

Truth in Taxation for Taxes Payable in 2022

December 13, 2021

Agenda

- Review of School Funding
- Overview of Levy Process
- 21 Pay 22 Levy Summary
- District's FY 22 Budget
- Questions

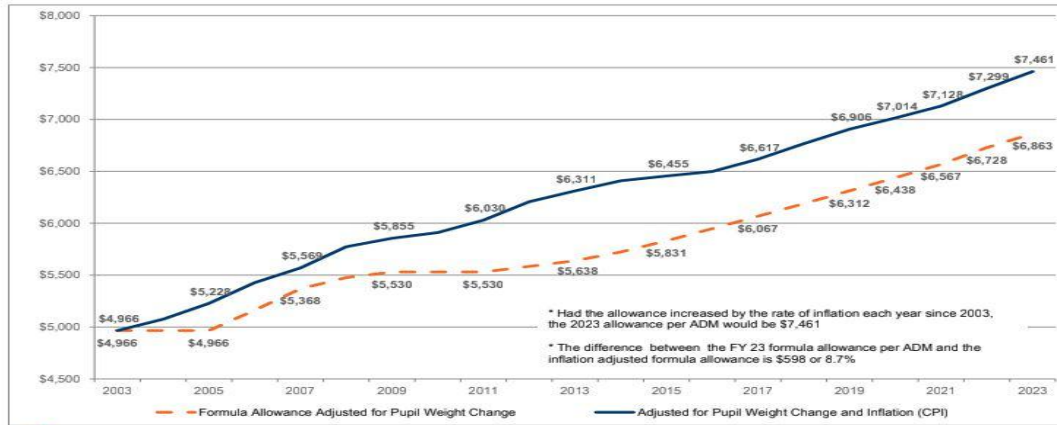
School District Funding

MN Legislature Sets Funding for Schools

- The State sets:
 - Formulas which determine revenue; most revenue based on a per pupil amount.
 - Tax policy for local schools
 - Maximum authorized property tax levy
- The State also requires school board to submit referendums for operating and capital needs to the voters for approval.

Basic Funding Formula History

General Education Formula Allowance, 2003-2023
Adjusted for Pupil Weight Change and Inflation (CPI)



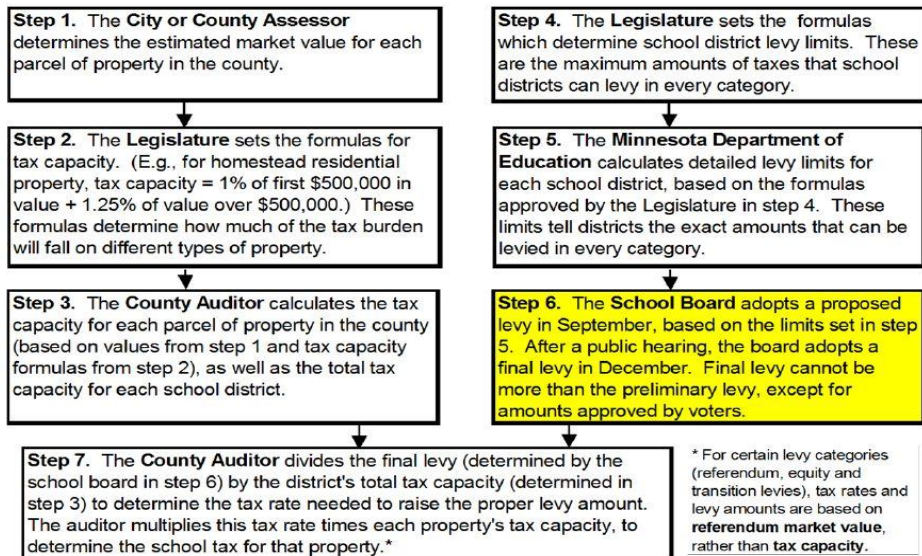
Challenges in Funding for Schools

- Since 2002-03, the State General Education Revenue formula has not kept pace with inflation.
- For Fiscal Year 2021-22, Legislature approved an increase of 2.45% or \$161 per pupil, and for Fiscal Year 2022-23 an increase of 2% or \$135 per pupil.
- The per-pupil allowance for Fiscal Year 2022-23 of \$6,863 would need to increase by another \$598 (8.7%) to have kept pace with inflation since 2002-03.
 - This would equate to around \$3 million more in revenue per year for our district.

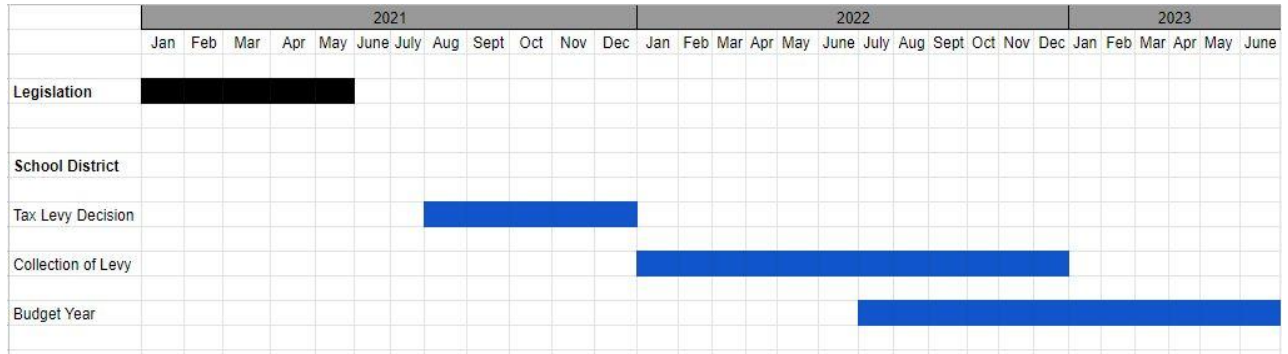


Levy Process

Minnesota School District Property Taxes - Key Steps in the Process



Levy Cycle



Review of Taxes Payable in 2022

2021 Payable 2022 Levy Summary

2021 Payable 2022 Tax Levy Certification				
Fund	20 Pay 21 Certified	20 Pay 22 Limitation	Increase (Decrease)	Percent Change
General Fund				
Referendum Market Value-Voter Approved	\$1,867,880	\$2,093,647	\$225,767	12.09%
Referendum Market Value Other	\$3,502,572	\$3,473,255	(\$29,317)	-0.84%
Net Tax Capacity Other	\$3,314,850	\$2,600,469	(\$714,381)	-21.55%
Total General Fund	\$8,685,302	\$8,167,371	(\$517,931)	-5.96%
Total Community Service	\$303,224	\$314,158	\$10,934	3.61%
Debt Service				
Voter Approved	\$9,217,257	\$9,451,530	\$234,273	2.54%
Total Debt Services	\$9,217,257	\$9,451,530	\$234,273	2.54%
Total Levy	\$18,205,783	\$17,933,059	(\$272,724)	-1.50%

General Fund Levy Limitation

Total General Fund Levy Limitation				
	20 Pay 21 Certified Levy	21 Pay 22 Proposed	Change	
Referendum Market Value- Voter Approved	\$1,867,880	\$2,093,647	\$225,767	
Referendum Market Value Other				
Equity	\$637,150	\$617,443	-\$19,707	
Transition	\$161,183	\$157,136	-\$4,047	
Local Optional	\$2,704,238	\$2,698,676	-\$5,562	
Total Referendum Market Value	\$3,502,572	\$3,473,255	-\$29,317	
Net Tax Capacity Other				
Operating Capital	\$321,306	\$379,987	\$58,681	
Achievement and Integration	\$168,496	\$142,734	-\$25,762	
Safe Schools	\$189,740	\$181,068	-\$8,672	
Career Technical	\$181,746	\$165,890	-\$15,856	
Buildings/Land Lease	\$298,807	\$409,497	\$110,690	
LTFM	\$1,897,600	\$983,469	-\$914,131	
Reemployment	\$43,420	\$92,119	\$48,699	
Abatement	-\$18,326	\$25,211	\$43,537	
Annual Other Postemployment Benefits (OPEB)	\$232,062	\$220,494	-\$11,568	
Total Net Tax Capacity	\$3,314,850	\$2,600,469	-\$714,381	
Total General Fund Levy Limitation	\$8,685,302	\$8,167,371	-\$517,931	-5.96%

Explanation of Levy Changes

Category: Operating Referendum, Local Optional, Equity, and Transition Revenue

Change: +\$196,450

Use of Funds: General Operating Expenses

Reason for Change:

- No change in authorized levy per pupil for voter and board approved amounts.
- All of these revenues are partially funded through state equalization aid. The district's total valuation increased, resulting in a reduction in aid from the State, and an offsetting increase in local levy.

Explanation of Levy Changes

Category: Long-Term Facility Maintenance Revenue

Change: -\$914,131

Use of Funds: Deferred Maintenance Expenses

Reason for Change:

- As part of the 10 year budget for LTFM, the Pay 2021 levy included an HVAC project for both Washington and Lincoln. This project was completed and not included for the Pay 2022 levy.

Explanation of Levy Changes

Category: Building and Land Lease

Change: +110,690

Use of Funds: Building Leases

Reason for Change:

- Cannon Valley Special Education Cooperative (Faribault, Northfield, Medford, and Owatonna) moved all of their programming to one space. The increased lease amount includes the build out for the new building and will be amortized over a 15 year lease.

Explanation of Levy Changes

Category: Debt Service

Change: +234,273

Use of Funds: Annual required payments of principal & interest on voter approved bonds.

Reason for Change:

- In November 2019, voters approved a \$112 million bond referendum. This increase reflects the principal and interest payments due on our debt during the 2022-2023 school year.

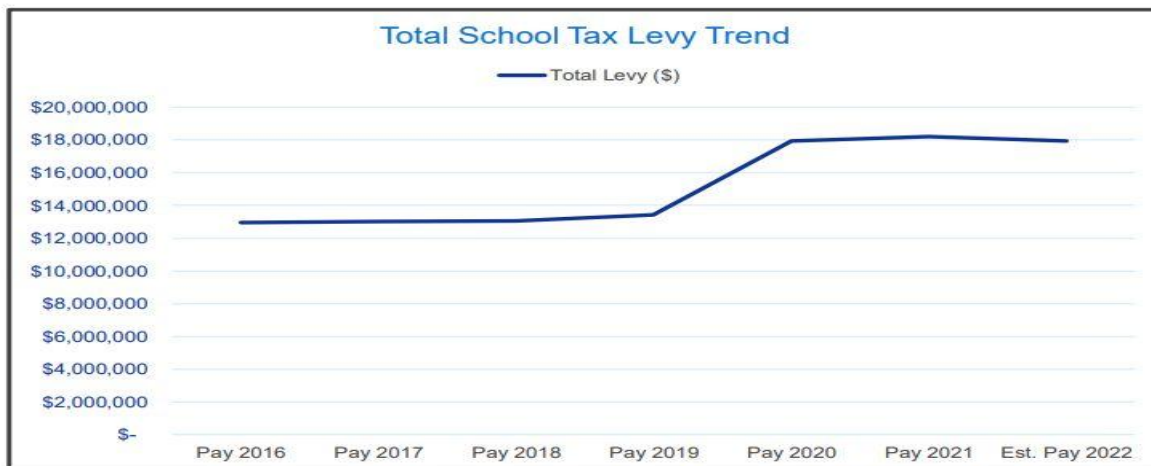
Levy Authority

A District's tax levy is either approved by voters or set by state law.

	Total	Percent
Voter Approved		
Referendum	\$2,093,647	11.67%
Bonded Debt Service	\$9,451,530	52.70%
Total Voter Approved	\$11,545,177	64.38%
Set by State Law		
Total General Other	\$6,073,724	33.87%
Community Service	\$314,158	1.75%
Debt Service Other	\$0	0.00%
Total Set by State Law	\$6,387,882	35.62%
Total Levy Authority	\$17,933,059	100.00%



Certified Levy History



Ag2School Property Tax Credit

Owatonna Public School District
Agricultural Homestead Land School Tax Trend



Notes:

*Chart assumes a constant property value (\$6,000 per Acre). Property values may have changed throughout the years shown. This chart represents the changes due to increase or decreases in tax rates.

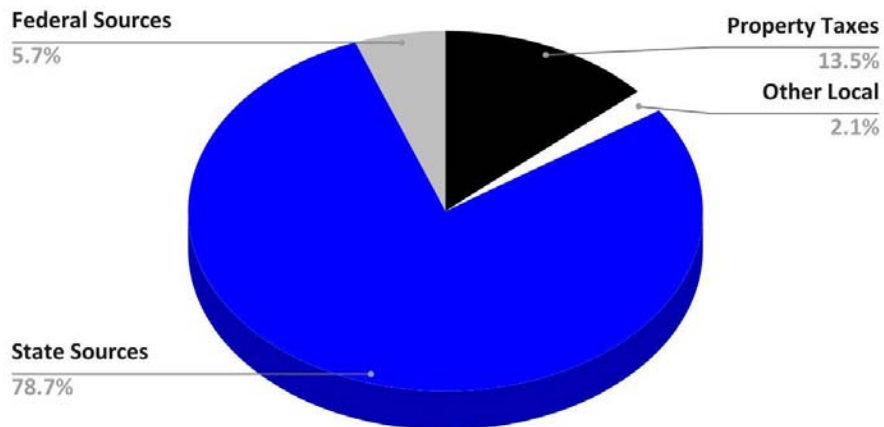
**Estimated taxes for Pay 2022 are based on Pay 2021 values plus 0%. Changes in actual total school district valuation may change the final tax rate.



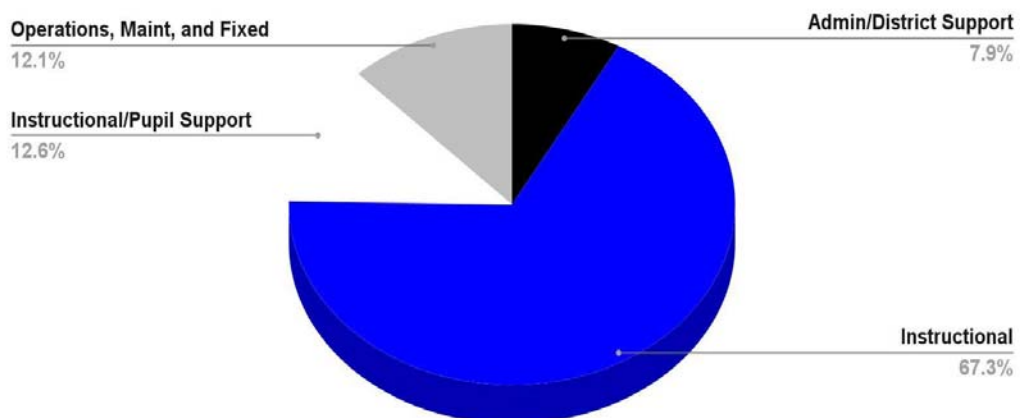
FY 22 District Budget Review



General Fund Revenue Summary (\$65,091,830)




General Fund Expenditure Summary (\$64,778,667)



This is a sample of the notice mailed to every property owner between November 11-24 with information on the impact of the proposed 2021 levy on their property.

Contents:

- Proposed property tax compared to last year
- By voter approved and other
- By taxing jurisdiction
- Contains time and place of public meeting



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

TAXPAVER(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 2022


THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION																			
Step 1	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Taxes Payable Year</td> <td style="width: 25%;">2021</td> <td style="width: 25%;">2022</td> </tr> <tr> <td>Estimated Market Value</td> <td>\$125,000</td> <td>\$150,000</td> </tr> <tr> <td>Homestead Exclusion</td> <td>\$</td> <td>\$23,800</td> </tr> <tr> <td>Taxable Market Value</td> <td>\$125,000</td> <td>\$126,200</td> </tr> <tr> <td>Class</td> <td>Res Homestead</td> <td>Res Homestead</td> </tr> </table>	Taxes Payable Year	2021	2022	Estimated Market Value	\$125,000	\$150,000	Homestead Exclusion	\$	\$23,800	Taxable Market Value	\$125,000	\$126,200	Class	Res Homestead	Res Homestead			
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Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2021	Proposed 2022
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 3, 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 2, 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
Total excluding any special assessments		\$1,341.31	\$1,467.52 9.4%

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 2022 may be higher than the proposed amount shown on this notice.



Minnesota Homestead Credit Refund

- 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 household income must be \$116,180 or less
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,840.
- Complete state tax form M-1PR (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)

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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 their home
- You have lived in, owned your home, and had it homesteaded for the 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 you pay will not change for as long as you participate in the program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

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Questions?