

South St. Paul
Public Schools



South St. Paul Public Schools

Public Hearing for Taxes Payable in 2019

DECEMBER 10, 2018

PRESENTED BY:

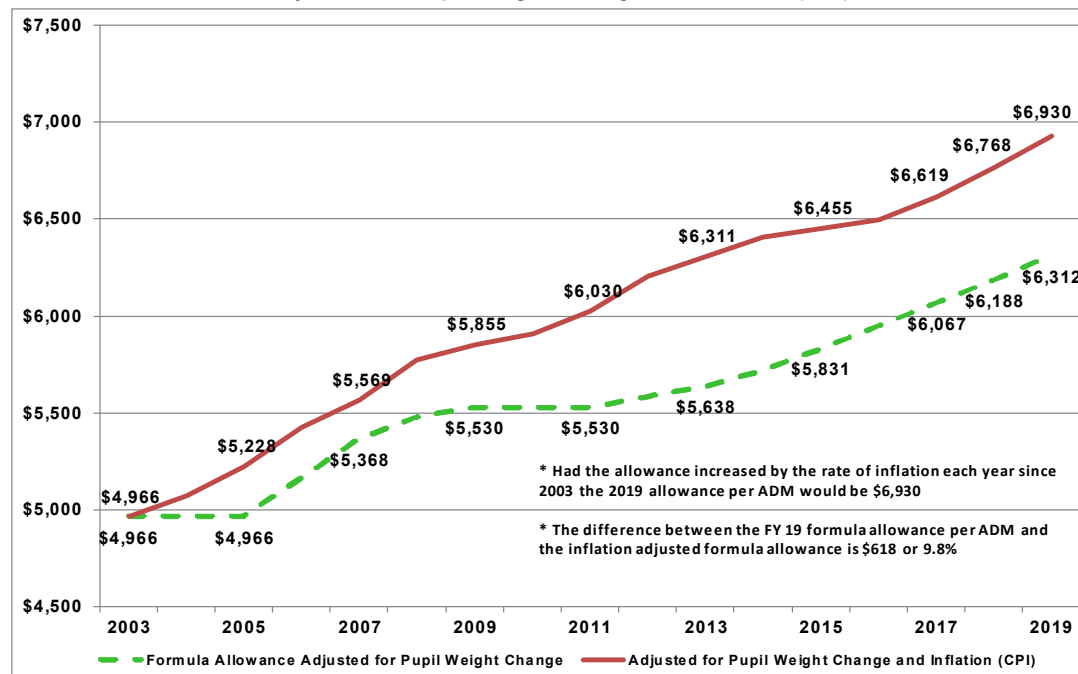
AARON BUSHBERGER,
FINANCE DIRECTOR

Agenda for Hearing

1. Background on School Funding
2. District's Budget
3. District's Proposed Tax Levy for Taxes Payable in 2019
4. Public Comments

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2019
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2018 Inflation Estimates

Underfunding of Special Education

MDE reports the FY 2016 cost of providing special education programs was underfunded by \$697 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,783 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

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 2019-20 budget will be set in June 2019.

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
- Debt Service
- Trust*
- Internal Service*
- OPEB Trust*
- OPEB Debt Service

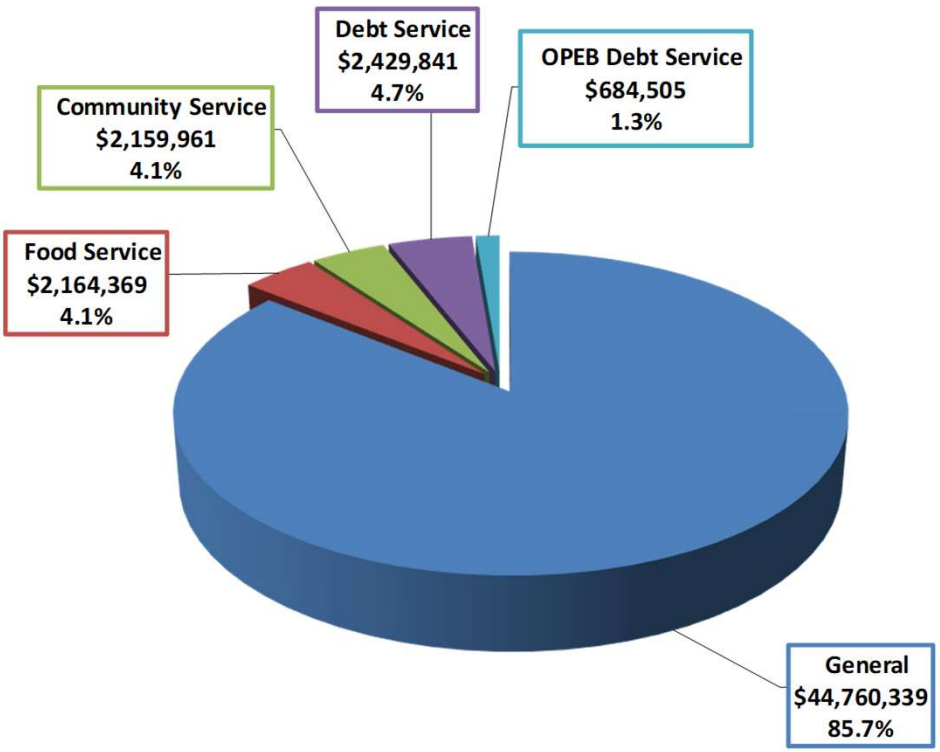
**Annual budgets are not prepared for these funds*

**South St. Paul Public Schools
District Revenues and Expenditures
Actual for FY 2018, Budget for FY 2019**

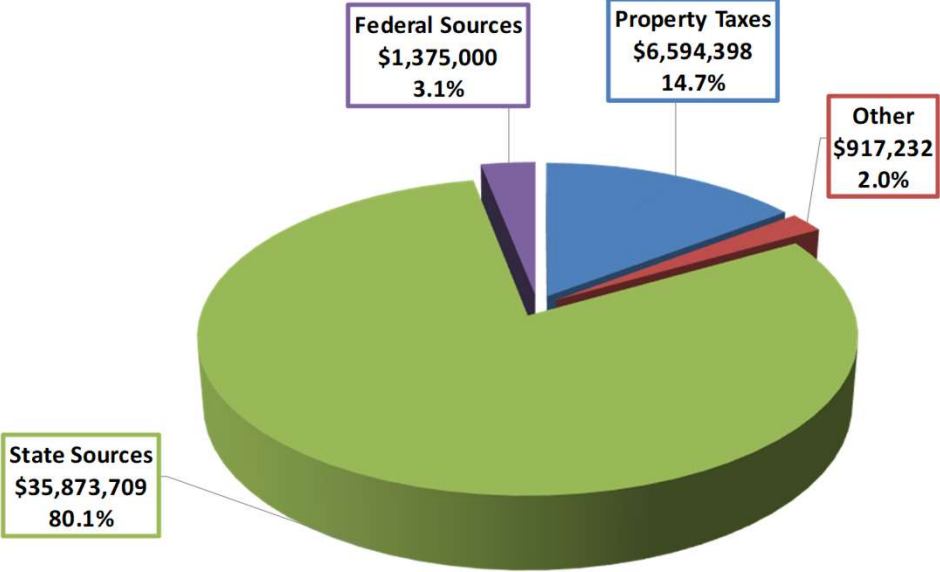
FUND	FISCAL 2018 BEGINNING FUND BALANCES	2017-18 ACTUAL REVENUES AND TRANSFERS IN	2017-18 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2018 ACTUAL FUND BALANCE	2018-19 BUDGET REVENUES AND TRANSFERS IN	2018-19 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2019 PROJECTED FUND BALANCE
General/Restricted	\$1,522,587	\$9,618,812	\$9,683,884	\$1,457,515	\$10,005,112	\$9,993,270	\$1,469,357
General/Other	6,769,722	33,748,214	33,961,768	6,556,168	34,755,227	35,162,163	6,149,232
Food Service	913,368	2,027,687	1,992,254	948,801	2,164,369	2,239,386	873,784
Community Service	429,368	2,313,299	2,438,452	304,215	2,159,961	2,210,751	253,425
Debt Service	349,416	2,558,412	2,404,138	503,690	2,429,841	2,400,338	533,193
Trust	81,732	211,615	253,207	40,140	-	-	40,140
Internal Service	35,977			559,585			559,585
OPEB* Revocable Trust	811,365	870,669	5,402,924	(3,720,890)	-	-	(3,720,890)
OPEB* Debt Service	157,434	2,735,609	2,718,059	174,984	684,505	694,810	164,679
Total All Funds	\$11,070,969	\$54,084,317	\$58,854,686	\$6,824,208	\$52,199,015	\$52,700,718	\$6,322,505

*Other Post Employment Benefits

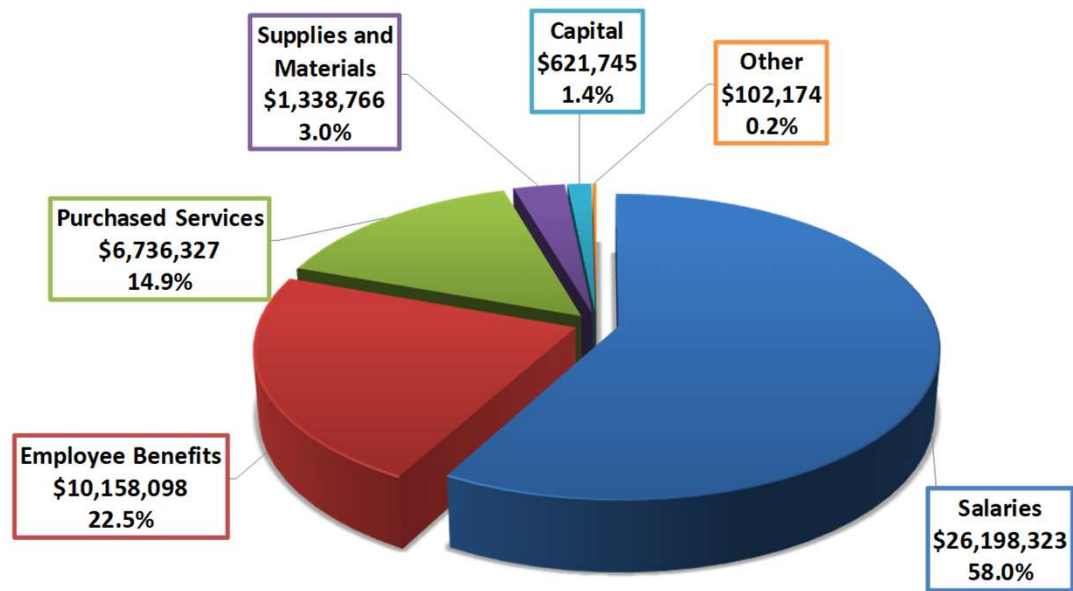
**South St. Paul Public Schools
Revenue - All Funds
2018-19 Budget \$52,199,015**



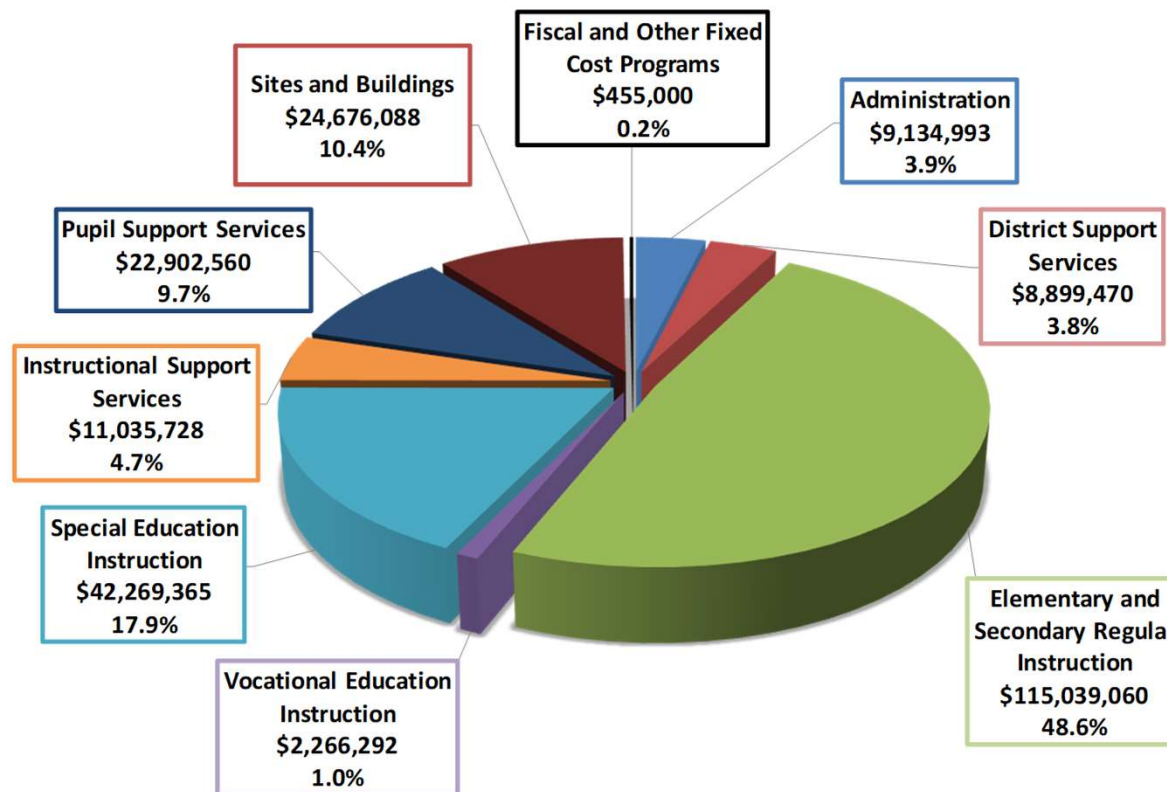
**South St. Paul Public Schools
General Fund Revenue
2018-19 Budget \$44,760,339**



**South St. Paul Public Schools
General Fund Expenditures by Object
2018-19 Budget \$45,155,433**



**South St. Paul Public Schools
General Fund Expenditures by Program
2018-19 Budget \$45,155,433**



Payable 2019 Property Tax Levy

- Determination of levy
- Comparison of 2018 to 2019 levies
- Specific 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

Parcel Specific Notice:

This is a sample of the notice mailed to every property owner in November with information on the impact of the Proposed 2019 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

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 2019			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2018	2019
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
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		
3	PROPERTY TAX STATEMENT		
	Coming in 2019		
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 2018	Proposed 2019
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 5, 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
<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 2019 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 12, 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		\$1,410.02	\$1,550.46 9.0%

Schedule of Events in Approval of District's 2018 (Payable 2019) Tax Levy



Overview of Proposed Levy Payable in 2019

Total 2019 proposed property tax levy is a decrease from 2018 of \$106,967, or 1.1%

State law requires that we explain reasons for major changes in levy

South St. Paul Public Schools

Comparison of Actual Tax Levy Payable in 2018 to Proposed Levy Payable in 2019

Fund Levy Category	Actual Levy Payable in 2018	Proposed Levy Payable in 2019	\$ Change	% Change
General Fund				
Voter Approved Operating Referendum	\$2,562,444	\$2,696,508	\$134,064	
Local Optional Revenue	1,290,038	1,351,108	61,070	
Equity	391,005	415,091	24,087	
Alternate Teacher Compensation	261,115	276,597	15,482	
Achievement and Integration	178,606	179,038	432	
Capital Project Referendum - Technology	596,610	596,118	(492)	
Operating Capital	177,499	188,011	10,513	
Long Term Facilities Maintenance	776,871	695,023	(81,848)	
Instructional Lease	232,156	266,571	34,416	
Safe Schools	200,672	189,893	(10,778)	
Other	161,674	163,950	2,276	
Adjustments for Prior Years	(339,554)	(592,290)	(252,736)	
Total, General Fund	\$6,489,135	\$6,425,619	(\$63,516)	-1.0%
Community Service Fund				
Basic Community Education	\$151,207	\$157,536	\$6,329	
Early Childhood Family Education	58,599	54,647	(3,952)	
School-Age Child Care	237,508	237,508	0	
Other	1,258	1,400	143	
Adjustments for Prior Years	(16,597)	(33,517)	(16,920)	
Total, Community Service Fund	\$431,974	\$417,575	(\$14,399)	-3.3%
Debt Service Funds				
Voter Approved	\$2,338,915	\$2,341,540	\$2,625	
Other	175,140	177,345	2,205	
Other Post Employment Benefits	726,953	731,850	4,897	
Reduction for Debt Excess	(137,036)	(166,371)	(29,335)	
Adjustments for Prior Years	10,374	930	(9,444)	
Total, Debt Service Fund	\$3,114,346	\$3,085,294	(\$29,052)	-0.9%
Total Levy, All Funds	\$10,035,455	\$9,928,487	(\$106,967)	-1.1%
Subtotal by Truth in Taxation Categories:				
Voter Approved Levies	5,448,684	5,374,842	(73,842)	
Other Levies	4,586,770	4,553,645	(33,125)	
Total	\$10,035,455	\$9,928,487	(\$106,967)	-1.1%

Explanation of Levy Changes

Category: General Fund – Voter Approved Operating Referendum

Change: +\$134,064

Use of Funds: General Operating Expenses

Reason for Change:

- Funding for the operating referendum 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
- Voter approved allowance includes an inflationary adjustment

Explanation of Levy Changes

Category: General Fund – Adjustments for Prior Years

Change: -\$252,736

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
- 2019 levy includes negative adjustments in several categories

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

Impact on Taxpayers

- Amounts for 2019 are preliminary estimates, based on best data available now – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors
- Tables show examples based on a 19.0% increase in property value over this 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 has happened to school district property taxes over this period for typical properties

South St. Paul Public Schools

Estimated Changes in School Property Taxes, 2016 to 2019

Based on 19.0% Cumulative Changes in Property Value from 2016 to 2019 Taxes

Type of Property	Estimated Market Value for 2016 Taxes	Actual Taxes Payable in 2016	Estimated Market Value for 2017 Taxes	Actual Taxes Payable in 2017	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Estimated Taxes Payable in 2019	Change in Taxes 2016 to 2019	Change in Taxes 2018 to 2019
Residential Homestead	\$84,014	\$356	\$91,575	\$359	\$95,238	\$435	\$100,000	\$409	\$53	-\$26
	105,017	480	114,469	483	119,048	573	125,000	539	59	-34
	126,021	603	137,363	606	142,857	711	150,000	669	66	-42
	147,024	726	160,256	729	166,667	849	175,000	799	73	-50
	168,028	849	183,150	852	190,476	987	200,000	929	80	-58
	210,035	1,096	228,938	1,099	238,095	1,262	250,000	1,188	92	-74
	252,042	1,343	274,725	1,345	285,714	1,538	300,000	1,448	105	-90
	294,048	1,589	320,513	1,592	333,333	1,814	350,000	1,708	119	-106
	336,055	1,836	366,300	1,838	380,952	2,090	400,000	1,968	132	-122
	420,069	2,327	457,875	2,317	476,190	2,624	500,000	2,464	137	-160
Commercial/ Industrial #	\$168,028	\$1,037	\$183,150	\$1,051	\$190,476	\$1,167	\$200,000	\$1,108	\$71	-\$59
	210,035	1,349	228,938	1,363	238,095	1,503	250,000	1,426	77	-77
	420,069	2,905	457,875	2,928	476,190	3,182	500,000	3,018	113	-164
	630,104	4,461	686,813	4,492	714,286	4,860	750,000	4,610	149	-250
	840,138	6,018	915,751	6,057	952,381	6,539	1,000,000	6,201	183	-338

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

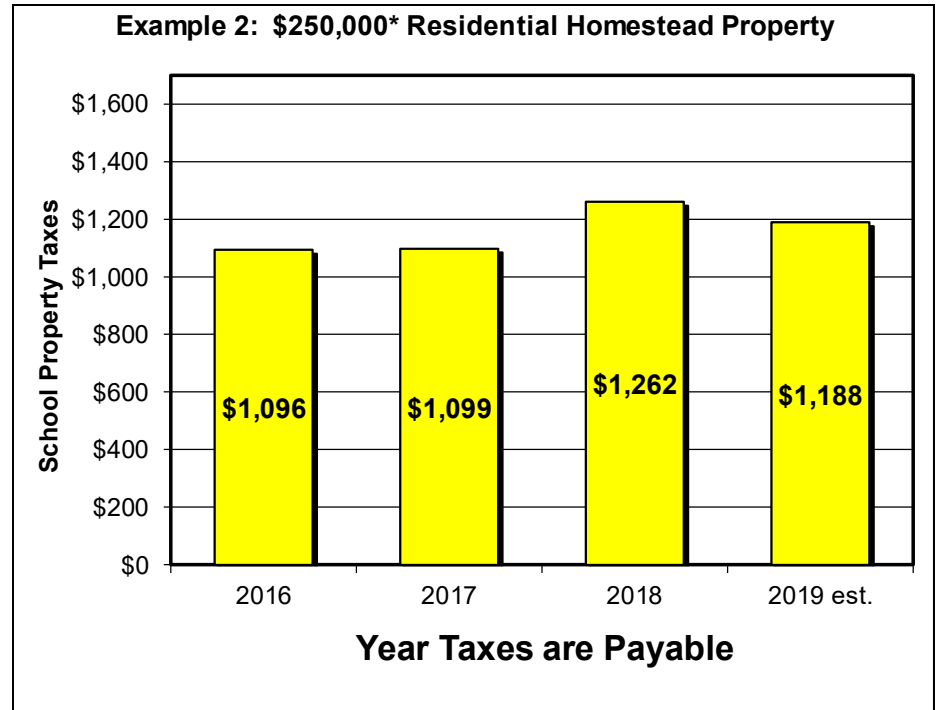
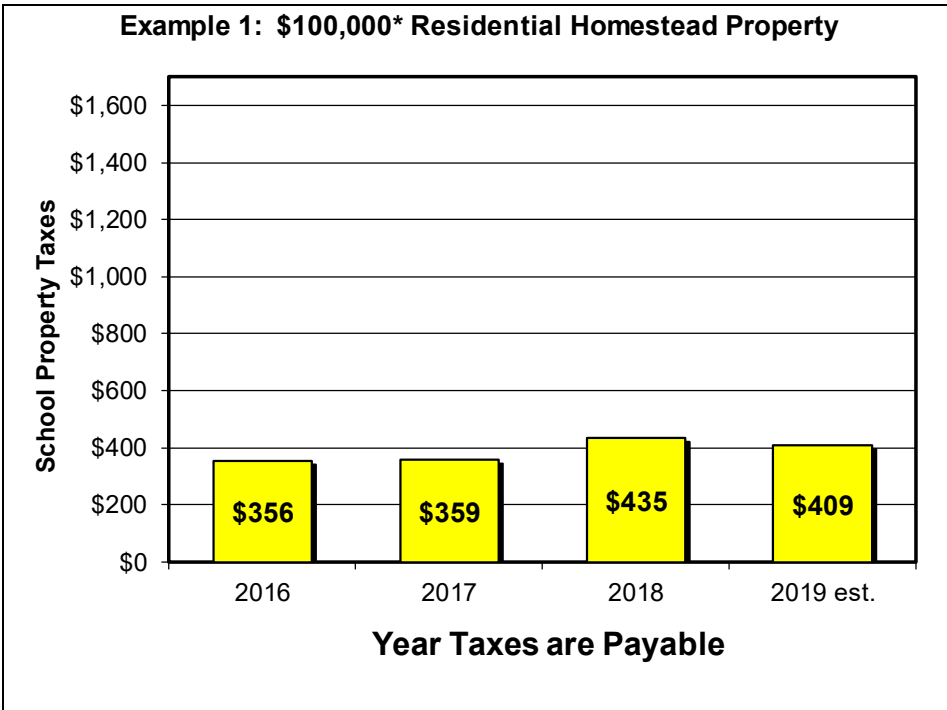
General Notes

1. Amounts in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2019 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 9.0% from 2016 to 2017 taxes, 4.0% from 2017 to 2018, and 5.0% from 2018 to 2019.

South St. Paul Public Schools

Estimated Changes in School Property Taxes, 2016 to 2019

Based on 19.0% Cumulative Changes in Property Value from 2016 to 2019 Taxes

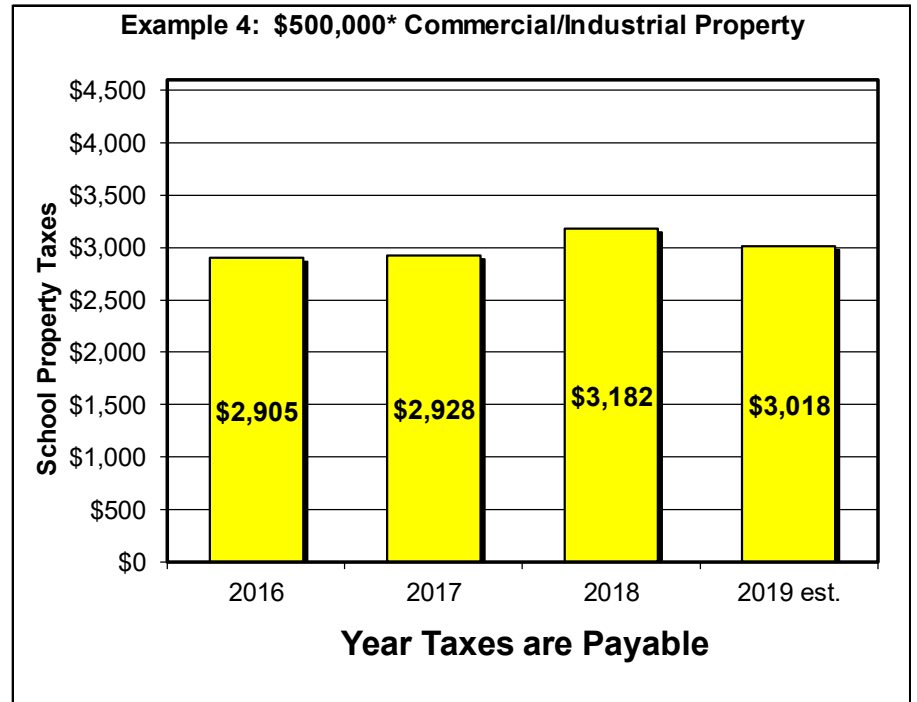
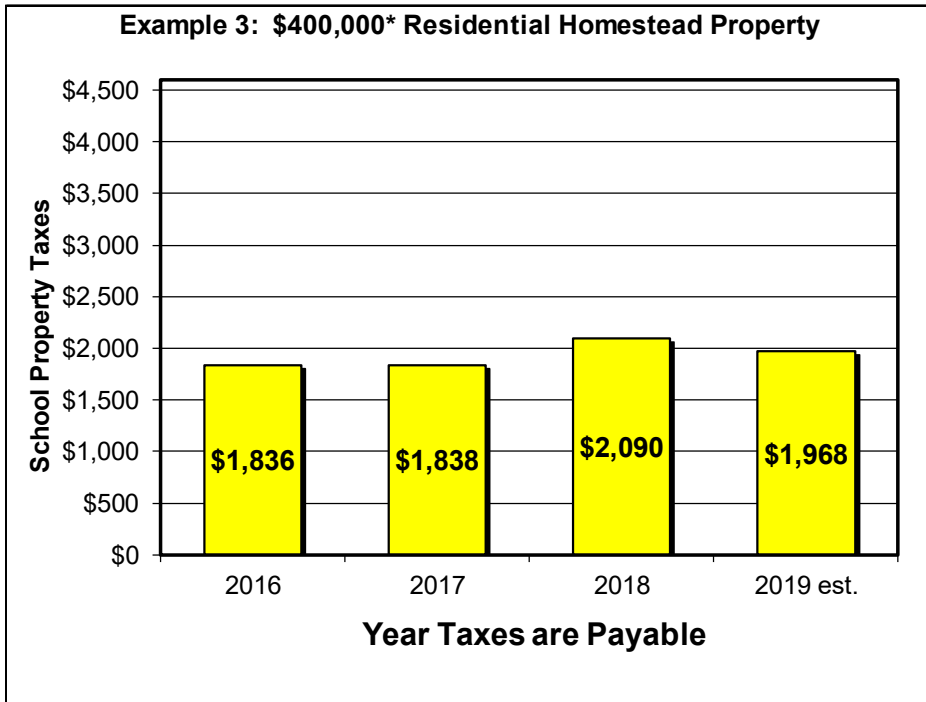


* For examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on changes in market value of 9.0% from 2016 to 2017 taxes, 4.0% from 2017 to 2018, and 5.0% from 2018 to 2019.

South St. Paul Public Schools

Estimated Changes in School Property Taxes, 2016 to 2019

Based on 19.0% Cumulative Changes in Property Value from 2016 to 2019 Taxes



* For examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on changes in market value of 9.0% from 2016 to 2017 taxes, 4.0% from 2017 to 2018, and 5.0% from 2018 to 2019.

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 \$110,650 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 \$2,710
- 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 their home
- 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

Next Steps

1

Board will accept public comments on proposed levy

2

Board will certify 2019 property tax levy

South St. Paul
Public Schools



Public Comments