

South St. Paul  
Public Schools



# Public Hearing for Taxes Payable in 2021

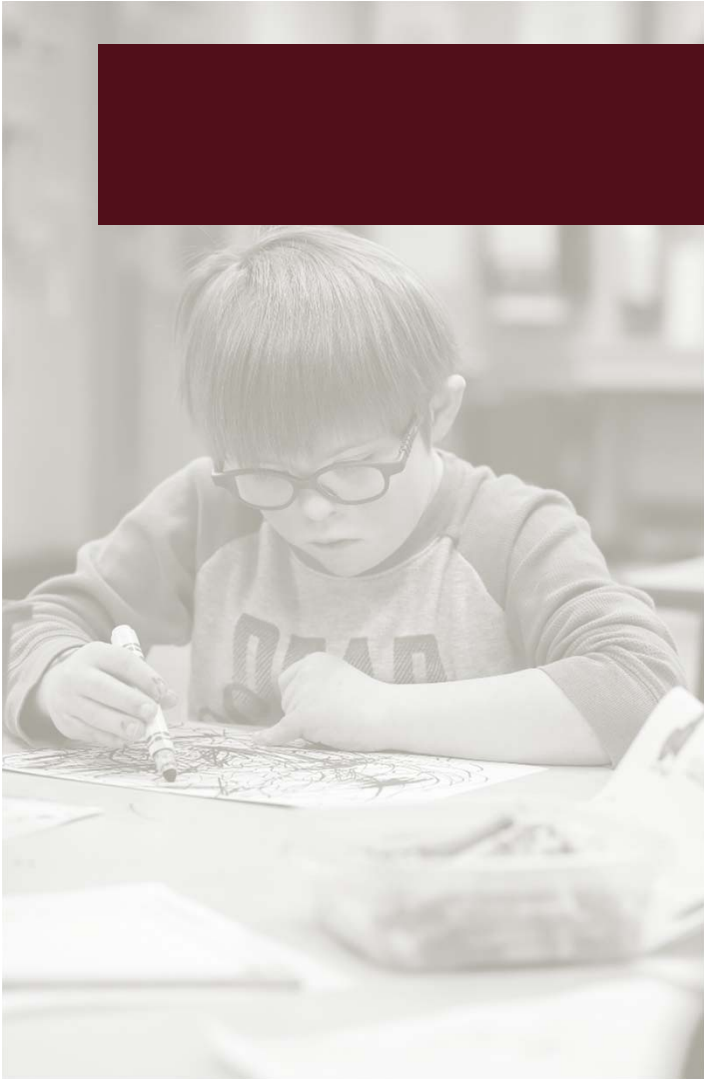
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Aaron Bushberger  
Director of Finance  
December 14, 2020



# Overview

1. School District Funding Overview
2. District Budget
3. Payable 2021 Property Tax Levy
4. Public Comments



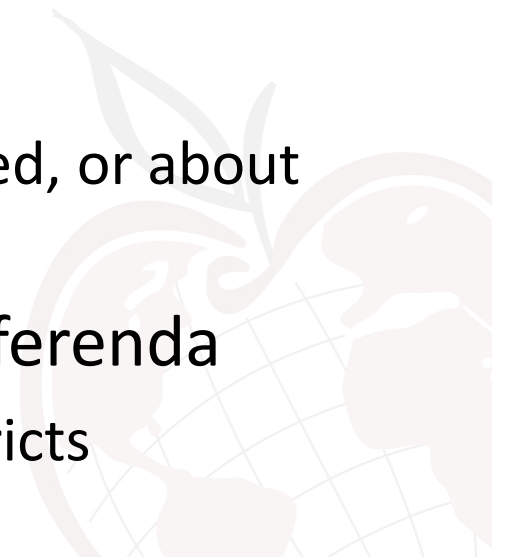
# School District Funding Overview

- 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



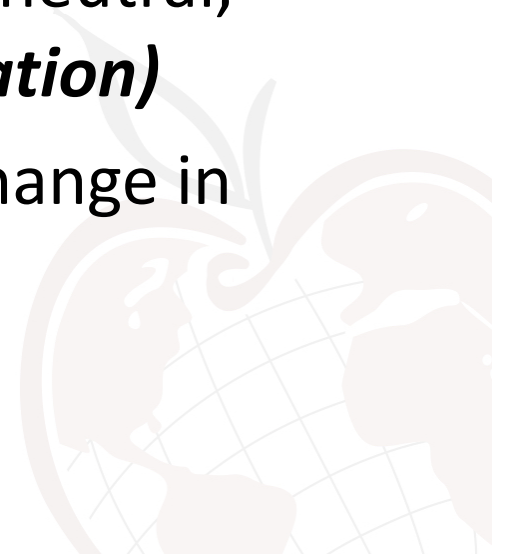
# School District Funding Challenges

- General Education revenue
  - Formula would have to increase by \$503 per pupil to have kept pace with inflation since 2002-03
- 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

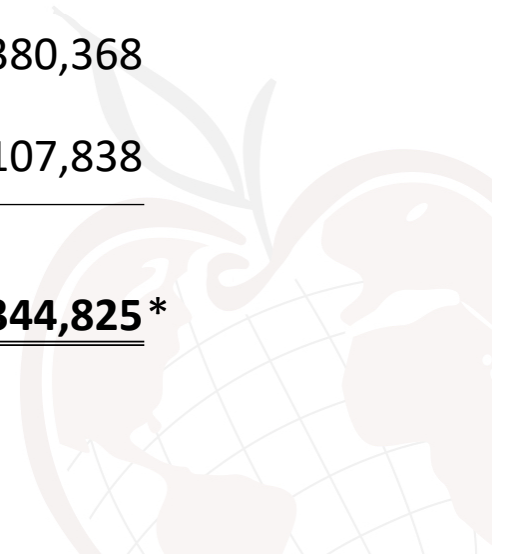
- All school district budgets are divided into separate funds, as required by law
- District establishes budgets for four funds:
  - General Fund
  - Food Service Fund
  - Community Service Fund
  - Debt Service Funds



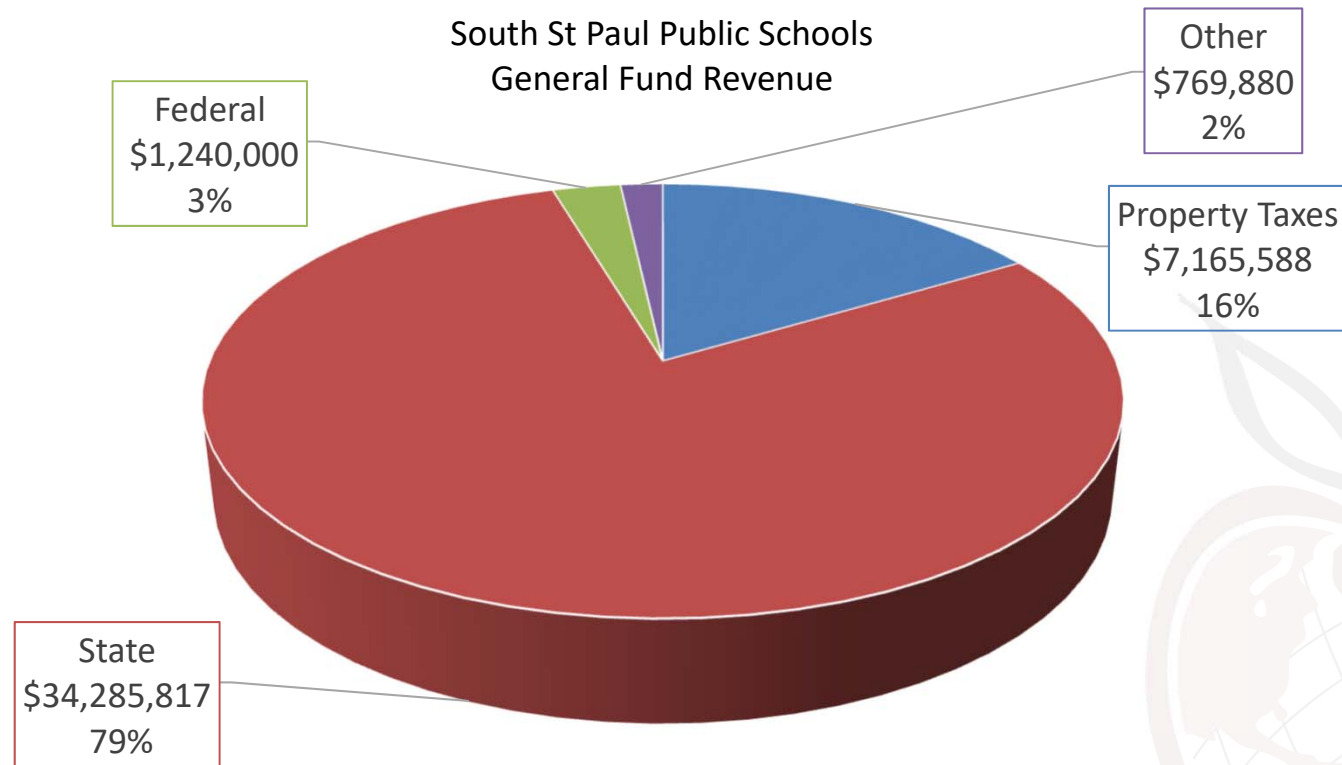
# 2020-21 Budgets

	<u>Revenue</u>	<u>Expenditures</u>
General Fund	\$43,461,285	\$44,451,450
Food Service Fund	\$2,211,757	\$2,405,169
Community Service Fund	\$2,347,913	\$2,380,368
Debt Service Fund	\$3,064,592	\$3,107,838
<b>TOTAL ALL FUNDS</b>	<b><u>\$51,085,547</u></b>	<b><u>\$52,344,825*</u></b>

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

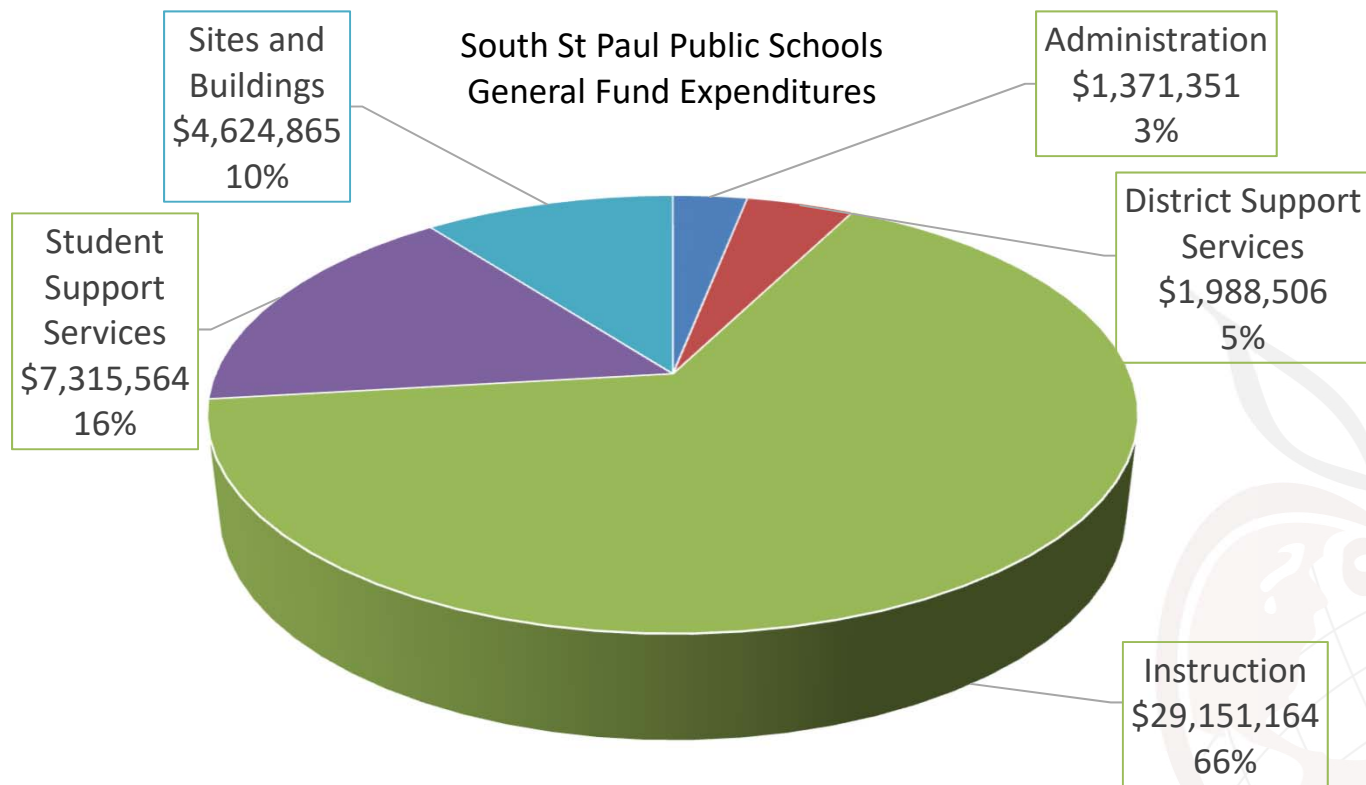


# Revenue – General Fund





# Expenditures – General Fund

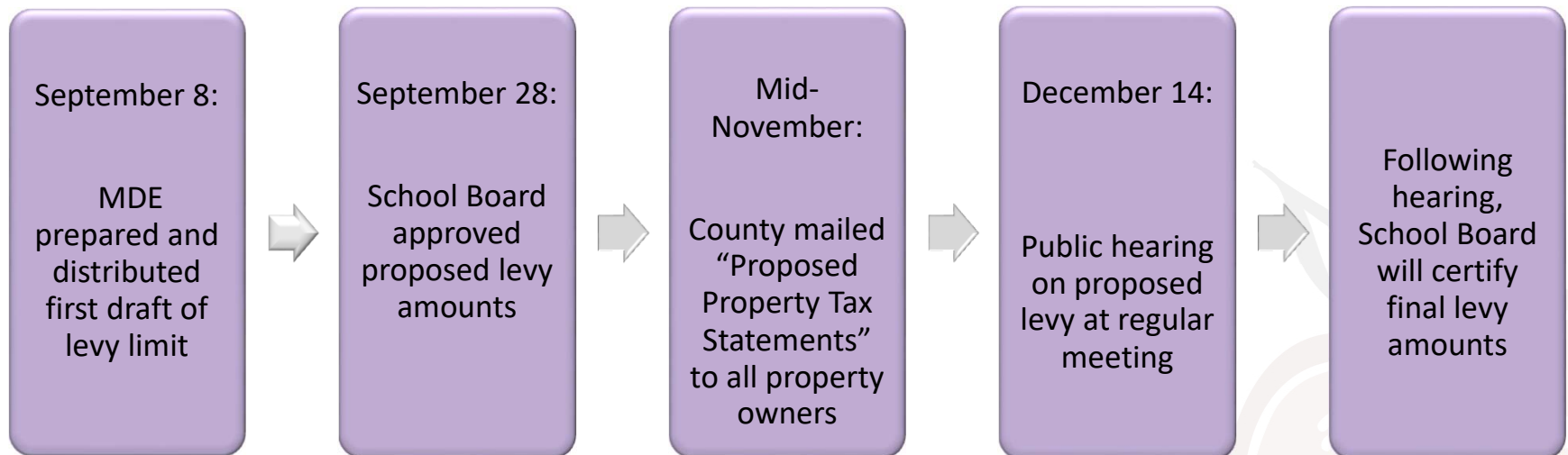


# Payable 2021 Property Tax Levy

- 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

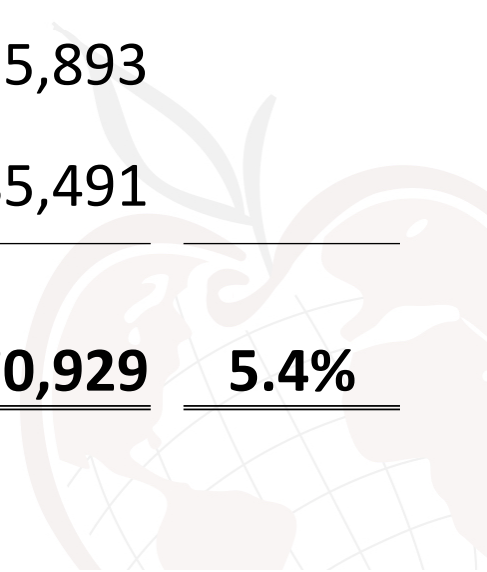


# Property Tax Levy Schedule



# Payable 2020 Levy

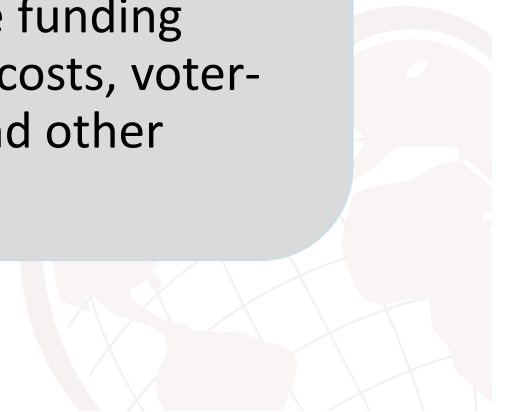
	<u>Pay 2020</u>	<u>Pay 2021</u>	<u>Change</u>
General Fund	\$7,116,385	\$7,489,545	
Community Service Fund	\$547,551	\$595,893	
Debt Service Fund	\$2,843,592	\$2,985,491	
<b>TOTAL ALL FUNDS</b>	<b><u>\$10,507,528</u></b>	<b><u>\$11,070,929</u></b>	<b><u>5.4%</u></b>



# 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



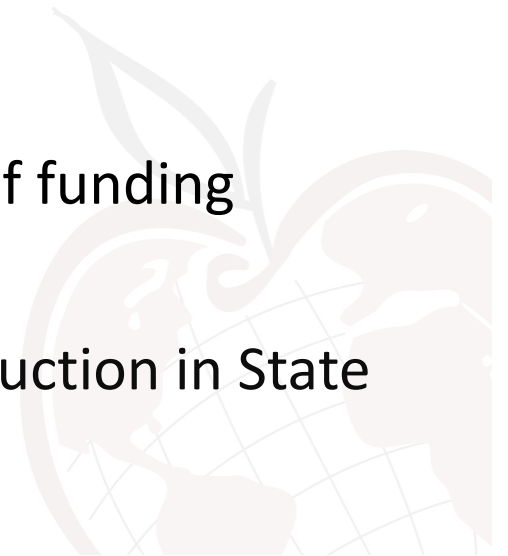
# Explanation of Levy Changes

**Categories:** Voter Approved Operating Referendum and Local Optional Revenue (LOR)

**Changes:** +\$101,369 and +\$76,021 (total change +\$177,390)

**Reasons for Changes:**

- District's total property value increased, share of funding provided through tax levy increased
- Increase in levy share of funding is offset by reduction in State aid (**equalization**)



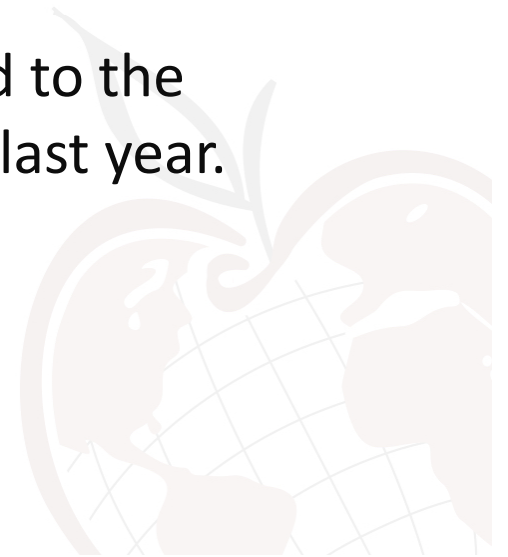
# Explanation of Levy Changes

**Category:** Voter Approved Capital Project/Technology Levy

**Change:** +\$77,715

**Reason for Change:**

- Levy is based on voter approved tax rate applied to the district's tax base. The tax base increased from last year.



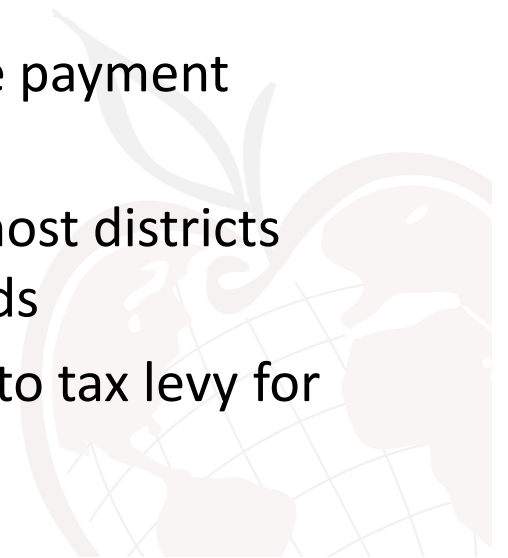
# Explanation of Levy Changes

**Category:** Debt Service – Reduction for Debt Excess

**Change:** +\$283,452

**Reasons for Change:**

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Because delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
- Formulas in state law determine initial adjustments to tax levy for debt excess balances





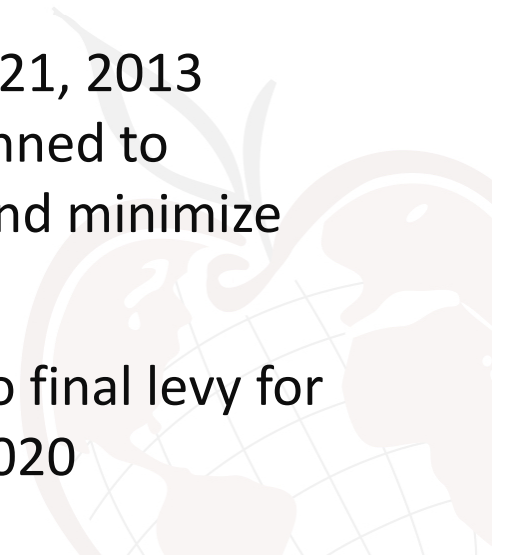
# Explanation of Levy Changes

**Category:** Debt Service – Voter Approved and OPEB

**Change:** +\$609,840 and -\$728,280 (net change = -\$118,440)

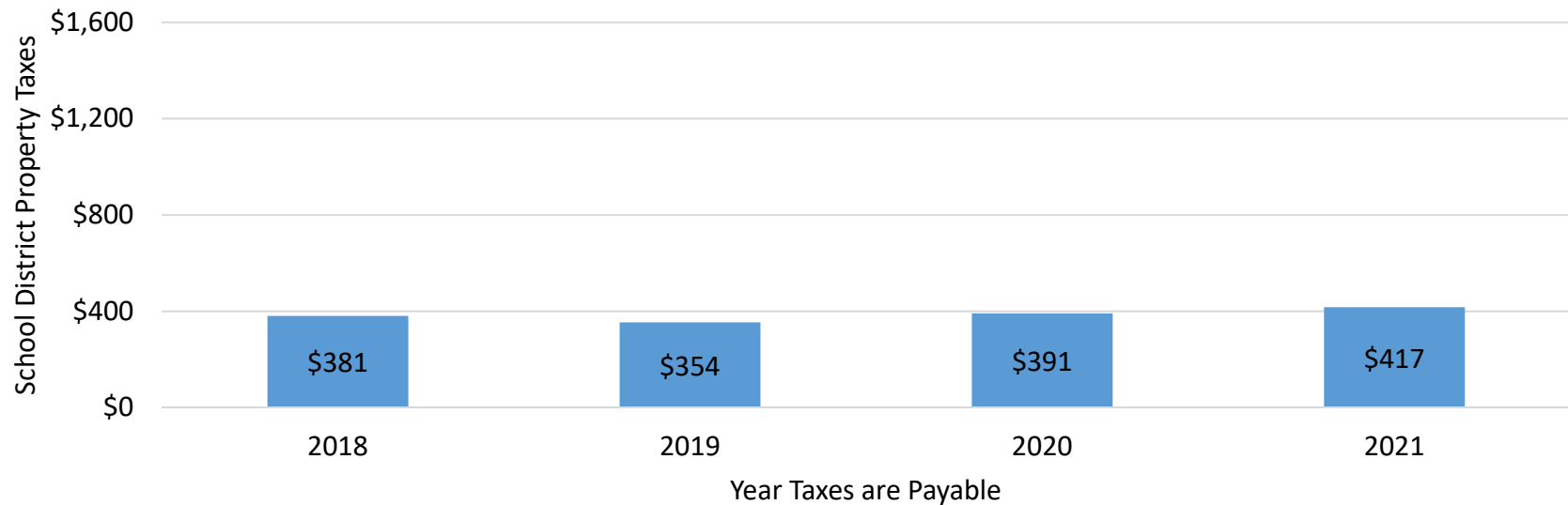
**Reasons for Changes:**

- When voter approved bonds were issued after May 21, 2013 referendum, increase in principal payments was planned to maintain a level tax rate on debt and capital levies and minimize total interest costs
- Final payment on OPEB bonds is due Feb. 1, 2021, so final levy for the bond issue was included with taxes payable in 2020



# Property Taxes

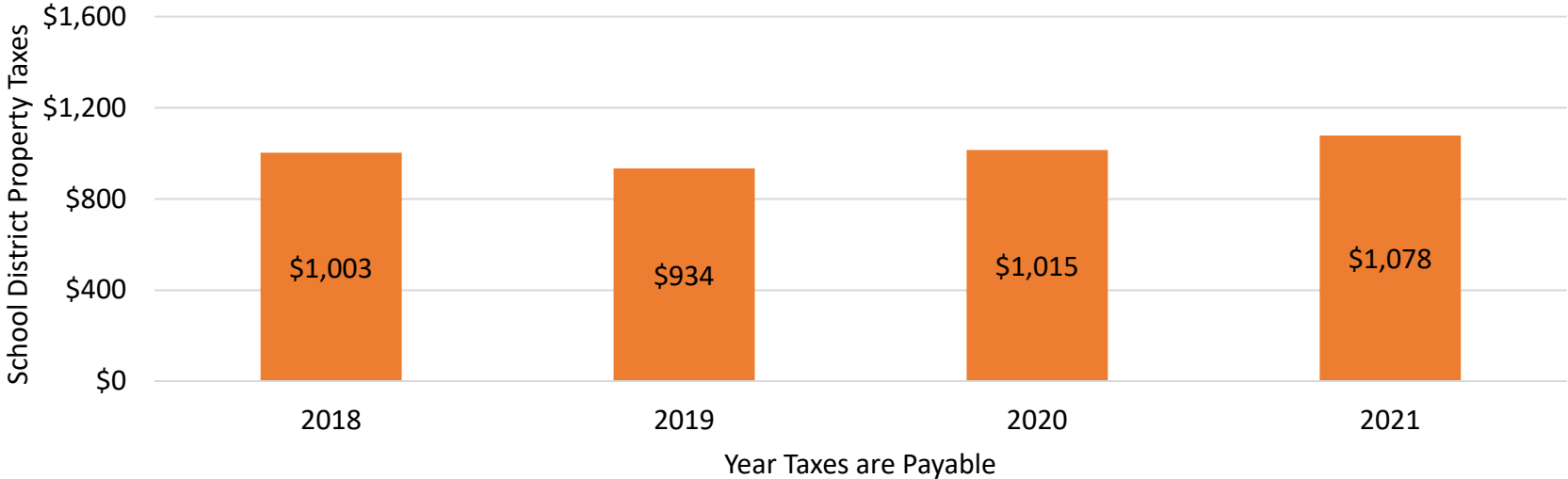
\$100,000\* Residential Homestead Property



\*The value shown in the title of the chart is the estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 4% from 2018 to 2019 taxes, 10% from 2019 to 2020, and 1.7% from 2020 to 2021.

# Property Taxes

\$225,000\* Residential Homestead Property



\*The value shown in the title of the chart is the estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 4% from 2018 to 2019 taxes, 10% from 2019 to 2020, and 1.7% from 2020 to 2021.

# Property Tax Refund/Deferrals

## 1. Minnesota Homestead Credit Refund

- Available each year to owners of homestead property
- Annual income must be approximately \$115,020 or less (income limit is higher if you have dependents)
- Also available to renters
- Complete state tax form M-1PR



# 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 certify Pay 2021 Property Tax Levy

