposed levy

2

Board will certify 2021
property tax levy



PUBLIC COMMENTS