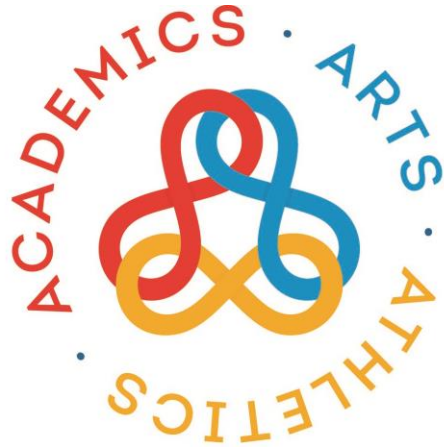




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District 196

Public Hearing for Taxes Payable in 2022

DECEMBER 13, 2021

PRESENTED BY:

MARK 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 2022
- 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

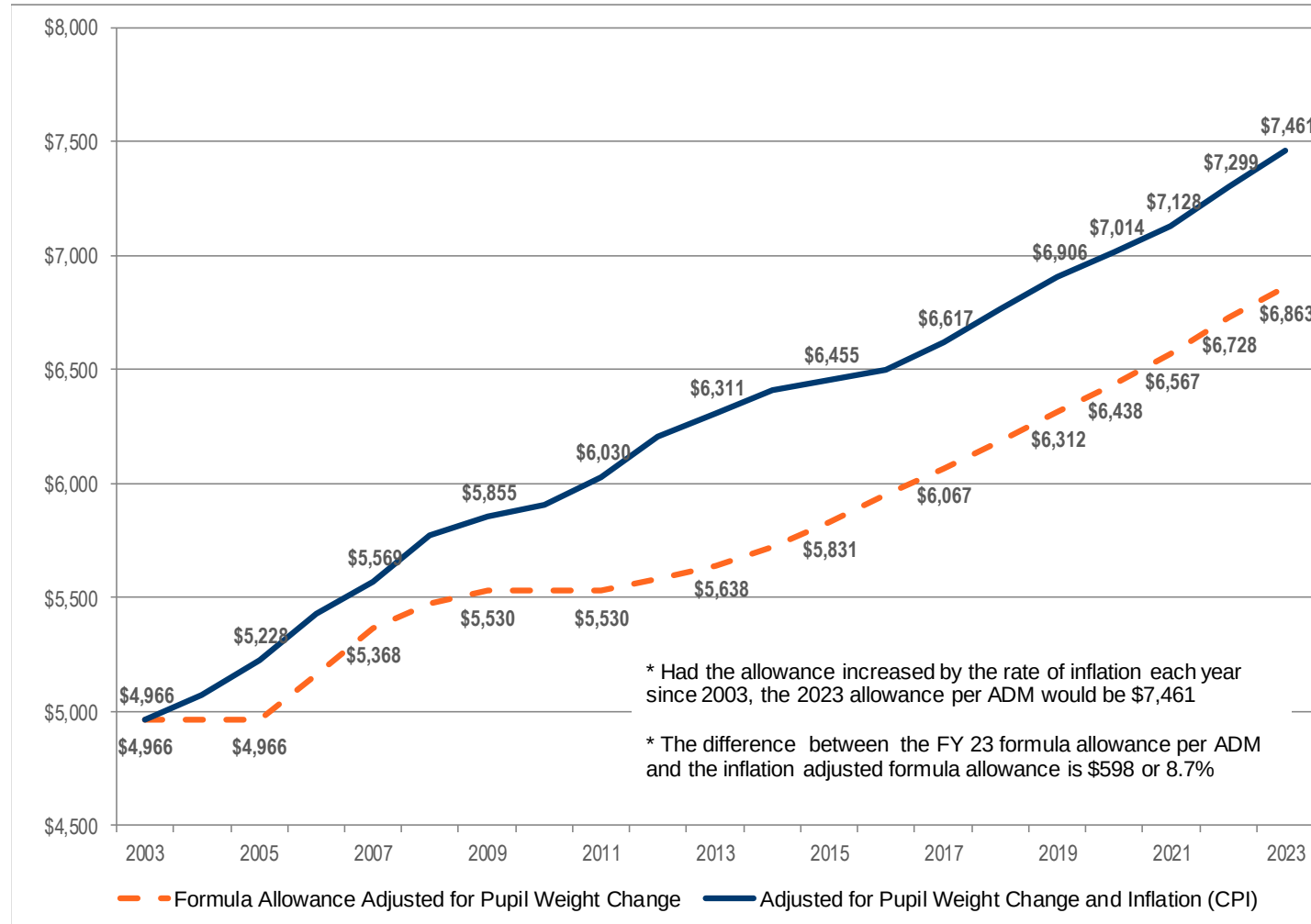
Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2021-22, an increase of 2.45% or \$161 over previous year was approved
- For Fiscal Year 2022-23, an increase of 2.00% or \$135 over current year was approved

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

General Education Formula Allowance, 2003-2023

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE April 2021 Inflation Estimates

Underfunding of Special Education

MDE reports FY 2020 costs of providing special education programs were underfunded statewide by \$673 million

MDE estimates by FY 2025 costs of providing special education statewide will be underfunded by \$806 million

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
- 2022 taxes provide revenue for 2022 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2022 taxes provide revenue for 2022-23 school fiscal year
- Budget will be adopted in June 2022

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 2022-23 budget will be adopted by School Board in June 2022.

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

District 196

District Revenues and Expenditures Actual for FY 2021, Budget for FY 2022

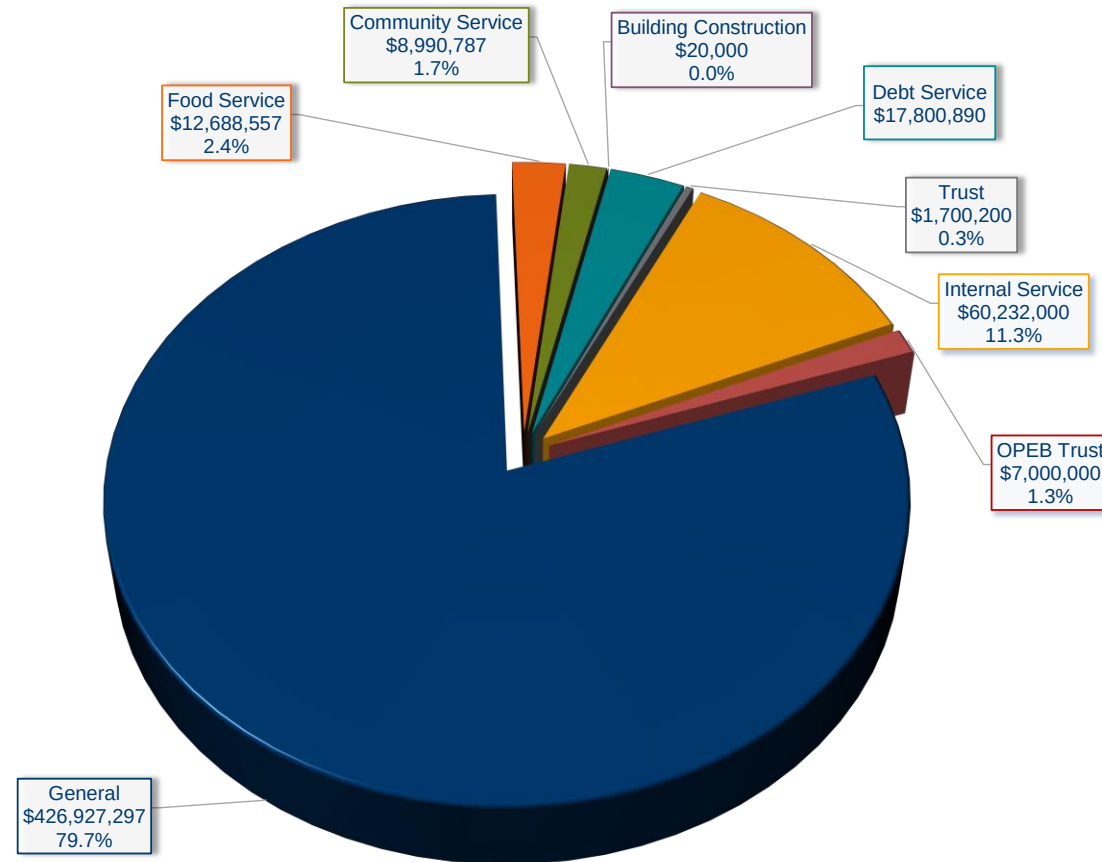
FUND	FISCAL 2021 BEGINNING	2020-21 ACTUAL	2020-21 ACTUAL	JUNE 30, 2021 ACTUAL	2021-22 BUDGET	2021-22 BUDGET	JUNE 30, 2022 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$ 10,072,359	\$ 27,921,839	\$ 24,995,164	\$ 12,999,034	\$ 28,739,300	\$ 29,780,906	\$ 11,957,428
General/Other	48,291,967	397,277,684	373,710,109	71,859,542	398,187,997	396,770,127	73,277,412
Food Service	4,652,190	10,170,580	10,808,638	4,014,133	12,688,557	12,678,643	4,024,047
Community Service	2,875,092	8,534,895	8,165,916	3,244,071	8,990,787	8,691,640	3,543,218
Building Construction	9,469,386	9,793,485	10,623,533	8,639,338	20,000	5,500,000	3,159,338
Debt Service	406,132	18,023,780	17,056,769	1,373,143	17,800,890	16,930,000	2,244,033
Trust	619,339	-	619,339	-	1,700,200	1,700,000	200
Internal Service	13,336,560	59,933,620	55,622,895	17,647,285	60,232,000	55,271,900	22,607,385
OPEB* Irrevocable Trust	57,388,776	9,663,992	3,701,408	63,351,360	7,000,000	4,500,000	65,851,360
OPEB* Debt Service	2,263,632	-	-	2,263,632	-	-	2,263,632
Total All Funds	\$ 149,375,433	\$ 541,319,876	\$ 505,303,771	\$ 185,391,538	\$ 535,359,731	\$ 531,823,216	\$ 188,928,053

*Other Post Employment Benefits

District 196

Revenue – All Funds

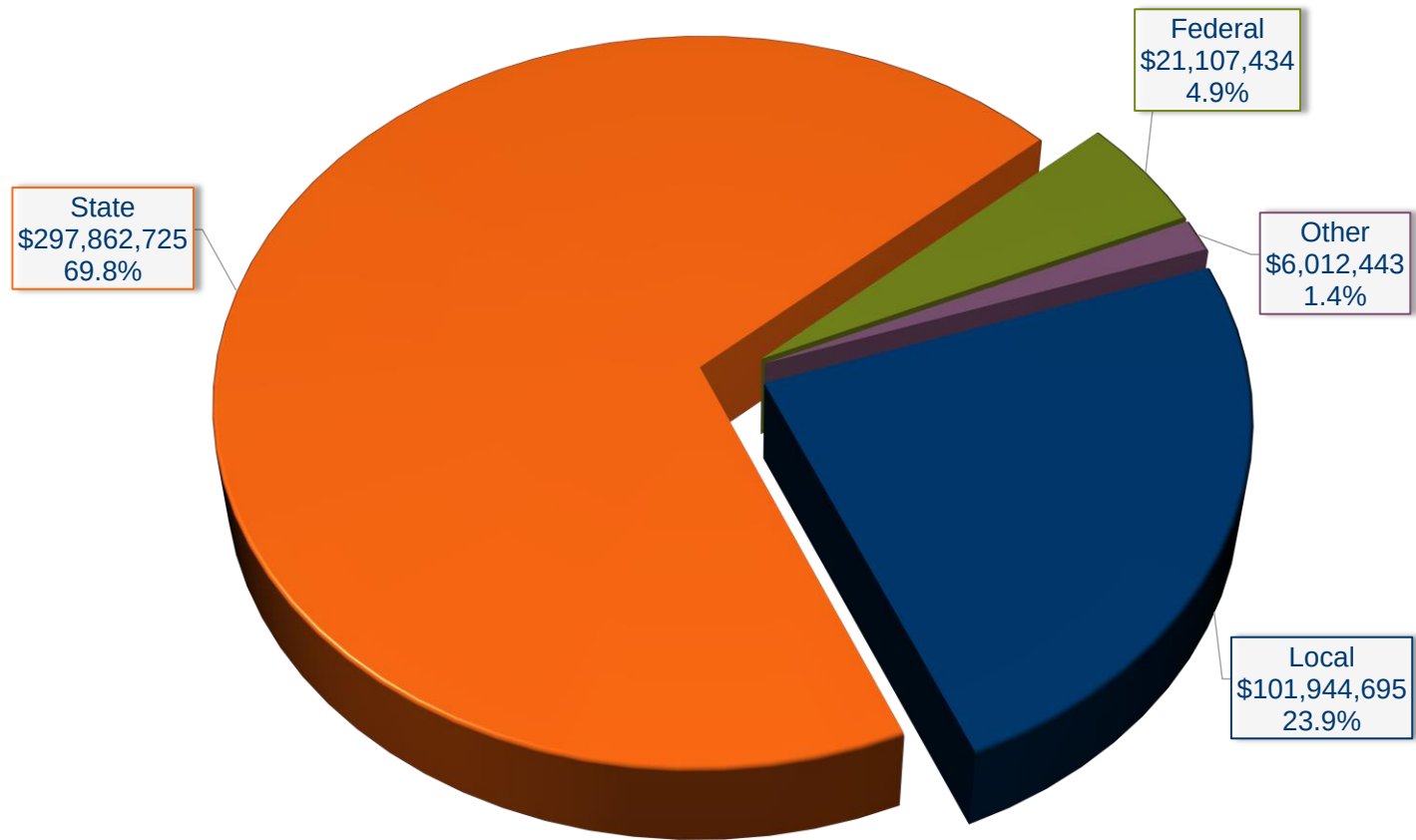
2021-22 Budget \$535,359,731



District 196

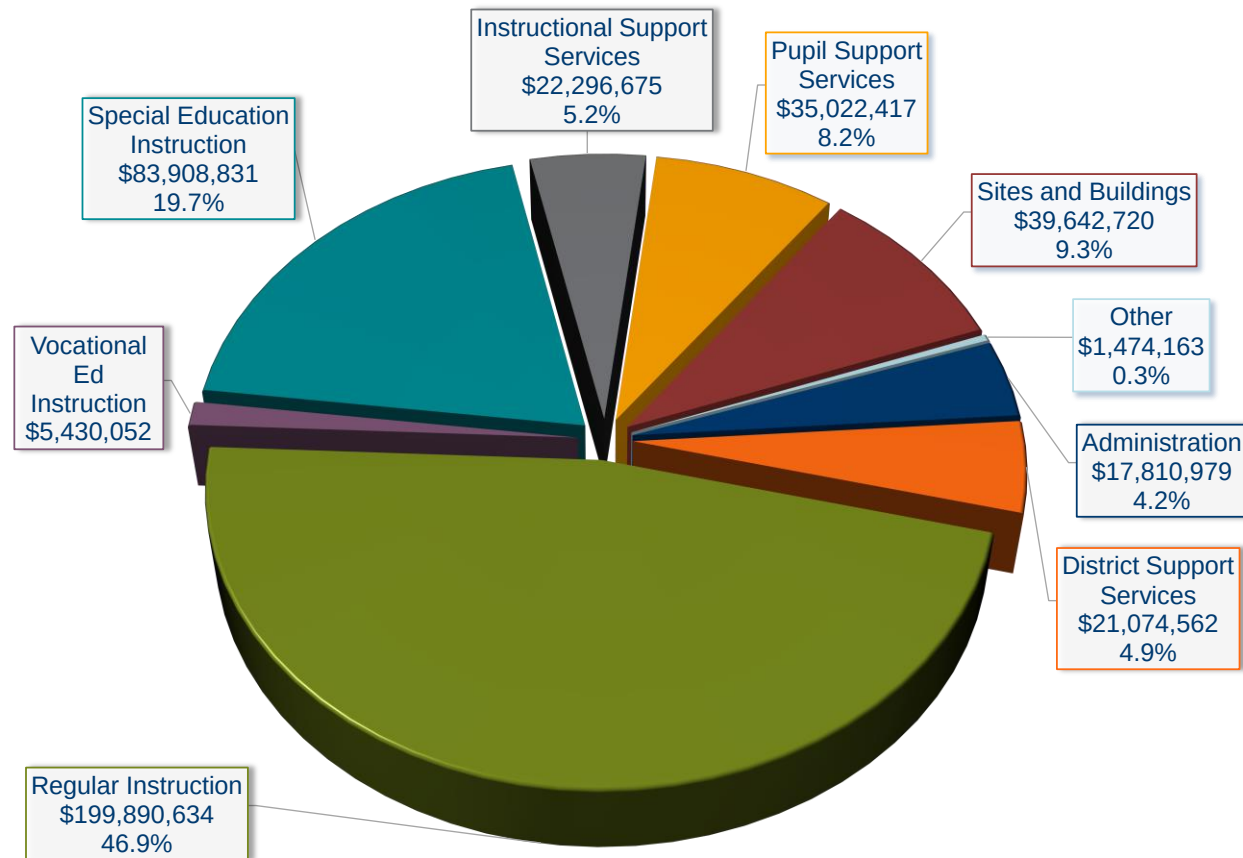
General Fund Revenue

2021-22 Budget \$426,927,297



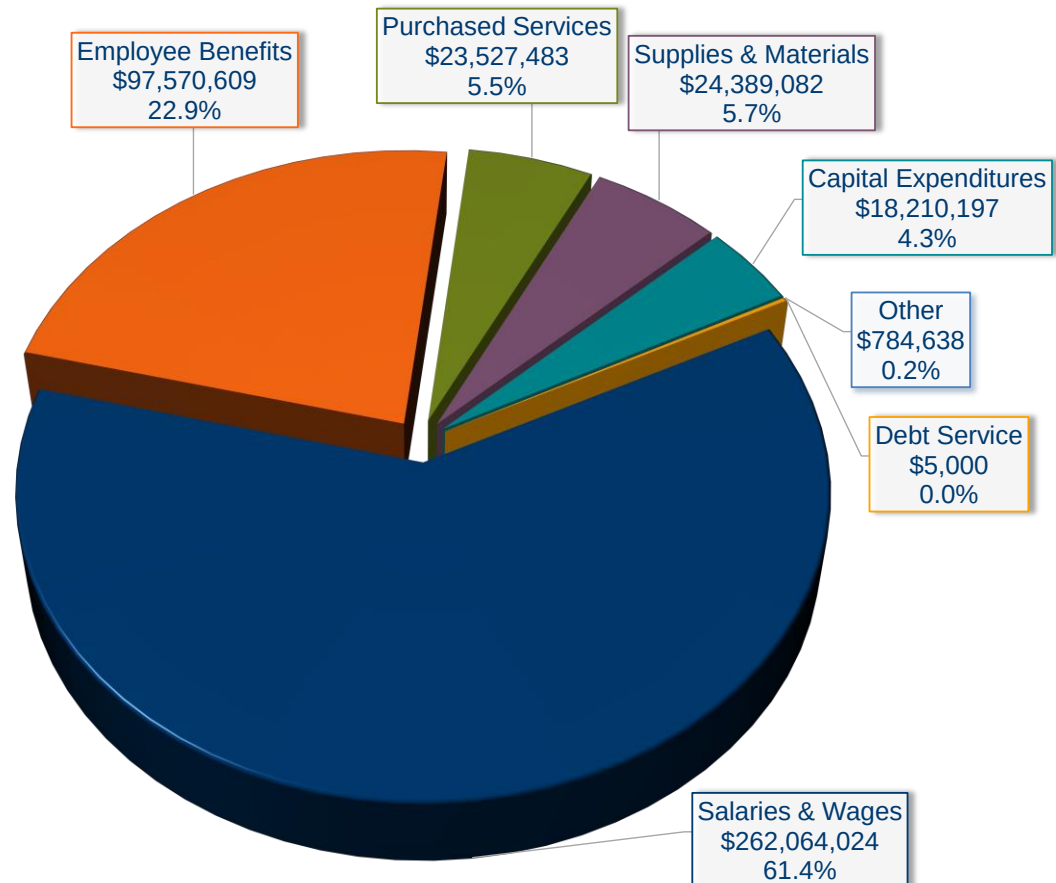
District 196

General Fund Expenditures by Program 2021-22 Budget \$426,551,033



District 196

General Fund Expenditures by Object 2021-22 Budget \$426,551,033



Payable 2022 Property Tax Levy

- Determination of levy
- Comparison of 2021 to 2022 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 2022 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

PROPOSED TAXES 2022

THIS IS NOT A BILL. DO NOT PAY.



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 Road South
Spruceville, MN 55555-5555

Property Information

PIN Number:

Property Address:

01.234.56.789.R1

789 Pine Rd S
Spruceville, MN
55555

Property Description:

Lot 1, Block 1, Spruce Acres Subdivision

The time to provide feedback on
PROPOSED LEVIES is NOW

It is too late to appeal your value without going
to Tax Court.

VALUES AND CLASSIFICATION

Step	Taxes Payable Year	2021	2022
1	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

Property Taxes before credits	\$1,479.52
School building bond credit	\$ 12.00
Agricultural market value credit	
Other credits	
Property Taxes after credits	\$1,467.52

PROPERTY TAX STATEMENT

Coming in 2022

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	December 10, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$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.

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

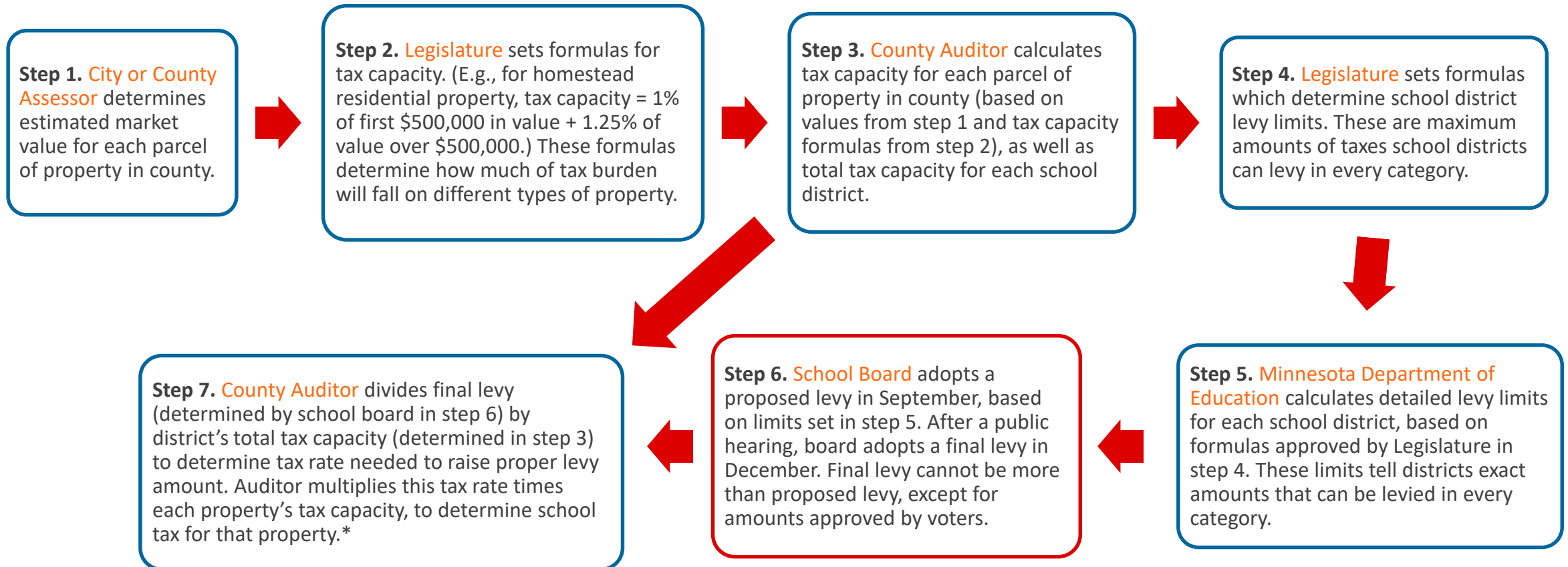
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

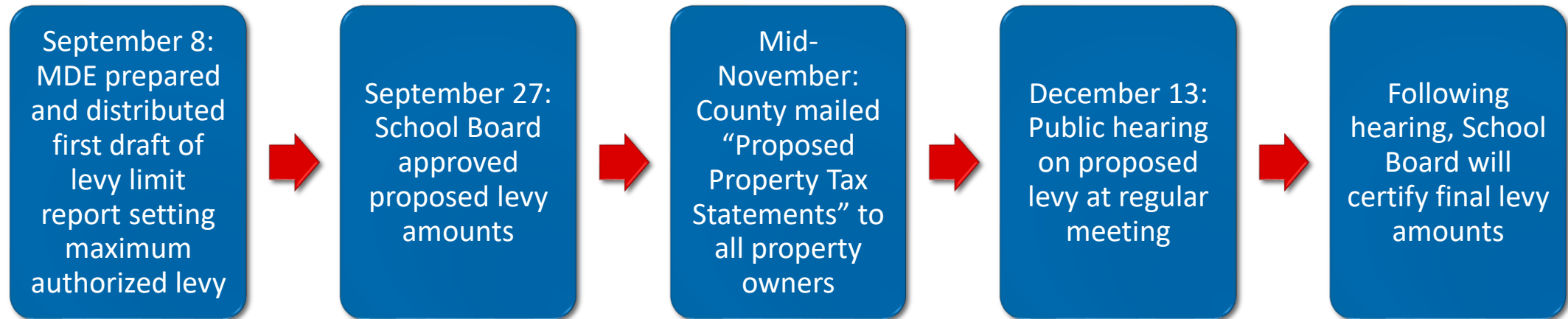
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

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 2021 (Payable 2022) Tax Levy



Overview of Proposed Levy Payable in 2022

- Proposed property tax levy for 2022 is an increase from 2021 of \$3,300,607 or 2.7%
- Reasons for major changes in levy are included on following slides

District 196

Comparison of Actual Tax Levy Payable in 2021 to Proposed Levy Payable in 2022

Fund Levy Category	Actual Levy Payable in 2021	Proposed Levy Payable in 2022	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$51,933,626	\$53,007,007	\$1,073,382	
Local Optional Revenue (LOR)	20,700,279	20,972,474	272,195	
Equity	2,617,563	2,614,151	(3,412)	
Capital Project/Technology Referendum	6,589,708	6,986,813	397,105	
Operating Capital	2,166,125	2,414,342	248,217	
Alternate Teacher Compensation	2,868,919	2,733,648	(135,271)	
Achievement and Integration	1,581,902	1,638,071	56,170	
Safe Schools	1,166,422	1,160,949	(5,472)	
Long Term Facilities Maintenance (LTFM)	8,105,733	7,995,319	(110,414)	
Instructional Lease	3,455,189	5,319,581	1,864,392	
Other	1,541,748	1,666,457	124,708	
Prior Year Adjustments	(768,725)	(1,334,002)	(565,277)	
Total, General Fund	\$101,958,489	\$105,174,812	\$3,216,323	3.2%
Community Service				
Basic Community Education	\$1,106,022	\$1,131,079	\$25,057	
Early Childhood Family Education	596,695	606,118	9,424	
Other	20,603	21,422	819	
Prior Year Adjustments	3,246	8,442	5,197	
Total, Community Service Fund	\$1,726,565	\$1,767,062	\$40,497	2.3%
Debt Service				
Voter Approved	\$17,764,919	\$17,765,601	\$682	
Prior Year Adjustments	15,442	58,548	43,106	
Total, Debt Service Fund	\$17,780,361	\$17,824,149	\$43,788	0.2%
Total Levy, All Funds	\$121,465,415	\$124,766,022	\$3,300,607	2.7%
Subtotal by Truth in Taxation Categories:				
Voter Approved	75,869,223	76,974,283	1,105,060	
Other	45,596,192	47,791,739	2,195,547	
Total	\$121,465,415	\$124,766,022	\$3,300,607	2.7%

Explanation of Levy Changes

Category: General Fund – Voter Approved Operating Referendum

Change: +\$1,073,382

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

Explanation of Levy Changes

Category: General Fund – Instructional Lease

Change: +\$1,864,392

Use of Funds: Instructional lease costs

Reason for Change:

- Amount is based on state-approved instructional lease costs
- Includes payments related to new lease purchase financings
 - Turf fields at Apple Valley High School and Eastview High School
 - Educational facility for Alternative Learning Center program in Eagan

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 slides show examples of changes in school district portion of property taxes from 2019 to 2022
- Examples include school district taxes only
- All examples are based on a 15.2% increase in property value over this four-year period
 - Actual changes in value may be more or less than this 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

- Examples are for property in City of Eagan
- Amounts for 2022 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors

District 196

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 15.2% Cumulative Changes in Property Value from 2019 to 2022 Taxes

Type of Property	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	Actual Taxes Payable in 2021	Estimated Market Value for 2022 Taxes	Estimated Taxes Payable in 2022	Change in Taxes 2019 to 2022	Change in Taxes 2021 to 2022
Residential Homestead	\$173,594	\$767	\$182,274	\$947	\$190,476	\$965	\$200,000	\$986	\$219	\$21
	216,993	978	227,842	1,202	238,095	1,224	250,000	1,252	274	28
	260,391	1,189	273,411	1,458	285,714	1,484	300,000	1,517	328	33
	303,790	1,401	318,979	1,713	333,333	1,744	350,000	1,782	381	38
	347,188	1,612	364,548	1,968	380,952	2,004	400,000	2,047	435	43
	390,587	1,823	410,116	2,223	428,571	2,261	450,000	2,306	483	45
	433,985	2,030	455,685	2,471	476,190	2,512	500,000	2,562	532	50
	520,782	2,447	546,822	2,988	571,429	3,051	600,000	3,124	677	73
	650,978	3,123	683,527	3,798	714,286	3,876	750,000	3,967	844	91
	867,971	4,249	911,369	5,146	952,381	5,251	1,000,000	5,373	1,124	122
Commercial/ Industrial #	\$347,188	\$1,732	\$364,548	\$2,094	\$380,952	\$2,126	\$400,000	\$2,129	\$397	\$3
	433,985	2,190	455,685	2,641	476,190	2,681	500,000	2,684	494	3
	650,978	3,334	683,527	4,010	714,286	4,070	750,000	4,072	738	2
	867,971	4,479	911,369	5,379	952,381	5,458	1,000,000	5,459	980	1
	1,301,956	6,769	1,367,054	8,116	1,428,571	8,235	1,500,000	8,235	1,466	0
Apartments and Res. Non-Homestead (2 or more units)	\$347,188	\$1,803	\$364,548	\$2,158	\$380,952	\$2,201	\$400,000	\$2,249	\$446	\$48
	694,377	3,606	729,095	4,316	761,905	4,401	800,000	4,498	892	97
	1,041,565	5,409	1,093,643	6,473	1,142,857	6,602	1,200,000	6,746	1,337	144

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.

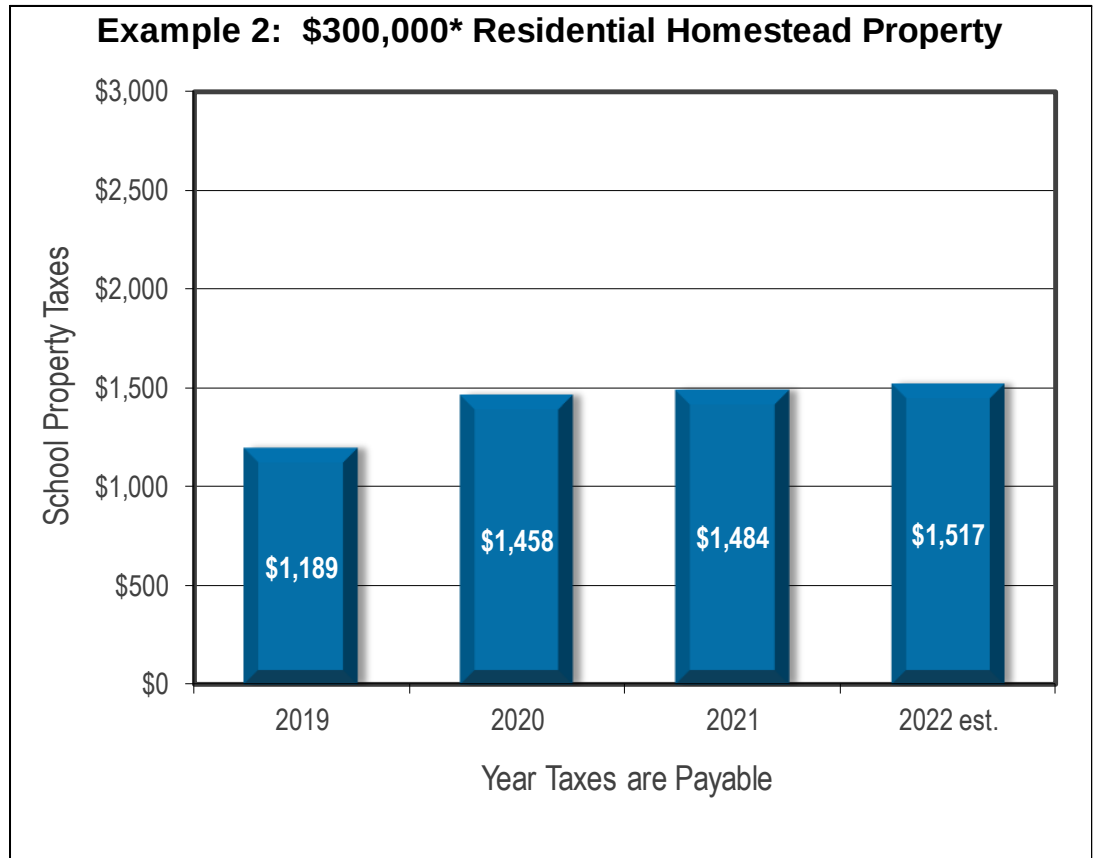
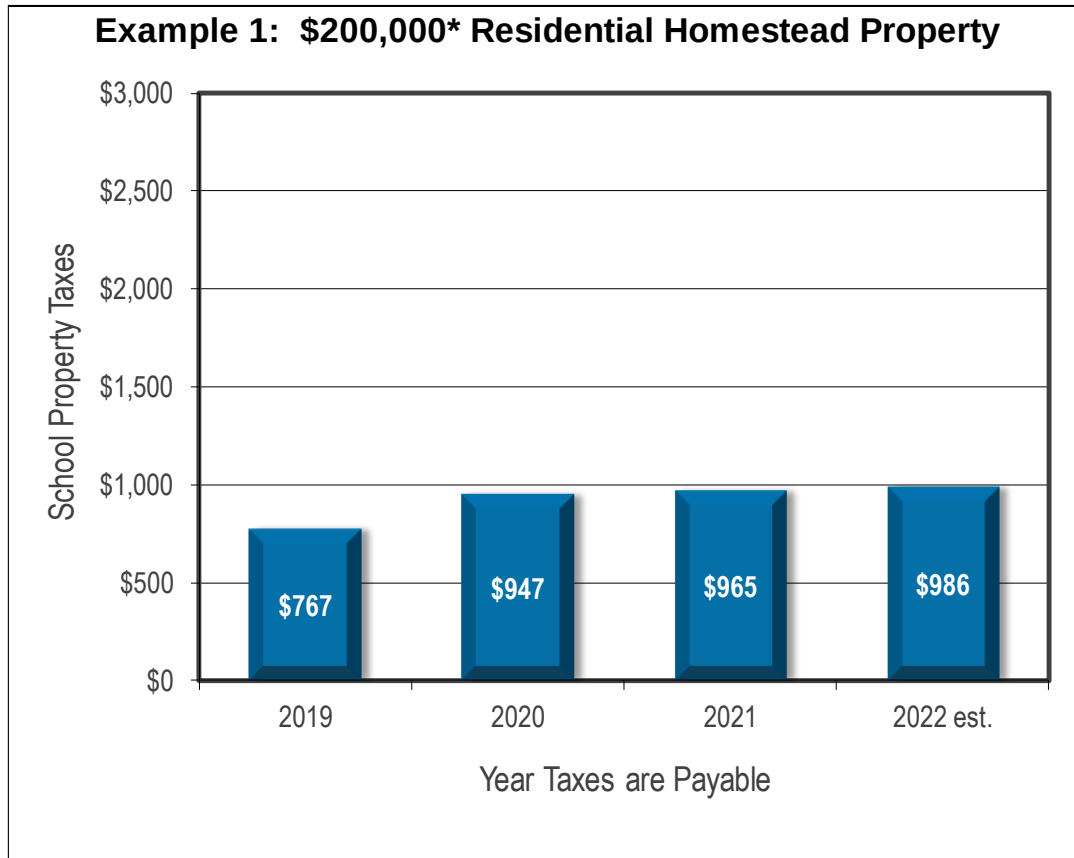
General Notes

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 2022 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 2019 to 2020 taxes, 4.5% from 2020 to 2021, and 5.0% from 2021 to 2022.

District 196

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 15.2% Cumulative Changes in Property Value from 2019 to 2022 Taxes

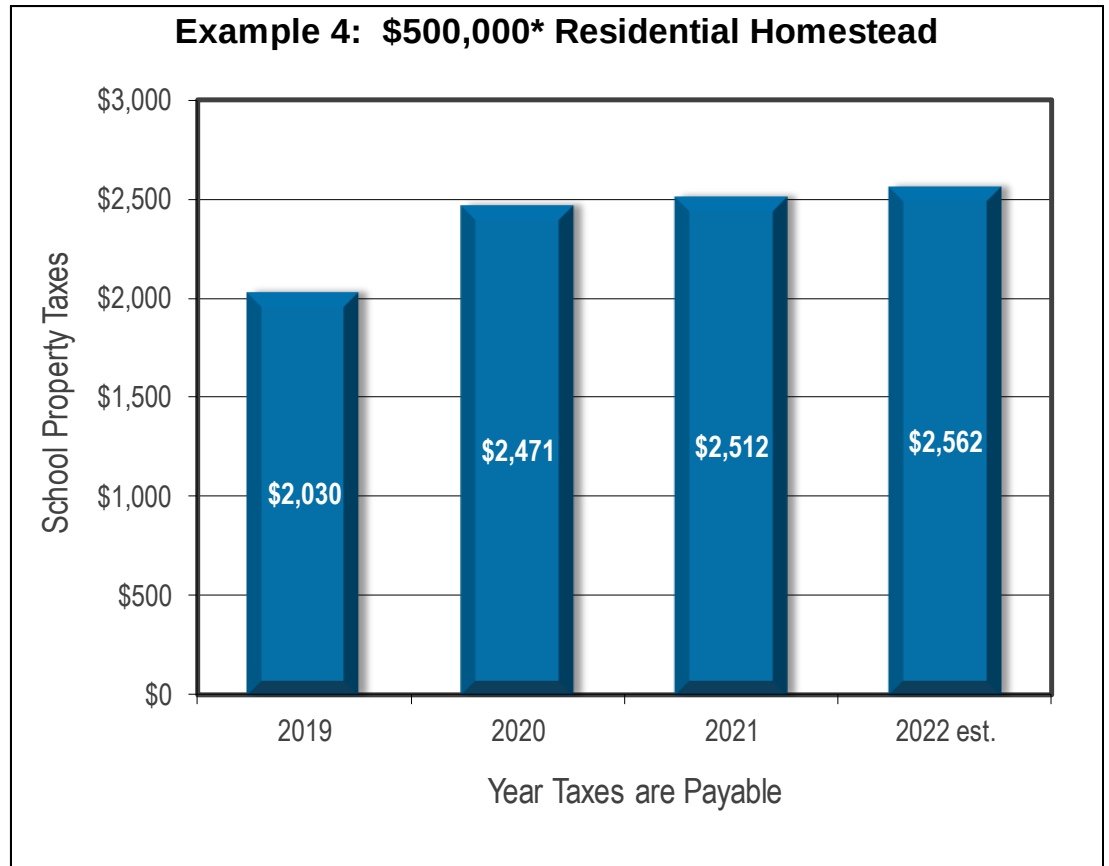
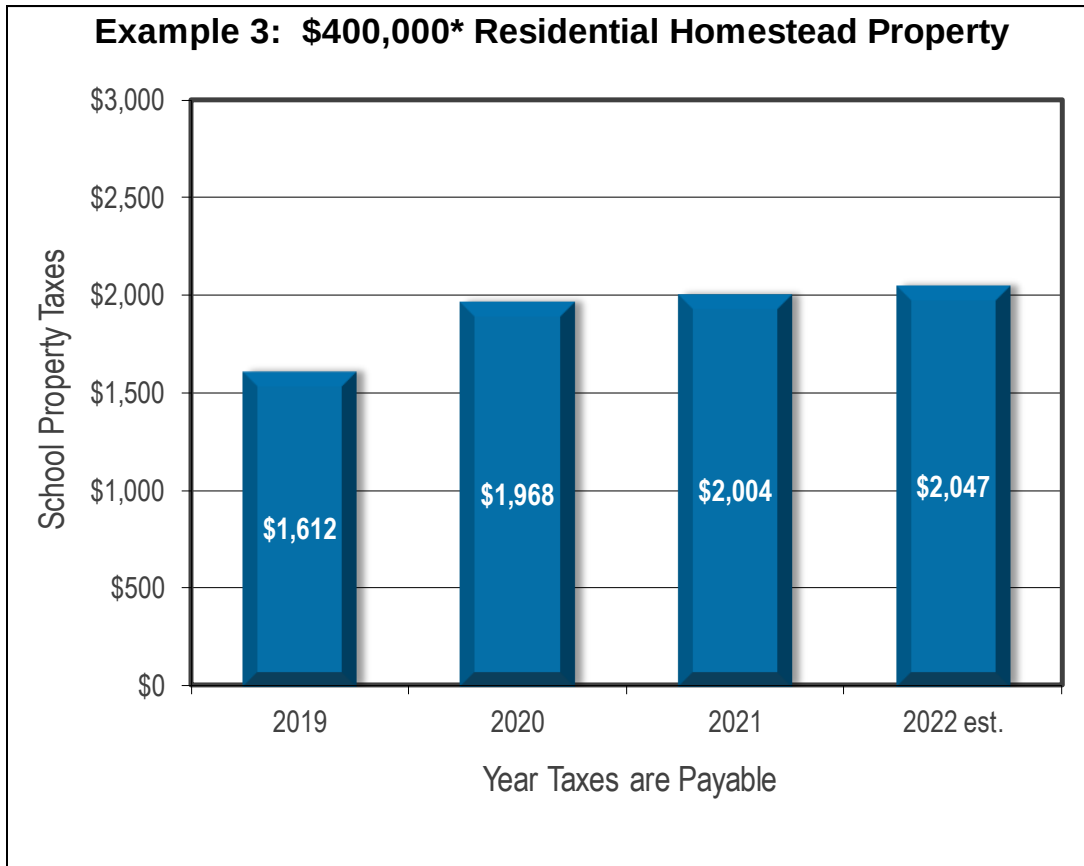


* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 5.0% from 2019 to 2020 taxes, 4.5% from 2020 to 2021, and 5.0% from 2021 to 2022.

District 196

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 15.2% Cumulative Changes in Property Value from 2019 to 2022 Taxes



* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 5.0% from 2019 to 2020 taxes, 4.5% from 2020 to 2021, and 5.0% from 2021 to 2022.

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 \$116,180 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 \$2,840
- Also available to renters
- 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)

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

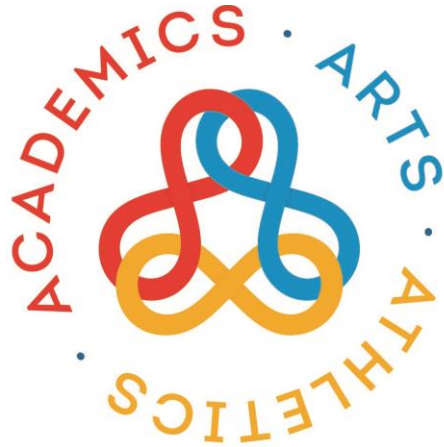
Next Steps

1

Board will accept public
comments on proposed levy

2

Board will certify 2022
property tax levy



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PUBLIC COMMENTS