

# South Washington County Schools, ISD 833

*Public Hearing for Taxes Payable in 2021*



Presented by:

Dan Pyan, Director of Finance and Operations

Dec. 10, 2020

# Minnesota State Law Requires:

## A Public Meeting...

- Between Nov. 25 and Dec. 28
- At 6 p.m. 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



# School 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

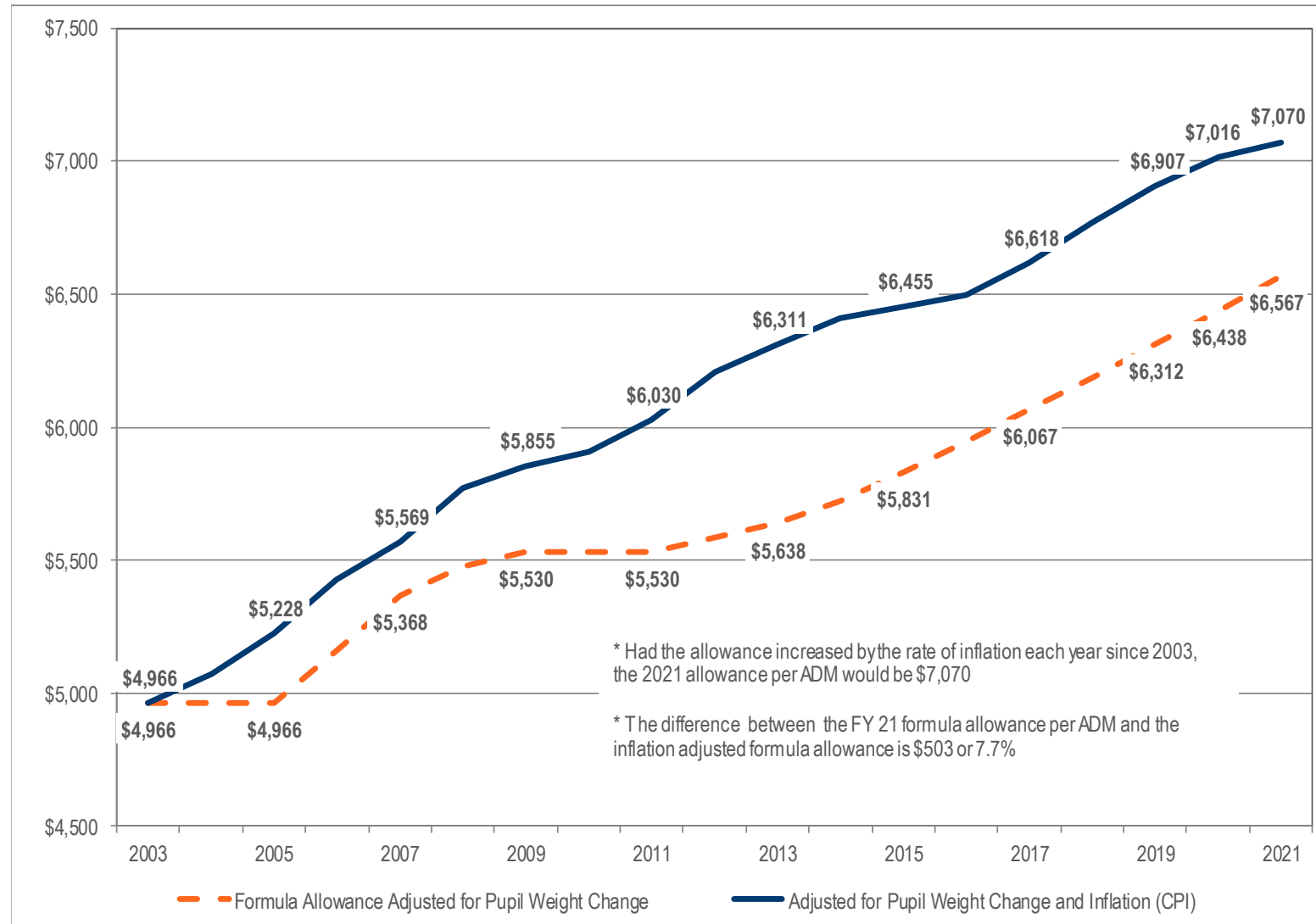
- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2020-21, an increase of 2% or \$129 over previous year was approved
- No additional changes to formula have been approved by legislature

*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



igniting a passion

# 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.

This means 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.



# 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 the School Board in June 2021.**



# Budget Information

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

*\* Other Post-Employment Benefits*



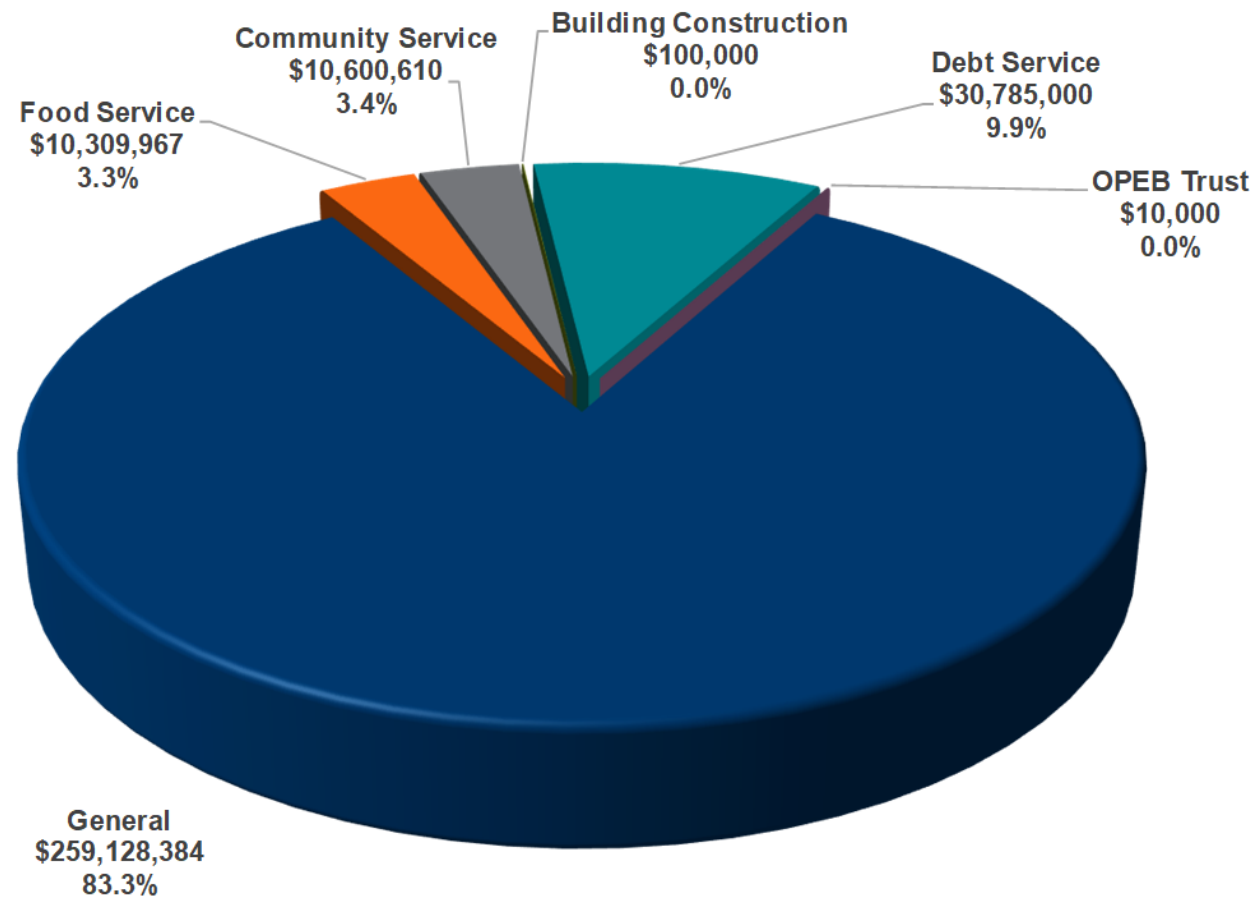
# South Washington County Schools

## District Revenue 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	\$7,798,097	\$28,128,454	\$31,893,315	\$4,033,236	\$24,257,708	\$25,939,395	\$2,351,549
General/Other	8,759,470	222,556,531	219,331,202	11,984,799	234,870,676	240,008,335	6,847,140
Food Service	1,246,073	7,694,171	8,128,618	811,626	10,309,967	10,566,145	555,448
Community Service	515,839	13,661,240	13,839,131	337,948	10,600,610	10,506,751	431,807
Building Construction	19,634,452	31,329,845	25,623,686	25,340,611	100,000	8,986,461	16,454,150
Debt Service	4,745,861	31,917,271	30,203,670	6,459,462	30,785,000	31,243,399	6,001,063
Trust	50,882	-	-	50,882	-	-	50,882
Internal Service	1,186,527			-			-
OPEB* Irrevocable Trust	3,203,845	179,044	315,601	3,067,288	10,000	921,073	2,156,215
Total All Funds	\$47,141,046	\$335,466,556	\$329,335,223	\$52,085,852	\$310,933,961	\$328,171,559	\$34,848,254

\*Other Post Employment Benefits

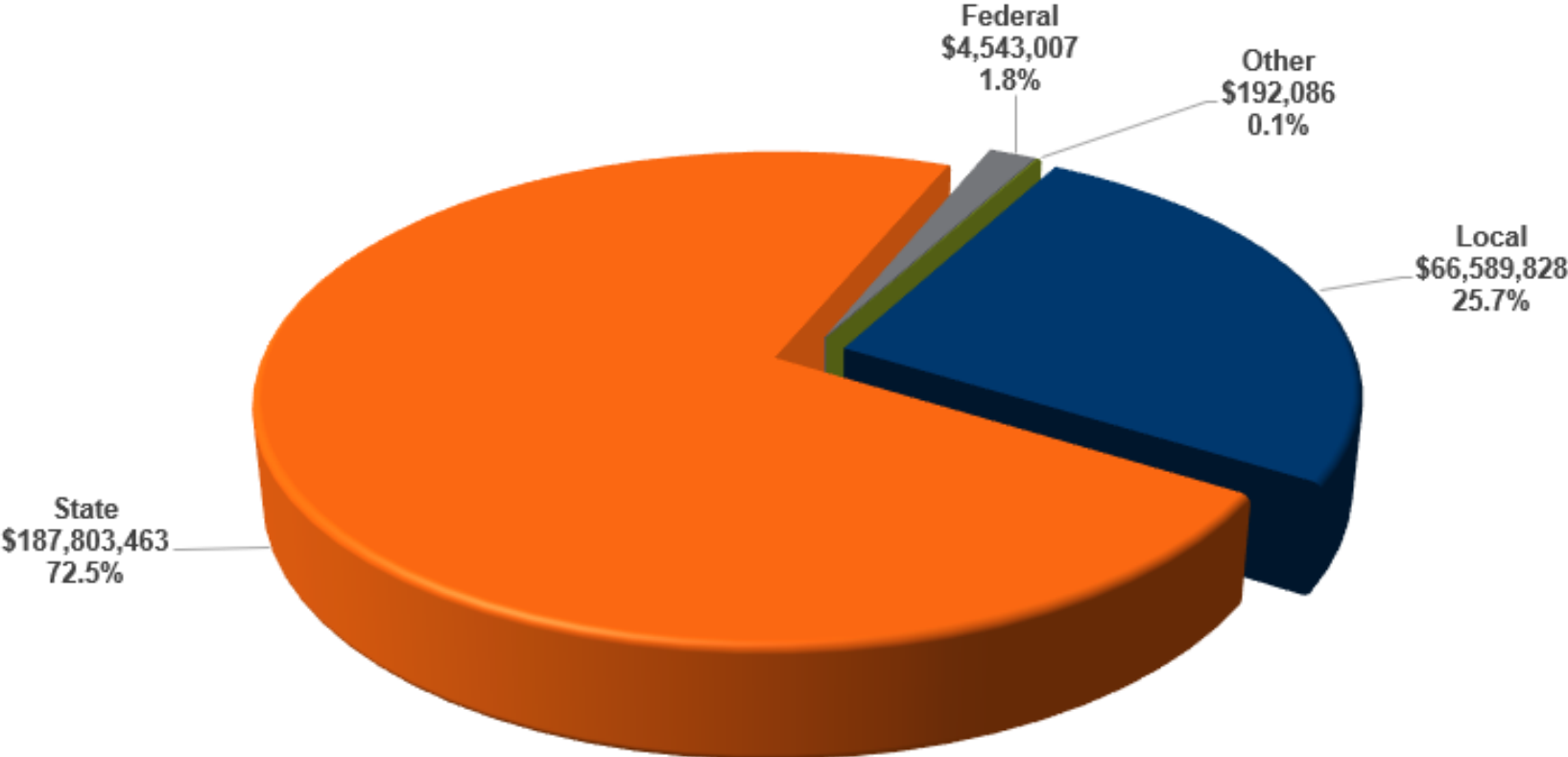
# South Washington County Schools



# South Washington County Schools

General Fund Revenue

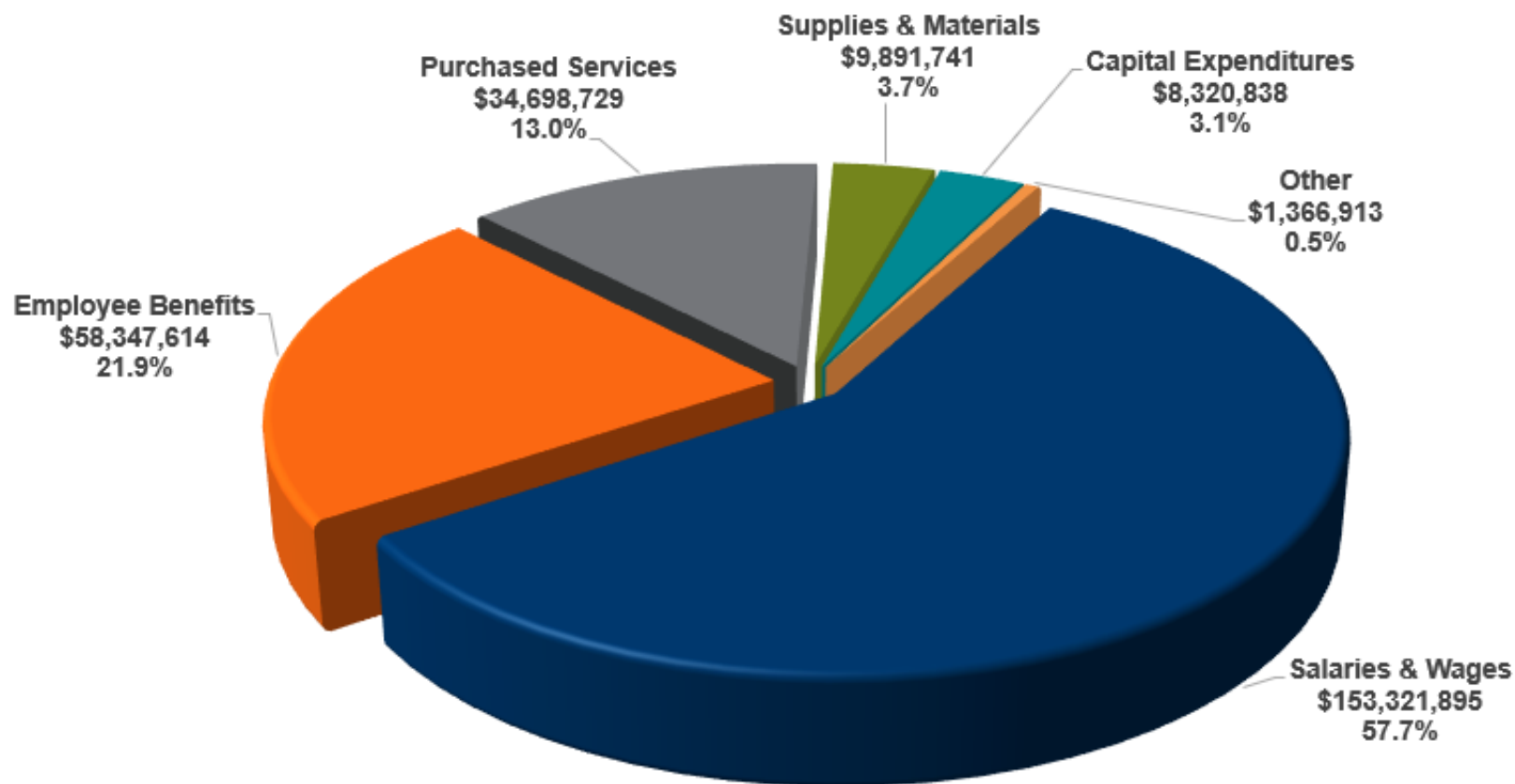
2020-21 Budget \$259,128,384



# South Washington County Schools

General Fund Expenditures by Object

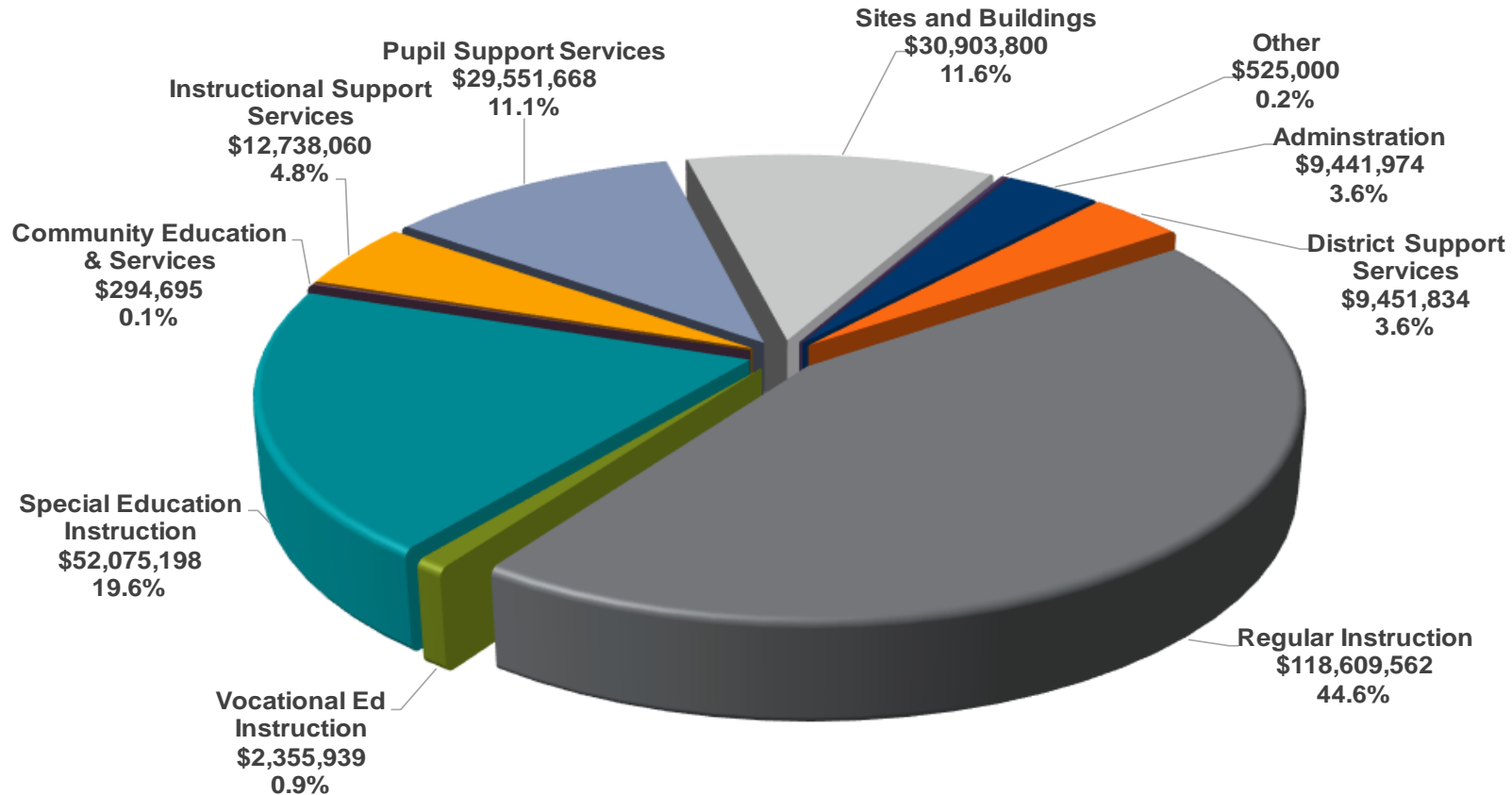
2020-21 Budget \$265,947,730



# South Washington County Schools

General Fund Expenditures by Program

2020-21 Budget \$265,947,730





# 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 Nov. 11-24 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

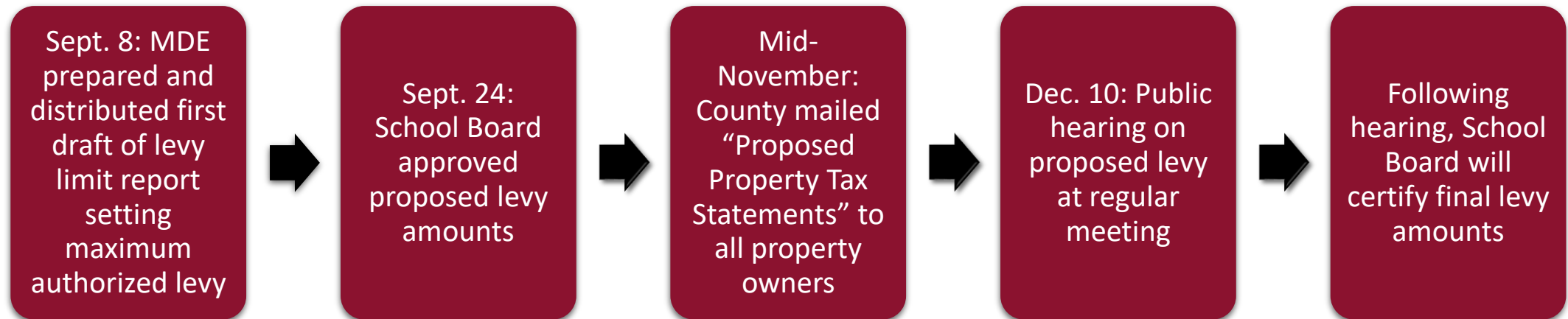
THIS IS NOT A BILL. DO NOT PAY.

Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2020	2021
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
Step 2	PROPOSED TAX		
	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	December 10, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$374.60
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.			
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	No public meeting	\$12.80	\$13.02
Tax Increment Tax	No public meeting	\$10.15	\$11.22
Total excluding any special assessments		\$1,422.02	\$1,550.46      9.0%

# 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 \$4,359,057 or 4.7%
- Includes decrease of \$325,296 from the proposed levy approved by the Board in September, due to underlevy in Alternative Teacher Compensation category
- Reasons for major increases and decreases in levy are included on following slides



# South Washington County Schools

## 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
<b>General</b>				
Voter Approved Operating Referendum	\$30,802,178	\$31,741,030	\$938,851	
Local Optional Revenue (LOR)	12,358,384	12,736,150	377,766	
Equity	1,721,321	1,766,764	45,444	
Capital Project - Technology Referendum	2,322,705	2,522,921	200,217	
Operating Capital	1,231,649	1,337,694	106,045	
Alternate Teacher Compensation	1,550,000	1,554,340	4,340	
Safe Schools	1,050,559	1,065,543	14,984	
Long Term Facilities Maintenance	6,488,004	7,323,751	835,747	
Instructional Lease	3,722,295	3,662,352	(59,943)	
Other	1,627,457	3,329,556	1,702,099	
Prior Year Adjustments	(927,650)	(2,074,308)	(1,146,658)	
Total, General Fund	\$61,946,901	\$64,965,792	\$3,018,891	4.9%
<b>Community Service</b>				
Basic Community Education	\$686,767	\$686,767	\$0	
Early Childhood Family Education	370,065	375,078	5,013	
School-Age Child Care	530,000	325,000	(205,000)	
Other	15,966	16,675	709	
Prior Year Adjustments	57,317	94,660	37,343	
Total, Community Service Fund	\$1,660,116	\$1,498,180	(\$161,936)	-9.8%
<b>Debt Service</b>				
Voter Approved	\$27,311,105	\$28,234,317	\$923,212	
Other	639,240	643,335	4,095	
Long-Term Facility Maintenance	1,824,569	2,362,452	537,883	
Reduction for Debt Excess	(1,359,825)	(1,334,307)	25,518	
Prior Year Adjustments	(18,089)	10,176	28,265	
Total, Debt Service Fund	\$28,397,000	\$29,915,973	\$1,518,972	5.3%
<b>Total Levy, All Funds</b>	<b>\$92,004,018</b>	<b>\$96,379,945</b>	<b>\$4,375,928</b>	<b>4.8%</b>
<b>Subtotal by Truth in Taxation Categories:</b>				
Voter Approved	59,337,056	60,905,290	1,568,234	
Other	32,666,962	35,457,785	2,790,823	
<b>Total</b>	<b>\$92,004,018</b>	<b>\$96,363,074</b>	<b>\$4,359,057</b>	<b>4.7%</b>



# Explanation of Levy Changes

- **Category:** General Fund – Voter Approved Operating Referendum
- **Change:** +\$938,851
- **Use of Funds:** General Operating Expenses
- **Reason for Change:**
  - Voter-approved authorities are per pupil amounts and enrollment is projected to increase
  - Revenue for these categories 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

- **Categories:** General and Debt Service Funds – Long Term Facility Maintenance (LTFM)
- **Changes:** +\$835,747 (General Fund) and +\$537,883 (Debt Service Fund)
- **Use of Funds:** Facilities Maintenance
- **Reason for Increase:**
  - District is eligible for LTFM revenue based on state-approved project costs
  - Projects are financed through a combination of annual General Fund levies, state aid and bond issues
  - Levies are coordinated with other capital and debt levies to maintain a level tax rate for the levies





# Explanation of Levy Changes

- **Category:** General Fund – Other
- **Change:** +\$1,665,809
- **Use of Funds:** Various
- **Reason for Change:**
  - Reemployment levy increased by \$740,000, due to increased costs
  - Includes initial levy of \$905,861 for Other Post Employment Benefits



# Explanation of Levy Changes

- **Category:** General Fund – Prior Year Adjustments
- **Change:** -\$1,146,658
- **Use of Funds:** Various
- **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 a few categories for taxes payable in 2021 are larger negative amounts as compared to the adjustments for taxes payable in 2020



# Explanation of Levy Changes

- **Category:** Debt Service Fund – Voter Approved
- **Change:** +\$923,212
- **Use of Funds:** Annual required payments on bonds
- **Reason for Change:**
  - Planned increase to maintain a level tax rate and minimize interest costs, due to expected growth in the District's tax base
  - Levies are also coordinated with other capital and debt levies to maintain a level tax rate



# 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



# South Washington County Schools, ISD 833

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 15.8% 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	\$86,392	\$510	\$90,711	\$532	\$96,154	\$543	\$100,000	\$560	\$50	\$17
	129,587	827	136,067	863	144,231	877	150,000	903	76	26
	172,783	1,144	181,422	1,194	192,308	1,212	200,000	1,246	102	34
	215,979	1,461	226,778	1,525	240,385	1,546	250,000	1,590	129	44
	259,175	1,777	272,134	1,856	288,462	1,881	300,000	1,933	156	52
	302,371	2,094	317,489	2,187	336,538	2,215	350,000	2,276	182	61
	345,566	2,411	362,845	2,518	384,615	2,550	400,000	2,620	209	70
	431,958	3,040	453,556	3,168	480,769	3,198	500,000	3,280	240	82
	518,350	3,663	544,267	3,840	576,923	3,903	600,000	4,021	358	118
Commercial/ Industrial #	647,937	4,683	680,334	4,909	721,154	4,985	750,000	5,133	450	148
	\$86,392	\$597	\$90,711	\$620	\$96,154	\$622	\$100,000	\$641	\$44	\$19
	431,958	3,286	453,556	3,437	480,769	3,465	500,000	3,582	296	117
	863,916	6,731	907,112	7,041	961,538	7,090	1,000,000	7,327	596	237
	1,295,874	10,177	1,360,668	10,644	1,442,308	10,715	1,500,000	11,072	895	357
	1,727,832	13,623	1,814,224	14,248	1,923,077	14,340	2,000,000	14,817	1,194	477

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

## General Notes

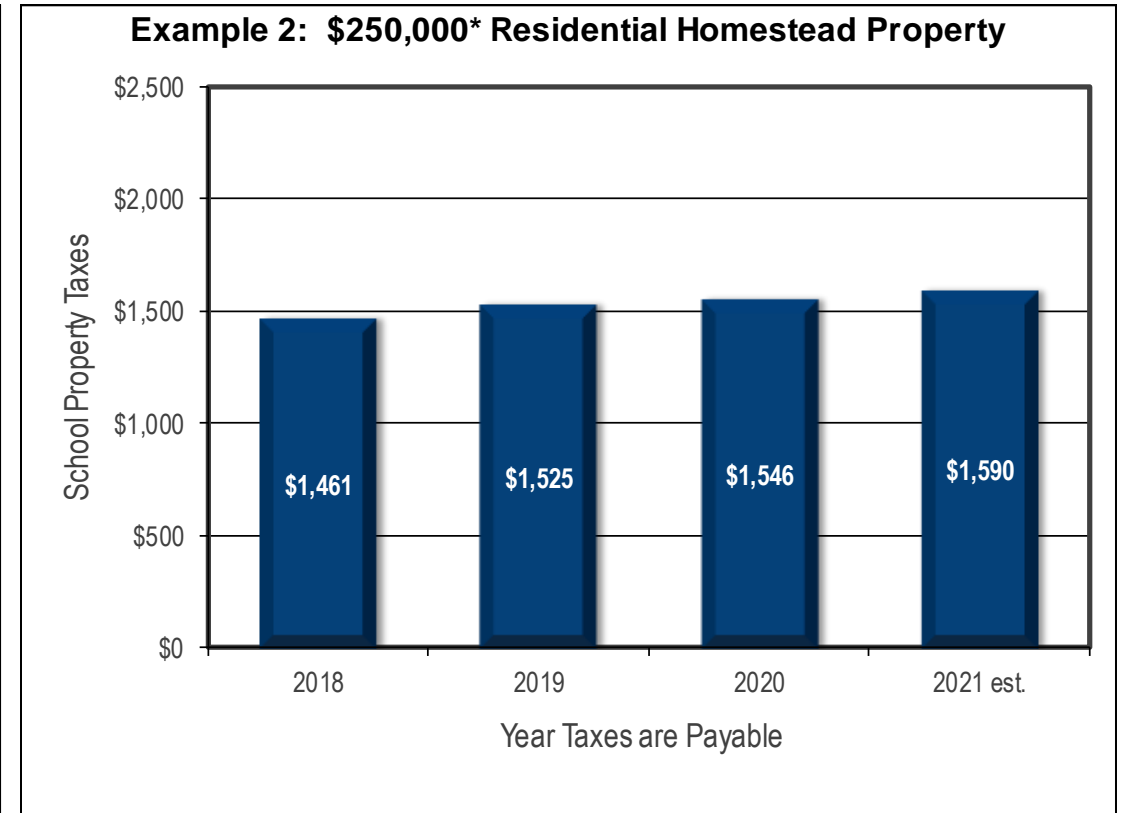
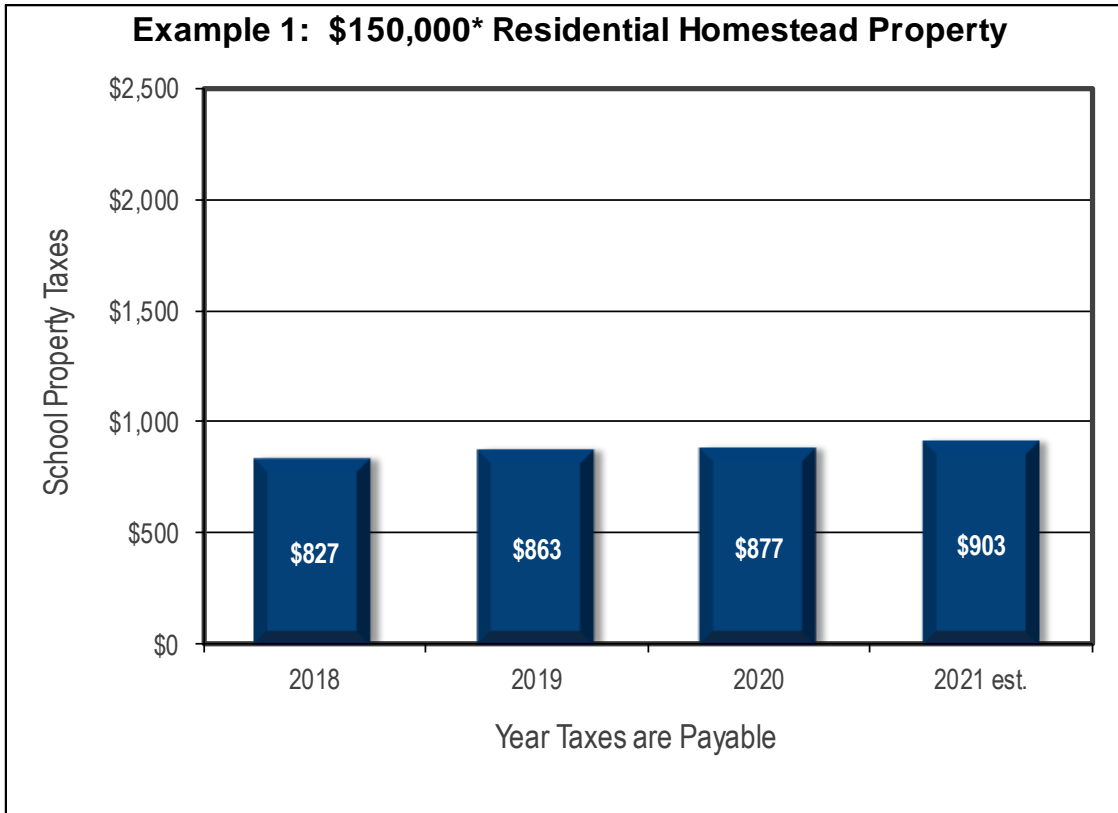
1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 5.0% from 2018 to 2019 taxes, 6.0% from 2019 to 2020, and 4.0% from 2020 to 2021.



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Estimated Changes in School Property Taxes, 2018 to 2021

Based on 15.8% Cumulative Changes in Property Value from 2018 to 2021 Taxes



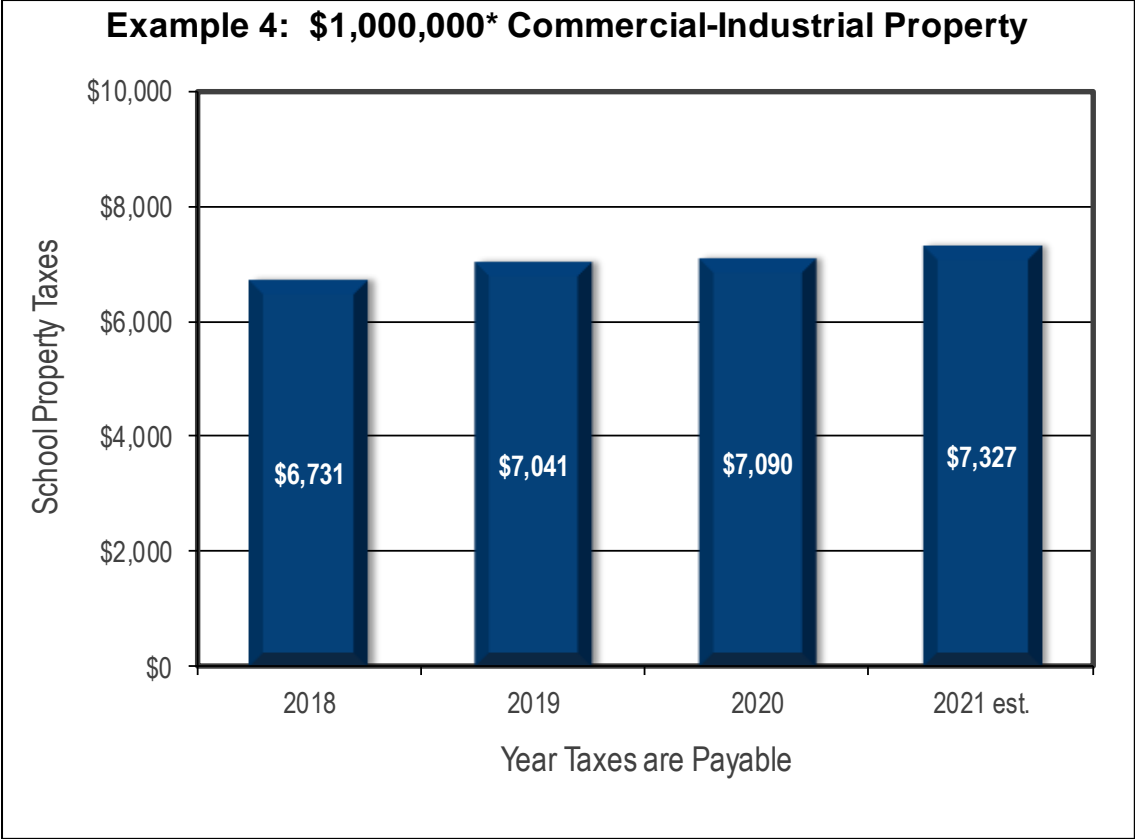
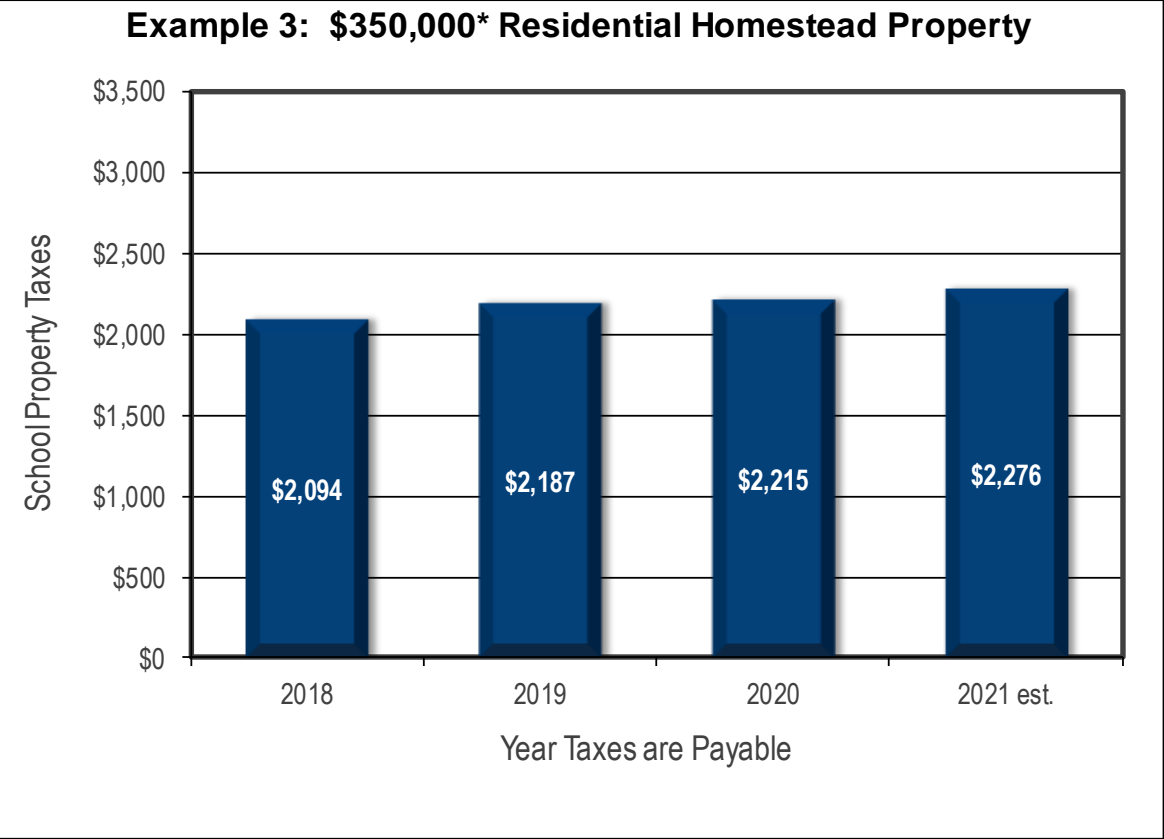
\* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 5.0% from 2018 to 2019 taxes, 6.0% from 2019 to 2020, and 4.0% from 2020 to 2021.



# South Washington County Schools, ISD 833

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 15.8% 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 5.0% from 2018 to 2019 taxes, 6.0% from 2019 to 2020, and 4.0% from 2020 to 2021.



# Minnesota Homestead Credit Refund “Circuit Breaker”

- Has existed since 1970s
- Available each year to owners of homestead property  
(applies to taxes paid on house, garage and one acre for ag homestead property)
- Annual income must be approximately \$115,020 or less  
(income limit is higher if you have dependents)
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,820
- Also available to renters
- Complete state tax form M-1PR ([www.revenue.state.mn.us](http://www.revenue.state.mn.us))





# Minnesota Special Property Tax Refund

Available each year to owners of homestead properties with a gross tax increase of at least 12% and \$100 over prior year

Helpful in first year after referendum

Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000

No income limits

Complete state tax form  
M-1PR  
([www.revenue.state.mn.us](http://www.revenue.state.mn.us))



# Senior Citizen Property Tax Deferral

- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on home
- Must have lived in, owned, and homesteaded for last 15 years
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax paid will not change while participating in program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies



# Next Steps

1

Board will accept public comments on proposed levy

2

Board will certify 2021 property tax levy

# Public Comments

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