

South St. Paul
Public Schools



South St. Paul Public Schools, SSD 6

Public Hearing for
Taxes Payable in 2022

DECEMBER 13, 2021

PRESENTED BY:

BRADY HOFFMAN,

FINANCE CONSULTANT

Hearing Agenda

- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2022
- Public Comments

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

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

Budget Information

All school district budgets are divided into separate funds, as required by law

District establishes budgets for four funds:

- General
- Food Service
- Community Service
- Debt Service

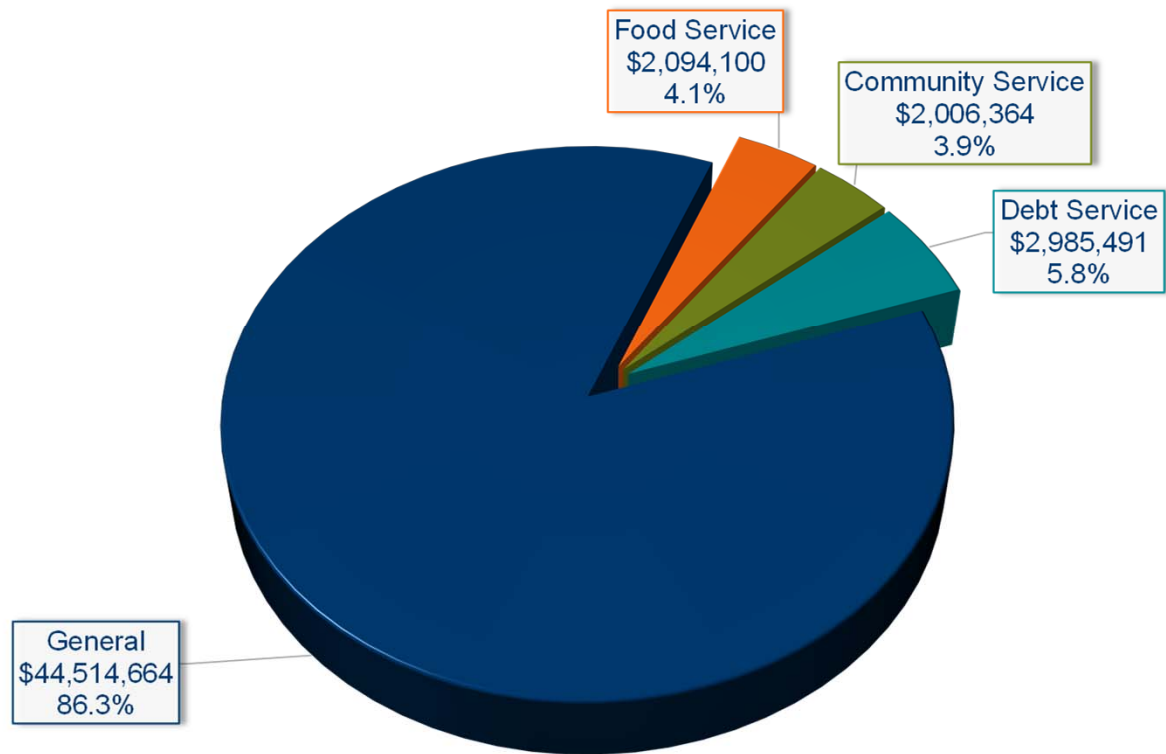
2021-22 Budgets

	<u>Revenue</u>	<u>Expenditures</u>
General Fund	\$44,514,664	\$44,709,829
Food Service Fund	\$2,094,100	\$1,988,646
Community Service Fund	\$2,006,364	\$1,967,805
Debt Service Fund	\$2,985,491	\$2,991,338
TOTAL ALL FUNDS	<u>\$51,600,619</u>	<u>\$51,657,618</u>*

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

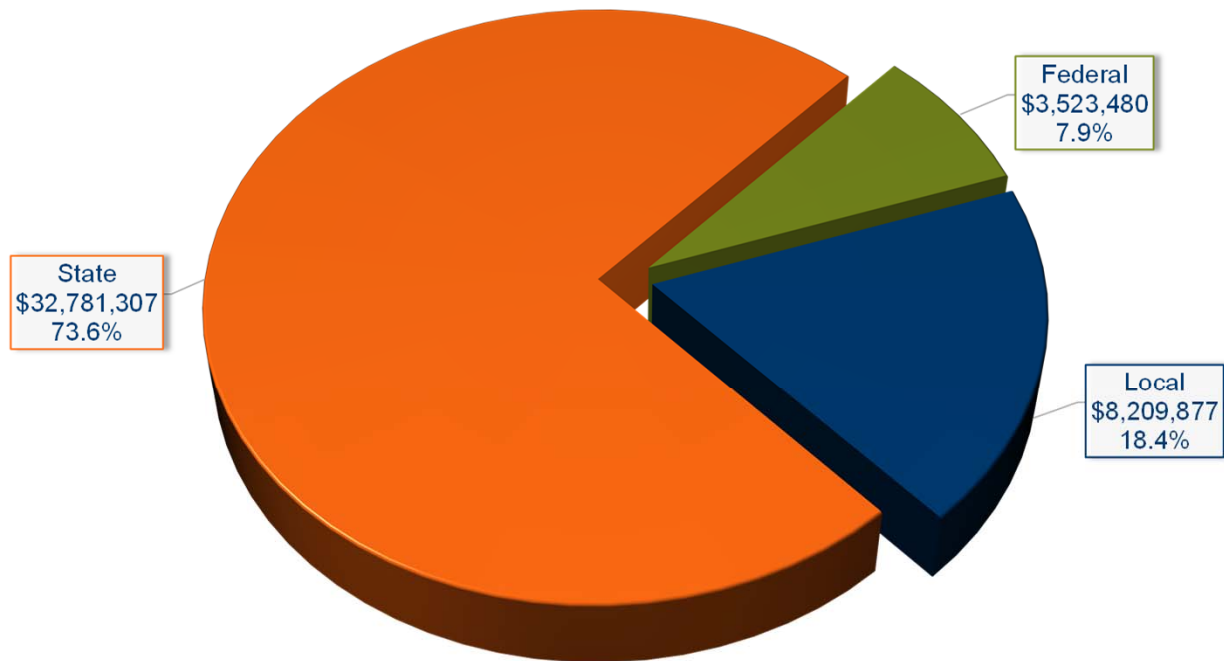
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Revenue – All Funds
2021-22 Budget \$51,600,619



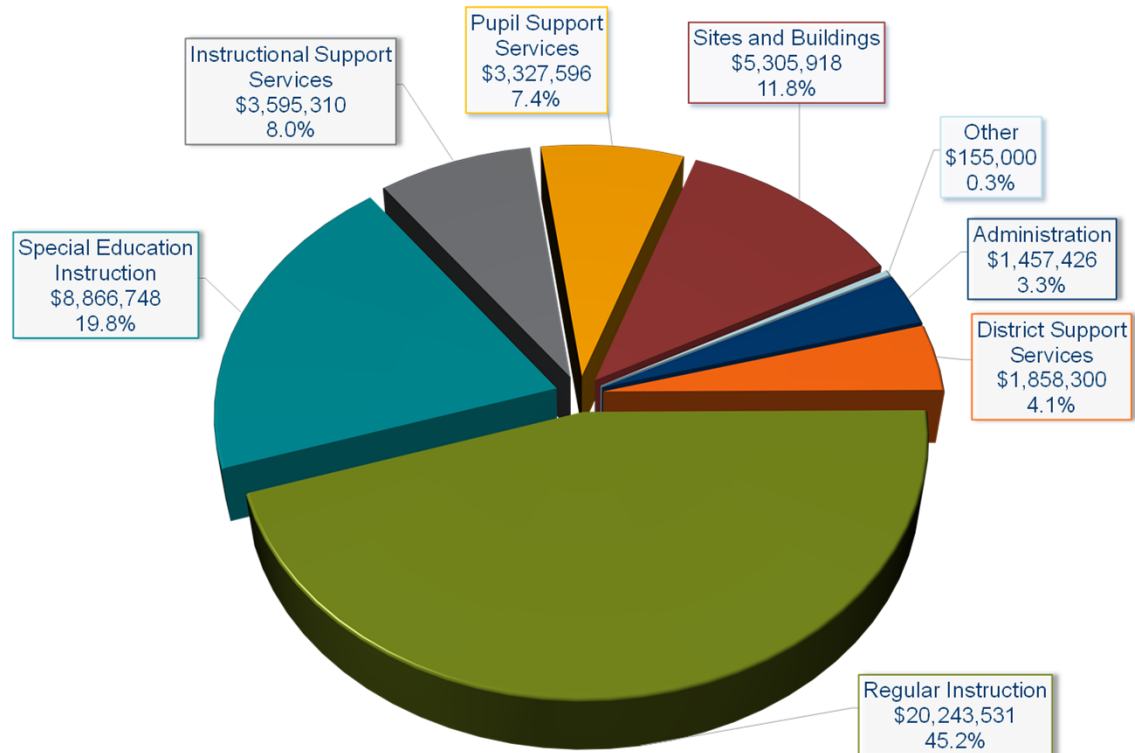
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General Fund Revenue
2021-22 Budget \$44,514,664



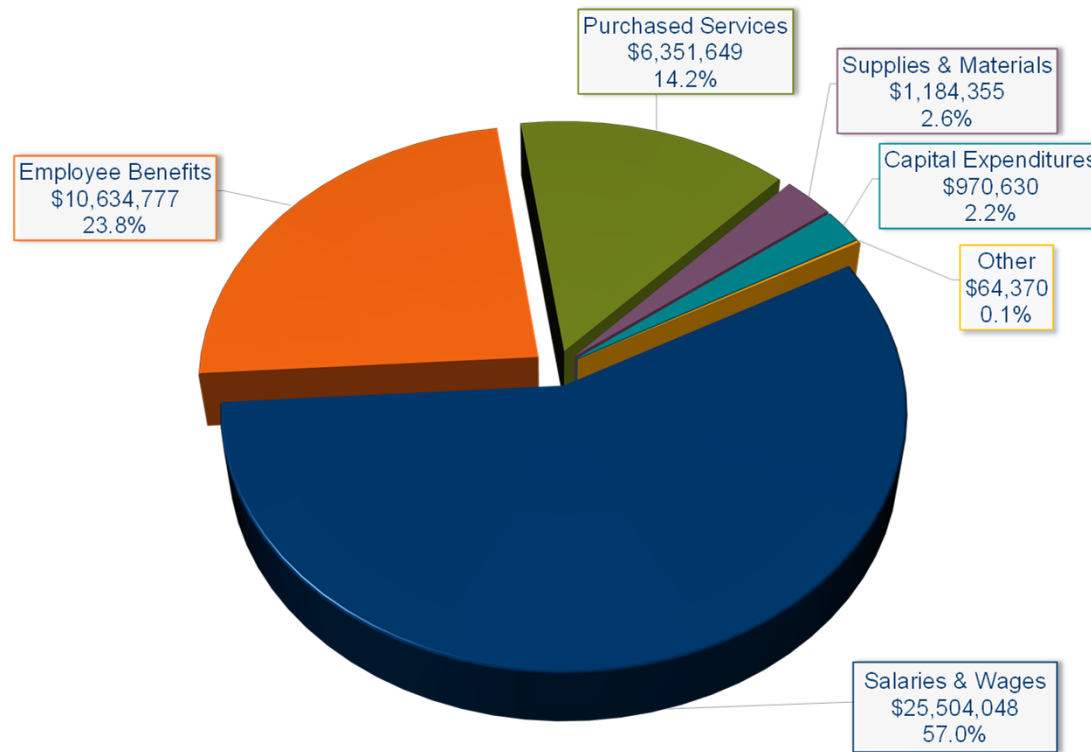
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General Fund Expenditures by Program
2021-22 Budget \$44,709,829



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General Fund Expenditures by Object
2021-22 Budget \$44,709,829



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

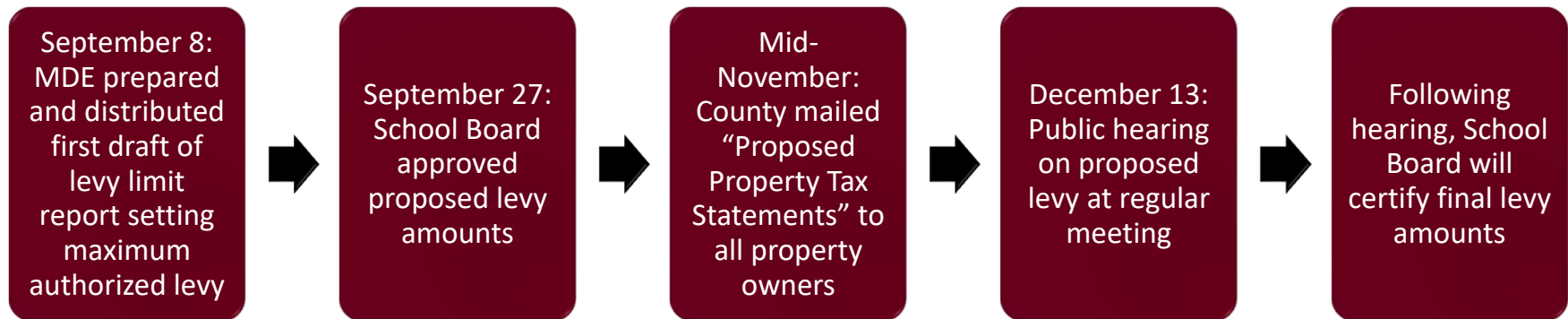
- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions

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

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 \$146,600 or 1.3%
 - Includes decrease of \$4,480 from proposed levy approved by School Board in September, because District refinanced some of its existing bonds
 - Total savings from refinancing is approximately \$1,800,000, with reduction in debt service levies for taxes payable in 2022 through 2028
- Reasons for major increases and decreases in levy are included on following slides

Payable 2022 Levy

	<u>Pay 2021</u>	<u>Pay 2022</u>	<u>Change</u>
General Fund	\$7,489,546	\$7,691,830	
Community Service Fund	\$595,893	\$513,150	
Debt Service Fund	\$2,985,491	\$3,012,550	
TOTAL ALL FUNDS	<u>\$11,070,930</u>	<u>\$11,217,530</u>	<u>1.32%</u>

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

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: +\$244,972

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
- Taxes payable in 2022 includes a large positive adjustment of \$134,574 for Fiscal Year 2020 reemployment costs
- For Long Term Facilities Maintenance program, taxes payable in 2021 included large negative adjustments and taxes payable in 2022 includes a positive adjustment

Explanation of Levy Changes

Category: Community Service Fund – School-Age Child Care

Change: -\$100,000

Use of Funds: Child care services for students with disabilities

Reason for Change:

- Initial levy is based on estimated costs
- Estimated costs for taxes payable in 2022 (fiscal year 2022-23) are expected to be less than initial estimate of costs for taxes payable in 2021 (fiscal year 2021-22)

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 an 18.6% 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 South St. Paul
- 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

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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	\$84,330	\$328	\$92,763	\$363	\$94,340	\$388	\$100,000	\$388	\$60	\$0
	105,412	437	115,953	481	117,925	513	125,000	512	75	-1
	126,495	546	139,144	599	141,509	638	150,000	636	90	-2
	147,577	656	162,335	716	165,094	763	175,000	760	104	-3
	168,659	765	185,525	834	188,679	888	200,000	884	119	-4
	189,742	875	208,716	952	212,264	1,013	225,000	1,008	133	-5
	210,824	984	231,907	1,069	235,849	1,138	250,000	1,133	149	-5
	252,989	1,203	278,288	1,305	283,019	1,389	300,000	1,381	178	-8
	295,154	1,422	324,669	1,540	330,189	1,639	350,000	1,629	207	-10
337,319	1,641	371,051	1,775	377,358	1,889	400,000	1,877	236	-12	
Commercial/ Industrial #	\$210,824	\$1,176	\$231,907	\$1,248	\$235,849	\$1,368	\$250,000	\$1,325	\$149	-\$43
	295,154	1,713	324,669	1,808	330,189	1,983	350,000	1,916	203	-67
	421,648	2,517	463,813	2,650	471,698	2,905	500,000	2,804	287	-101
	632,473	3,859	695,720	4,052	707,547	4,443	750,000	4,283	424	-160
	843,297	5,200	927,627	5,454	943,396	5,980	1,000,000	5,762	562	-218

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.

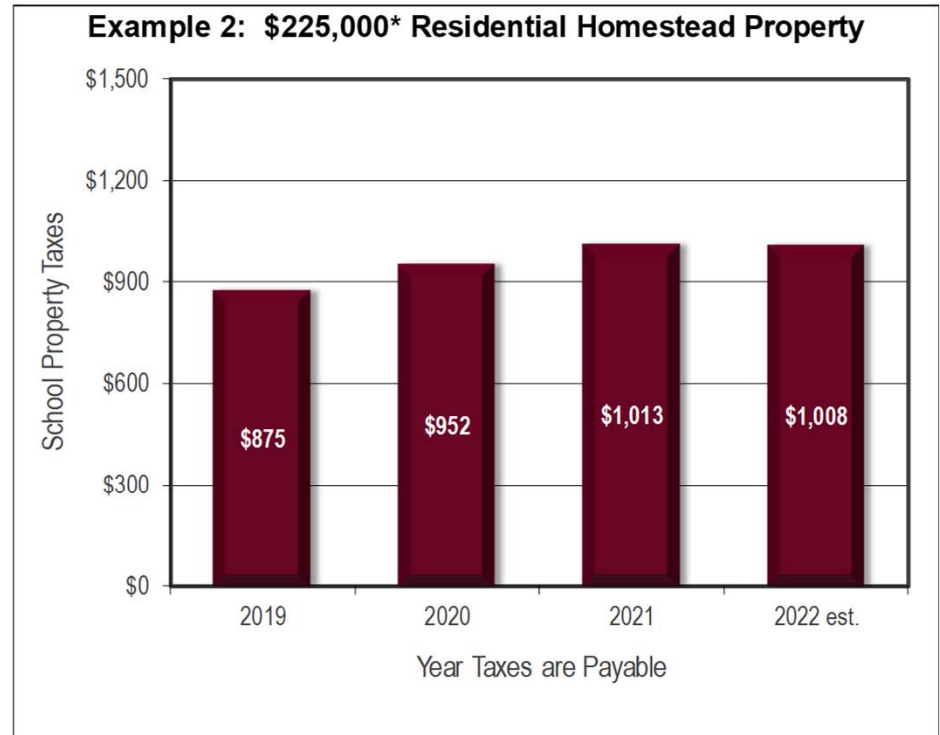
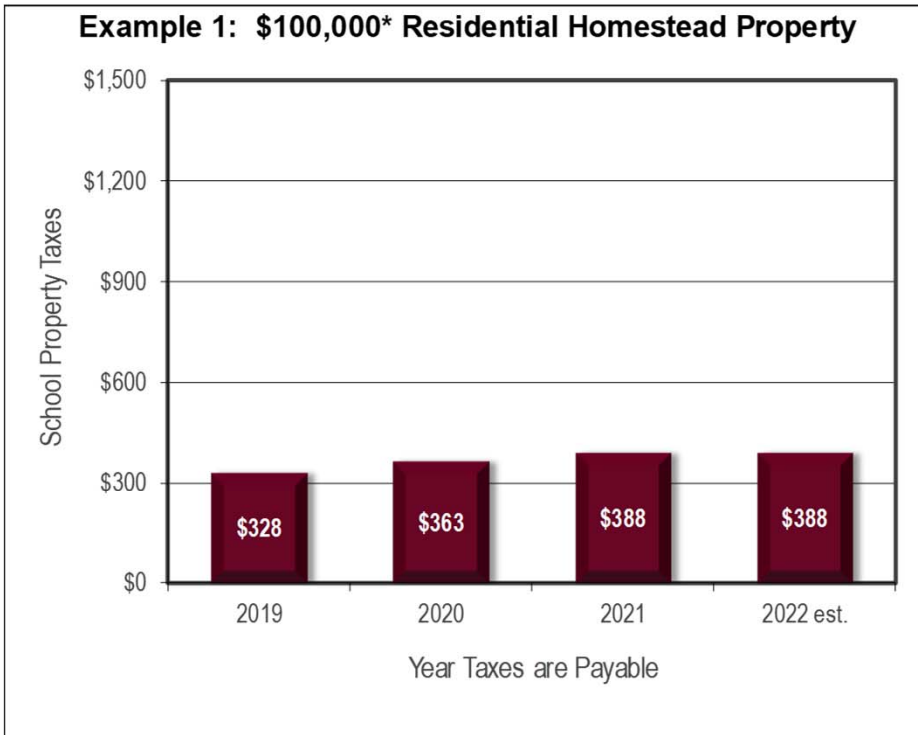
General Notes

1. Amounts 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 10.0% from 2019 to 2020 taxes, 1.7% from 2020 to 2021, and 6.0% from 2021 to 2022.

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Estimated Changes in School Property Taxes, 2019 to 2022

Based on 18.6% Cumulative Changes in Property Value from 2019 to 2022 Taxes

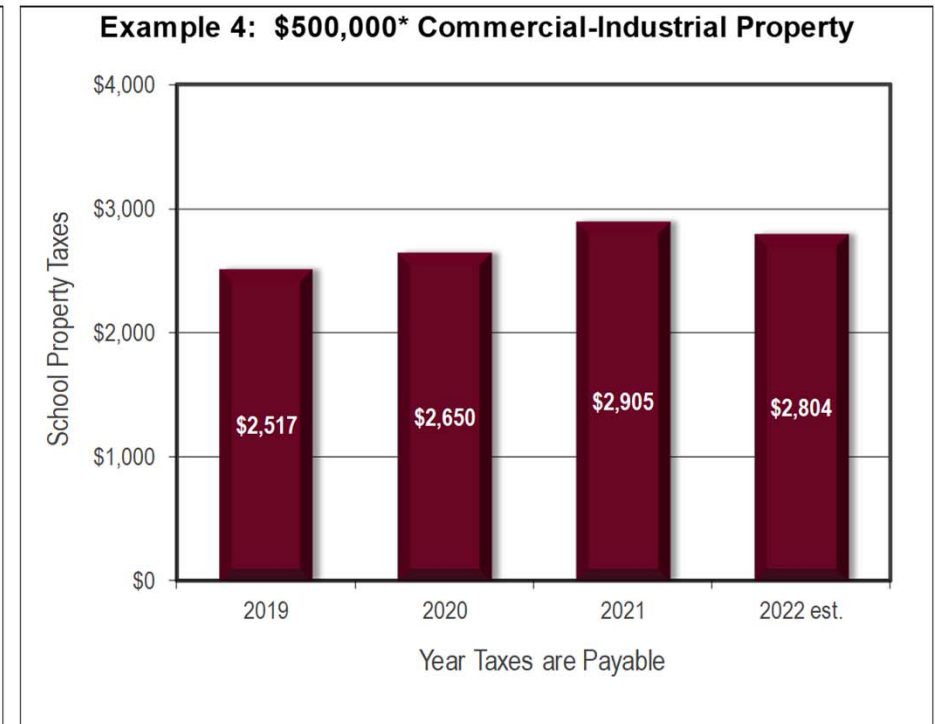
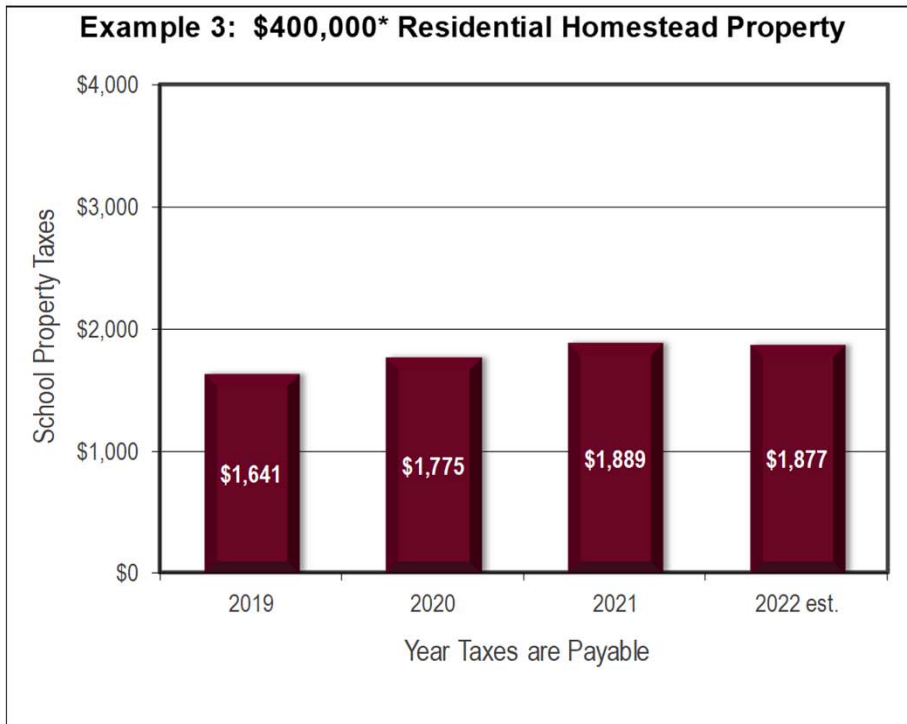


* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 10.0% from 2019 to 2020 taxes, 1.7% from 2020 to 2021, and 6.0% from 2021 to 2022.

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Estimated Changes in School Property Taxes, 2019 to 2022

Based on 18.6% 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 10.0% from 2019 to 2020 taxes, 1.7% from 2020 to 2021, and 6.0% from 2021 to 2022.

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