



Public Hearing for Taxes Payable in 2020

December 9, 2019

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Overview



1. School District Funding Overview
2. District Budget
3. Payable 2020 Property Tax Levy
4. Public Comments



School District Funding Overview

- **Funding is highly regulated**
 - Formulas that determine revenue, most based on specified amounts per pupil
 - Tax policy for local school districts
 - Maximum authorized property tax levy
 - State also authorizes school board to submit referendums for operating and capital needs to voters for approval



School District Funding Challenges

- **General Education revenue**
 - Formula would have to increase by 9.7% to have kept pace with inflation over past 17 years
- **Special Education revenue**
 - State and Federal funding is 40% underfunded, or about \$822 million statewide
- **Reliance on voter-approved operating referenda**
 - Growing inequities between MN school districts



Levy / Budget Overview

- Tax levy is based on many state-determined formulas plus voter approved referendums
- Some increases in tax levies are revenue neutral, offset by reductions in state aid (***equalization***)
- Change in tax levy does not determine change in budget



District Budget

- All school district budgets are divided into separate funds, as required by law
- District establishes budgets for four funds:
 - General Fund
 - Food Service Fund
 - Community Service Fund
 - Debt Service Funds



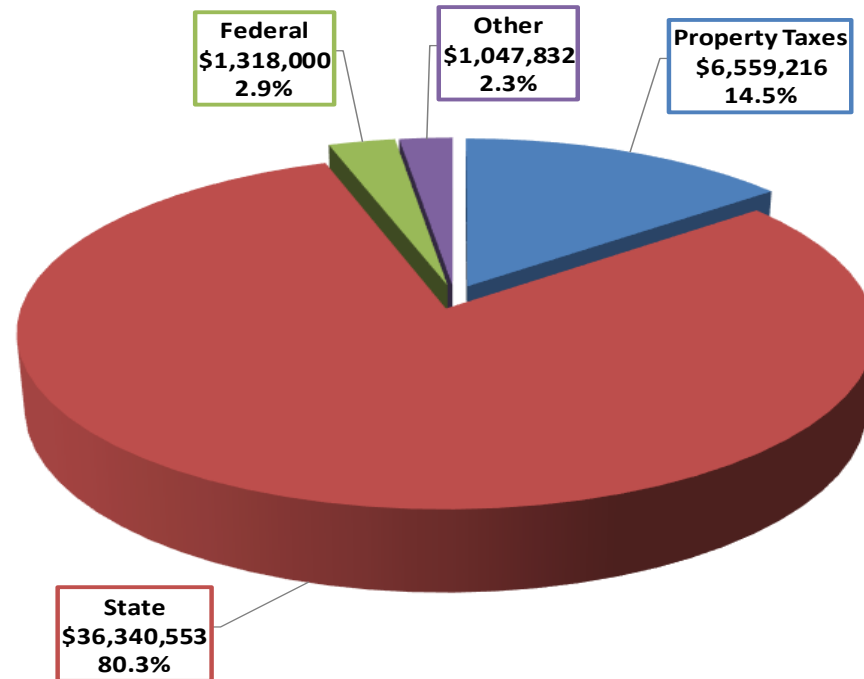
2019-20 Budgets

	<u>Revenue</u>	<u>Expenditures</u>
General Fund	\$45,265,601	\$46,372,680
Food Service Fund	\$2,125,673	\$2,297,386
Community Service Fund	\$2,252,344	\$2,369,765
Debt Service Funds	\$3,085,294	\$3,102,538
TOTAL ALL FUNDS	<u><u>\$52,728,912</u></u>	<u><u>\$54,142,369*</u></u>

*Existing fund balances will cover the difference between revenues and expenditures

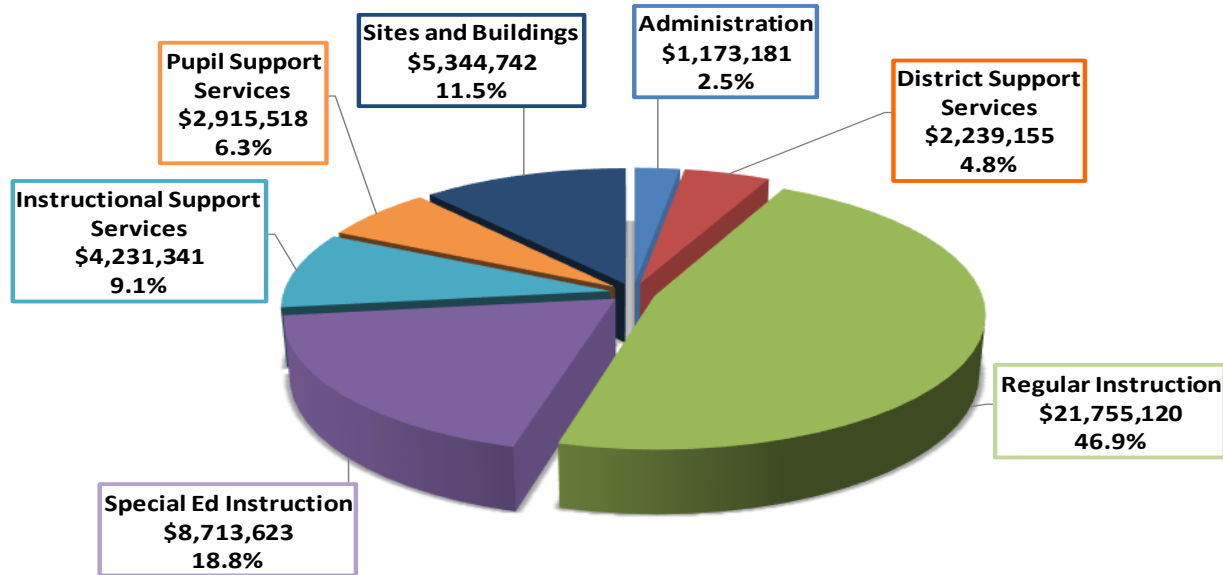
Revenue – General Fund

South St. Paul Public Schools
General Fund Revenue
2019-20 Budget \$45,265,601



Expenditures – General Fund

South St. Paul Public Schools General Fund Expenditures by Program 2019-20 Budget \$46,372,680

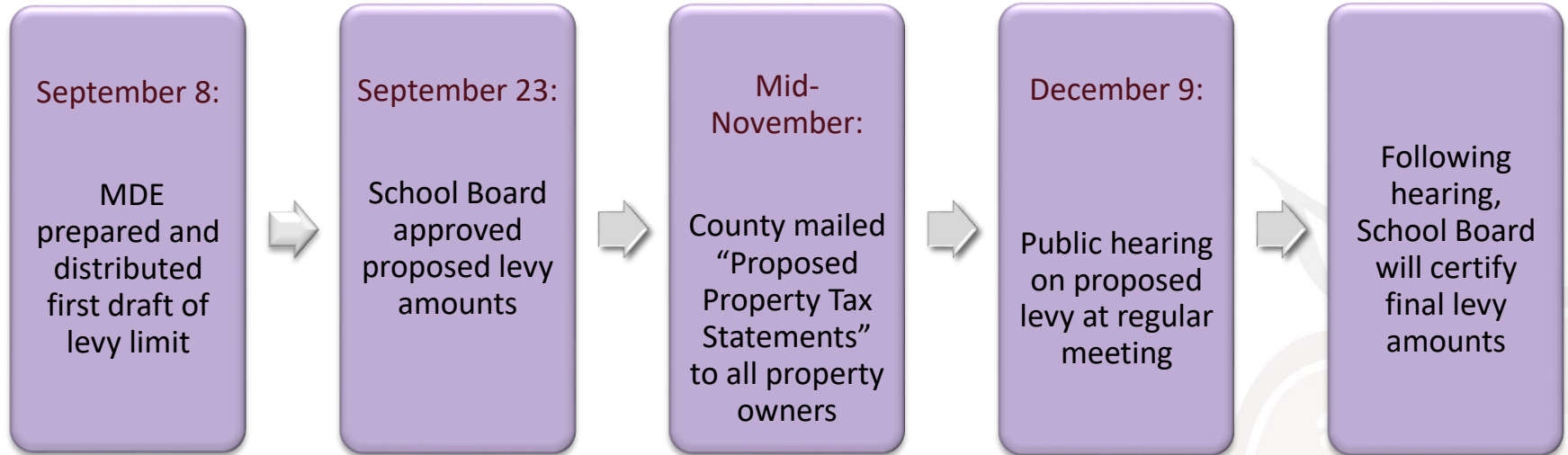


Payable 2020 Property Tax Levy

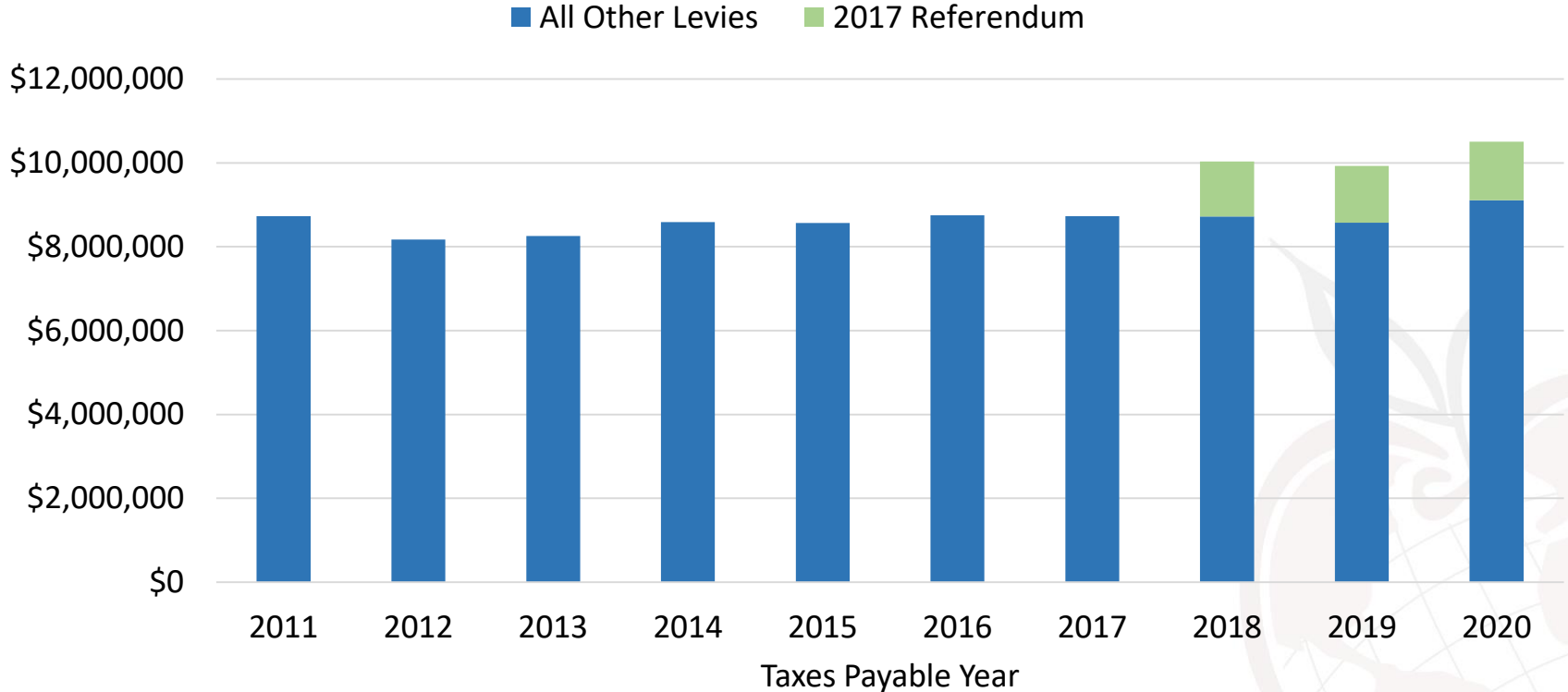
- Minnesota School Districts can levy in different categories
 - Voter approved levies
 - Other local levies
- Minnesota Department of Education (MDE) calculates levy limits for each district



Property Tax Levy Schedule

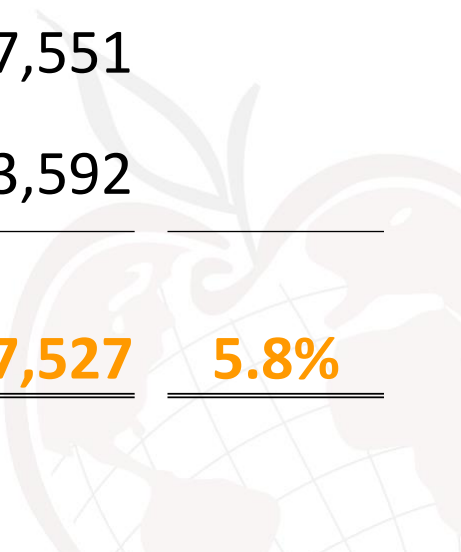


School District Property Tax History



Payable 2020 Levy

	<u>Pay 2019</u>	<u>Pay 2020</u>	<u>Change</u>
General Fund	\$6,425,620	\$7,116,384	
Community Service Fund	\$417,574	\$547,551	
Debt Service Fund	\$3,085,293	\$2,843,592	
TOTAL ALL FUNDS	<u><u>\$9,928,487</u></u>	<u><u>\$10,507,527</u></u>	<u><u>5.8%</u></u>



Property Tax Factors

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

Explanation of Levy Changes

Categories

Voter Approved Operating Referendum and Local Optional Revenue (LOR)

Changes

-\$580,605 and +\$650,463 (net change +\$69,858)

Reason for Changes

Legislative change subtracted \$300 per pupil from voter approved operating referendum authority and added it to LOR formula



Explanation of Levy Changes

Category

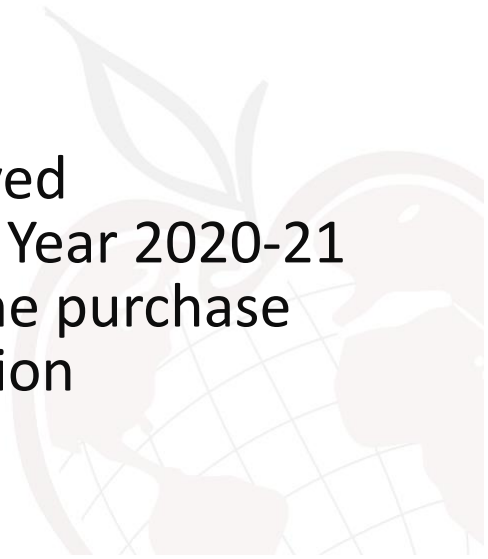
Instructional Lease

Change

+\$329,518

Reason for Change

Amount is based on estimated cost of state-approved instructional lease costs. Includes estimated Fiscal Year 2020-21 payments related to new lease levy financing for the purchase and renovation of a building for Adult Basic Education programming and the Alternative Learning Center



Explanation of Levy Changes

Category

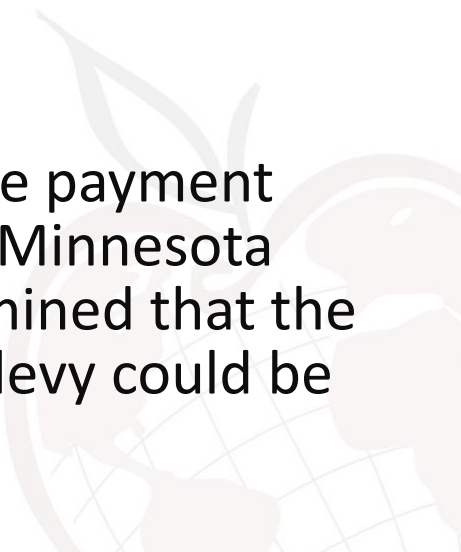
Debt Service – Reduction for Debt Excess

Change

-\$267,081

Reason for Change

Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections. Minnesota Department of Education (MDE) and district determined that the fund had an excess balance. Therefore, the future levy could be reduced because of this excess.



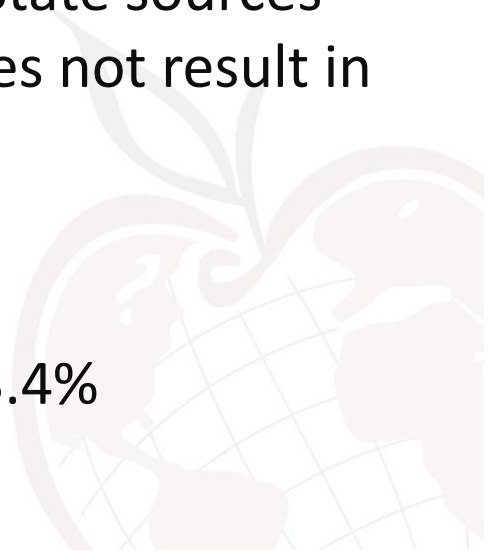
Explanation of Levy Changes

Categories: Multiple Levy Categories

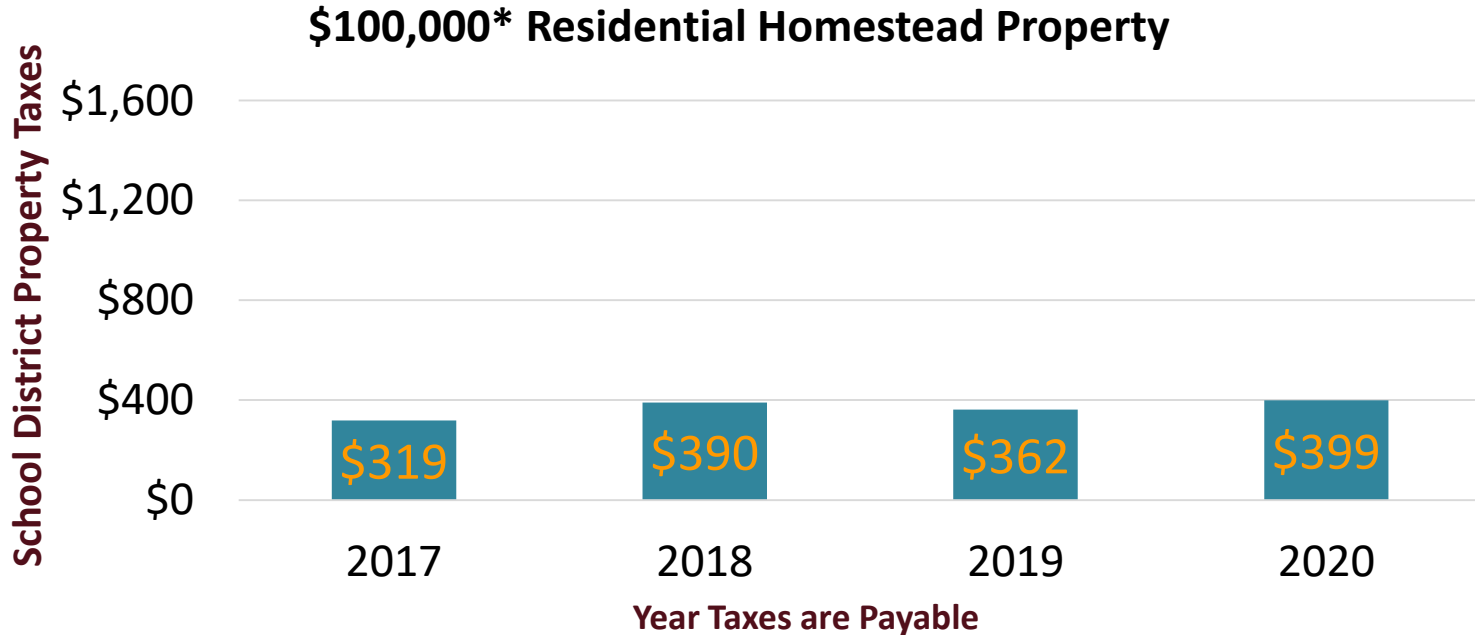
Reason for Changes: Preliminary property values increased by an estimated . This is causing a shift of funding from State sources to local property taxpayers (***equalization***). This does not result in additional funding for the school district.

*Taxable Market Value in SSP increased by 12.1%

*Average Residential Market Value increased by 13.4%



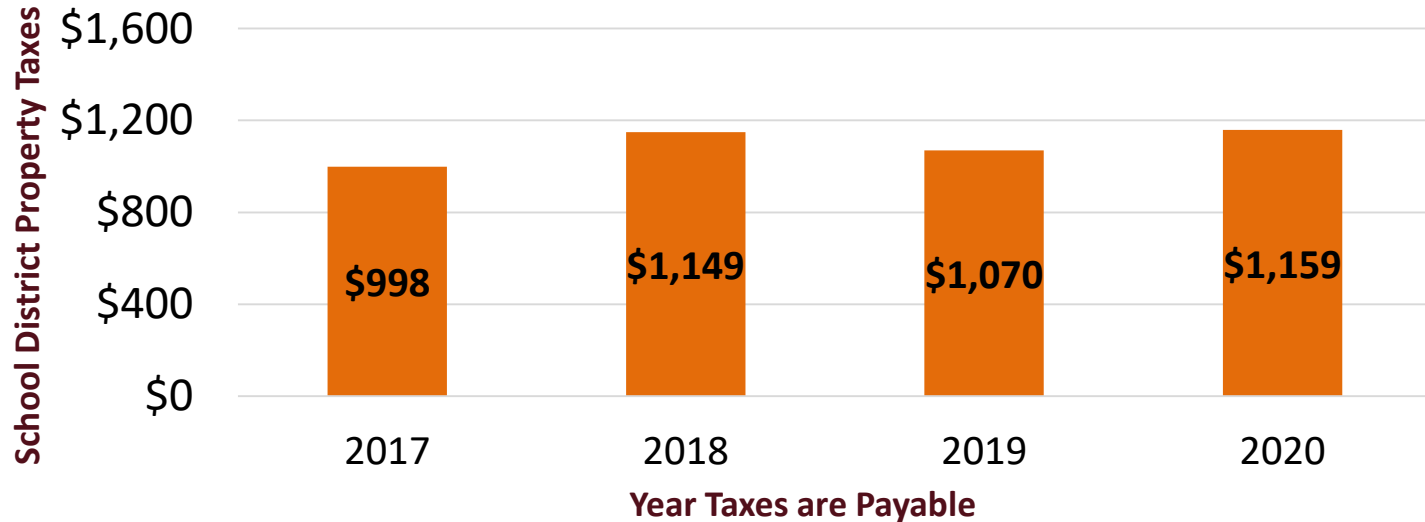
Property Taxes



**The value shown in the title of the chart is the estimated market value for taxes payable in 2020. Taxes are calculated based on changes in market value of 4% from 2017 to 2018 taxes, 4% from 2018 to 2019, and 10% from 2019 to 2020.*

Property Taxes

\$250,000* Residential Homestead Property



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Property Tax Refund/Deferrals

1. Minnesota Homestead Credit Refund

- Available each year to owners of homestead property
- Annual income must be approximately \$113,150 or less (income limit is higher if you have dependents)
- Also available to renters
- Complete state tax form M-1PR



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Property Tax Refund/Deferrals

2. Minnesota Special Property Tax Refund

- Available each year to owners of homestead property with a gross tax increase of at least 12% and \$100 over prior year
- No income limits
- Complete state tax form M-1PR



Property Tax Refund/Deferrals

3. Senior Citizen Property Tax Deferral

- Available to people age 65 and older, with a household income of \$60,000 or less to defer a portion of property taxes on their home
- Must have lived in home for the last 15 years
- Taxes are deferred, not forgiven



Next Steps



- Public Comments
- Board will approve Pay 2020 Property Tax Levy

