



Roseville Area Schools

Quality Teaching & Learning for All...Equity in All We Do

Roseville Area Schools, ISD 623

Public Hearing for Taxes Payable in 2022

DECEMBER 14, 2021

PRESENTED BY:

SHARI THOMPSON,

DIRECTOR OF BUSINESS SERVICES

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

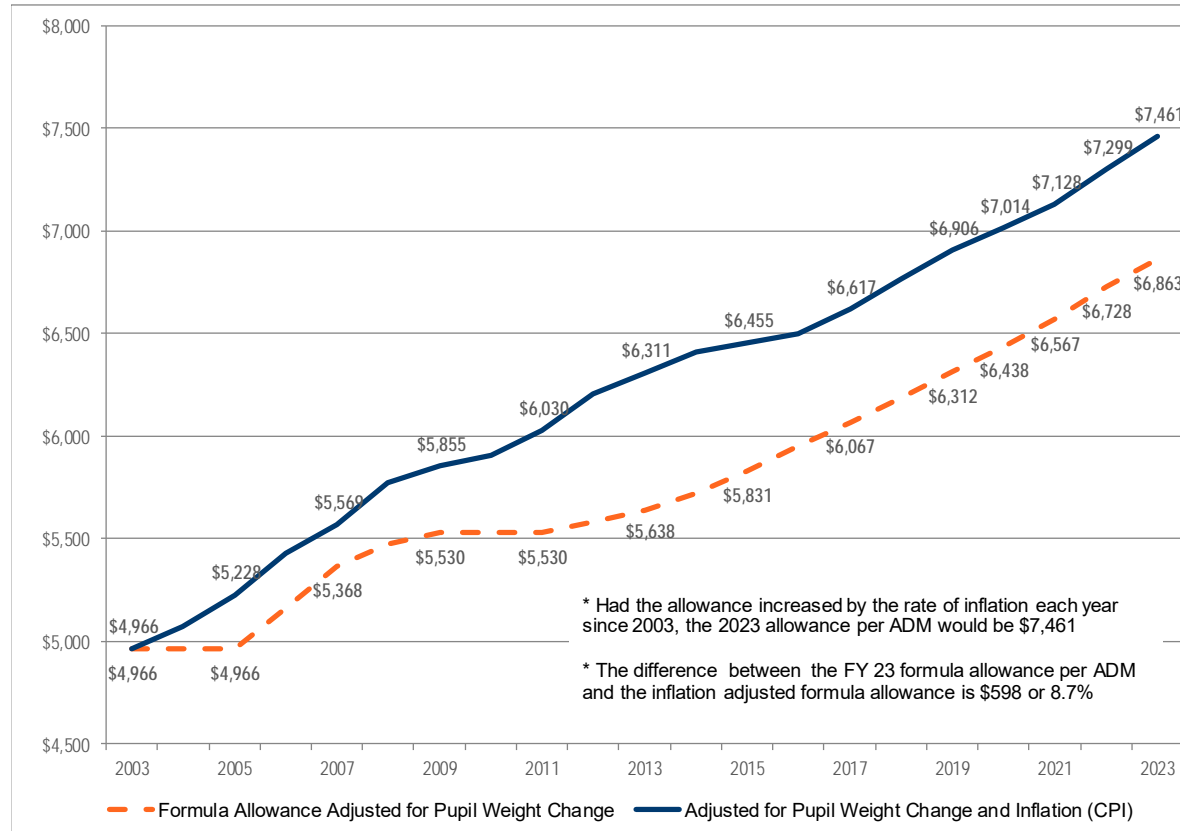
Challenge: State Set Basic General Education Formula Lags Inflation

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

*Other Post-Employment Benefits

Roseville Area Schools, ISD 623

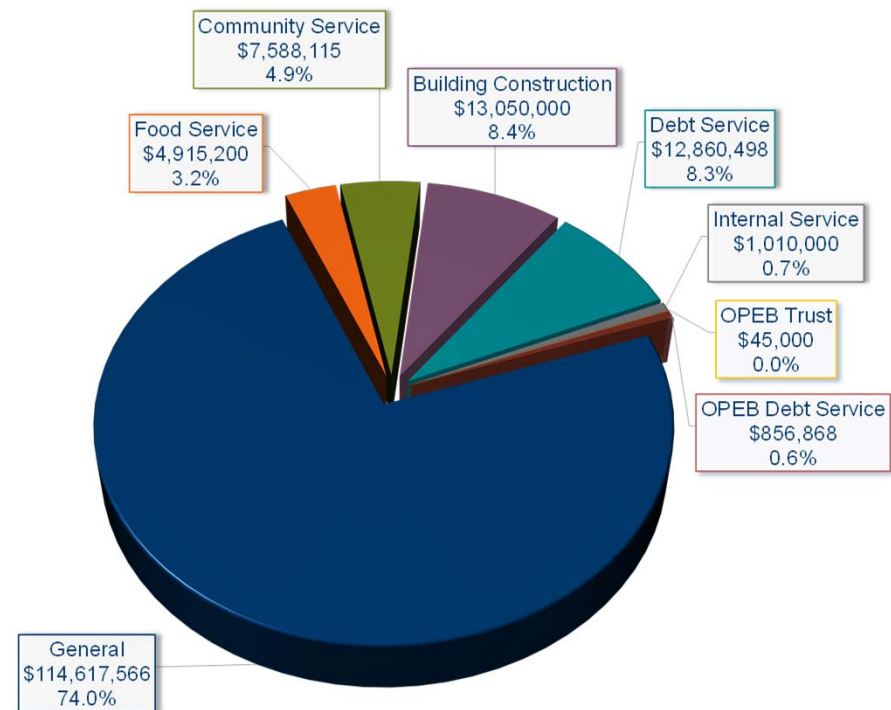
District Revenues and Expenditures
Actual for FY 2021, Budget for FY 2022

| 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 | \$2,226,463 | \$13,801,281 | \$14,294,758 | \$1,732,986 | \$18,106,122 | \$18,542,848 | \$1,296,260 |
| General/Other | 6,624,473 | 92,059,594 | 95,909,444 | 2,774,623 | 96,511,444 | 98,086,987 | 1,199,080 |
| Food Service | 379,921 | 6,199,219 | 4,826,876 | 1,752,264 | 4,915,200 | 4,800,849 | 1,866,615 |
| Community Service | 740,545 | 7,433,301 | 6,957,063 | 1,216,783 | 7,588,115 | 7,429,432 | 1,375,466 |
| Building Construction | 54,211,068 | 20,861,911 | 65,034,676 | 10,038,303 | 13,050,000 | 21,400,000 | 1,688,303 |
| Debt Service | 1,514,555 | 12,007,620 | 11,562,439 | 1,959,736 | 12,860,498 | 9,619,300 | 5,200,934 |
| Internal Service | 602,252 | 990,069 | 1,010,955 | 581,366 | 1,010,000 | 995,000 | 596,366 |
| OPEB* Irrevocable Trust | 8,588,557 | 113,102 | 734,023 | 7,967,636 | 45,000 | 995,000 | 7,017,636 |
| OPEB* Debt Service | 819,876 | 893,048 | 911,913 | 801,011 | 856,868 | 859,313 | 798,566 |
| Total All Funds | \$75,707,710 | \$154,359,145 | \$201,242,147 | \$28,824,708 | \$154,943,247 | \$162,728,729 | \$21,039,226 |

*Other Post Employment Benefits

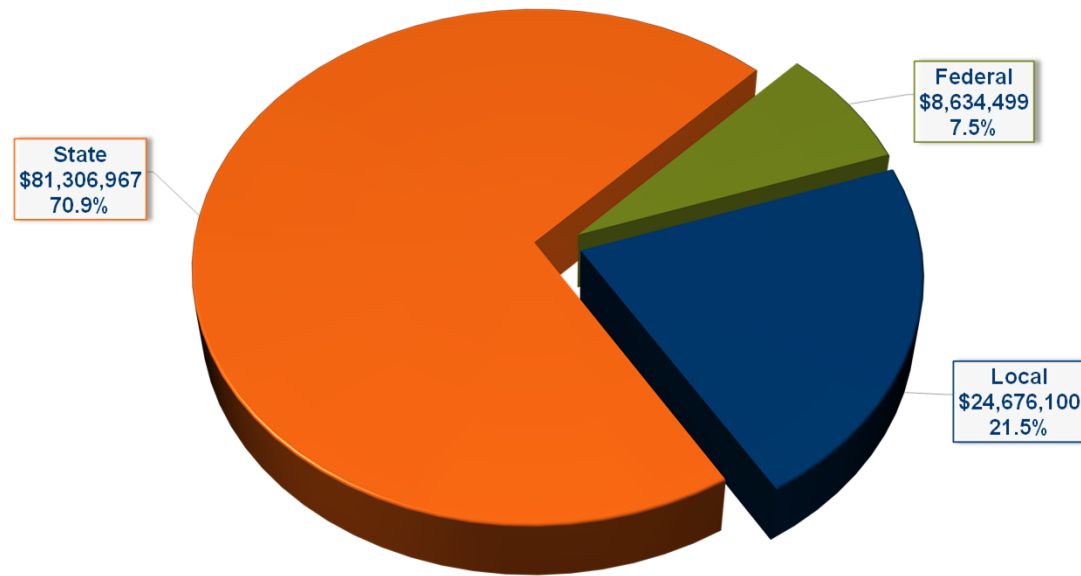
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Revenue – All Funds
2021-22 Budget \$154,943,247



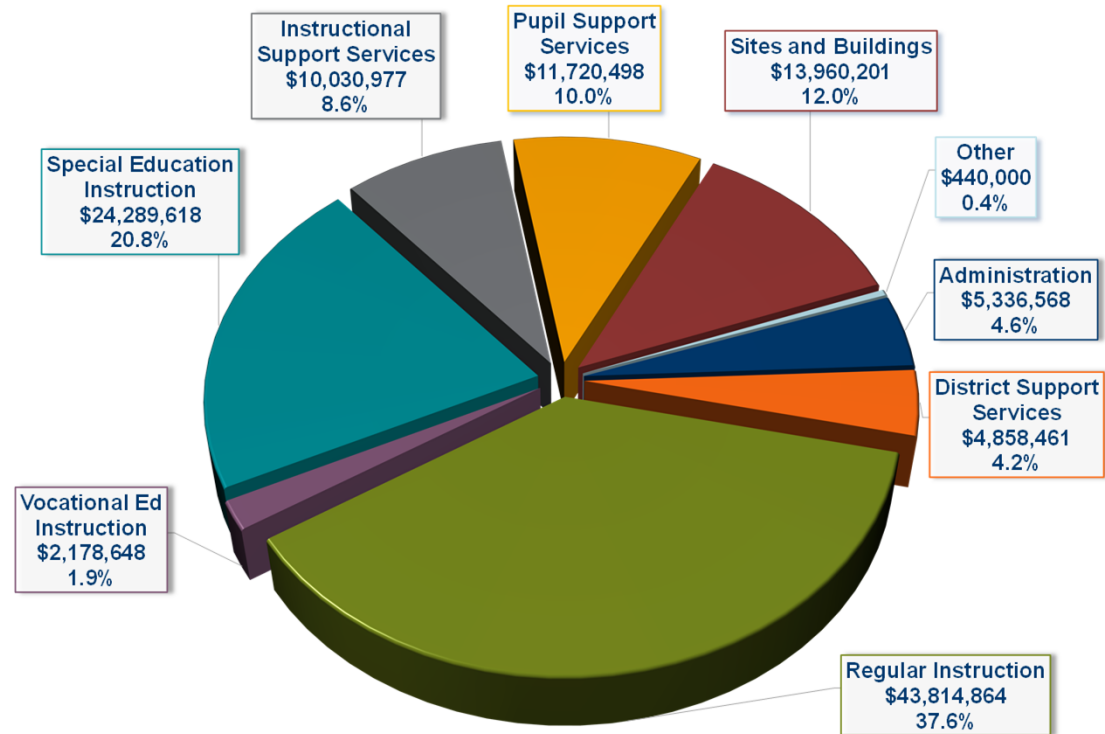
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General Fund Revenue
2021-22 Budget \$114,617,566



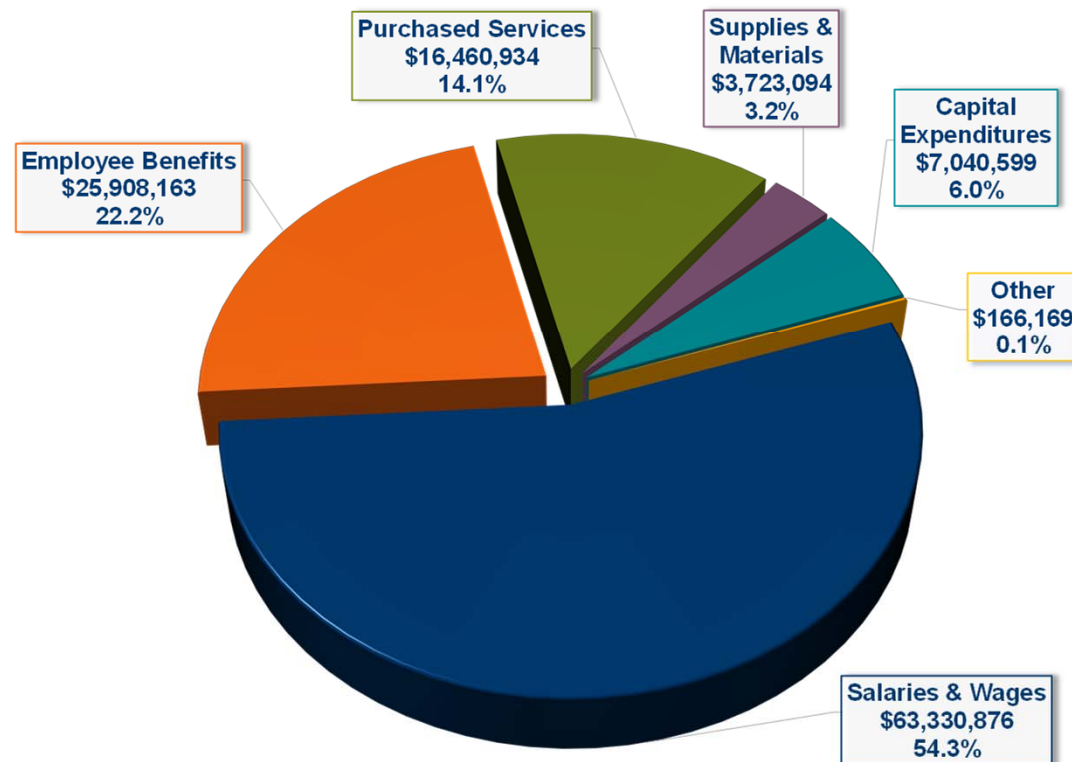
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General Fund Expenditures by Program
2021-22 Budget \$116,629,835



Roseville Area Schools

General Fund Expenditures by Object
2021-22 Budget \$116,629,835



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 | | VALUES AND CLASSIFICATION | | | |
|--|--|---------------------------|--|------------|-----------|
| PIN Number: | Property Address: | Step | Taxes Payable Year | 2021 | 2022 |
| 01.234.56.789 R1 | 789 Pine Rd S Spruceville, MN 55555 | 1 | Estimated Market Value | \$125,000 | \$150,000 |
| | | | Homestead Exclusion | \$ | \$23,800 |
| | | | Taxable Market Value | \$125,000 | \$126,200 |
| | | | Class: | Res NHmnd | Res Hmnd |
| Property Description: Lot 1, Block 1, Spruce Acres Subdivision | | 2 | 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 | |
| The time to provide feedback on PROPOSED LEVIES is NOW It is too late to appeal your value without going to Tax Court. | | 3 | 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 999 130 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 | | \$389.35 | \$206.68 |
| 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 2022 may be higher than the proposed amount shown on this notice.</i> | | | |
| Total excluding any special assessments | | \$1,341.31 | \$1,467.52 9.4% |

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

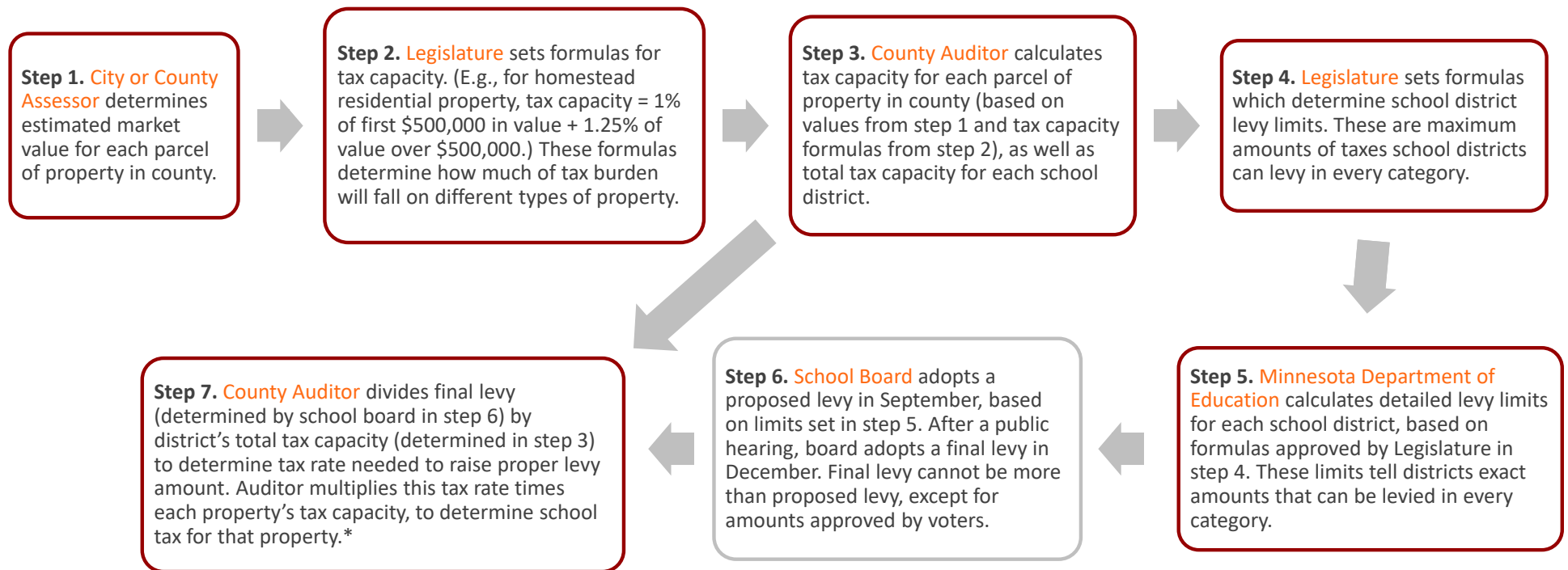
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

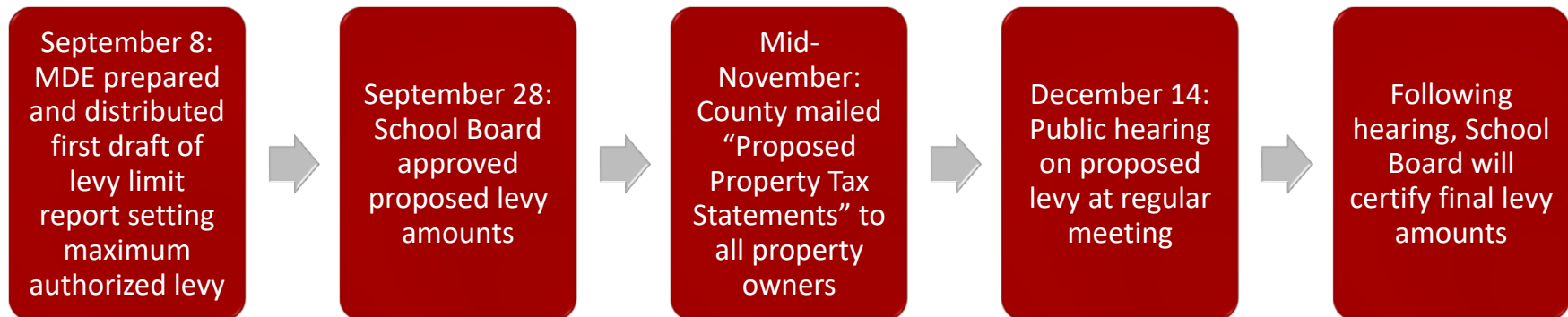
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

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 \$4,817,917 or 11.7%
- Includes \$14,658,635 net increase from proposed levy approved by School Board in September and amounts in proposed tax statements
 - District refinanced some of its existing bonds, reducing debt service levy
 - Total savings from refinancing is approximately \$174,000, with reduction in debt service levies for taxes payable in 2022 through 2025
 - Operating referendum renewal and increase questions approved by the voters in election held on November 2nd
- Reasons for major increases and decreases in levy are included on following slides

Roseville Area Schools, ISD 623

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 | \$7,936,803 | \$15,527,326 | \$7,590,523 | |
| Local Optional Revenue (LOR) | 5,967,794 | 5,985,050 | 17,256 | |
| Equity | 946,836 | 564,565 | (382,271) | |
| Operating Capital | 799,597 | 931,256 | 131,658 | |
| Alternate Teacher Compensation | 739,026 | 706,109 | (32,917) | |
| Achievement and Integration | 527,906 | 528,041 | 135 | |
| Safe Schools | 420,679 | 421,873 | 1,194 | |
| Career and Technical | 433,473 | 433,473 | 0 | |
| Long Term Facilities Maintenance (LTFM) | 5,104,516 | 5,178,196 | 73,680 | |
| Instructional Lease | 2,185,987 | 2,133,624 | (52,363) | |
| Other | 398,544 | 324,108 | (74,436) | |
| Prior Year Adjustments | 910,921 | (1,897,500) | (2,808,421) | |
| Total, General Fund | \$26,372,082 | \$30,836,121 | \$4,464,039 | 16.9% |
| Community Service | | | | |
| Basic Community Education | \$389,053 | \$413,137 | \$24,085 | |
| Early Childhood Family Education | 210,627 | 225,140 | 14,513 | |
| School-Age Child Care | 425,000 | 440,000 | 15,000 | |
| Other | 12,934 | 13,544 | 610 | |
| Prior Year Adjustments | (22,159) | 16,051 | 38,211 | |
| Total, Community Service Fund | \$1,015,454 | \$1,107,872 | \$92,418 | 9.1% |
| Debt Service | | | | |
| Voter Approved | \$12,340,913 | \$12,006,313 | (\$334,600) | |
| Long-Term Facility Maintenance (LTFM) | 754,173 | 1,117,917 | 363,744 | |
| Other Post Employment Benefits | 901,754 | 1,240,221 | 338,467 | |
| Reduction for Debt Excess | (439,139) | (408,189) | 30,950 | |
| Prior Year Adjustments | 159,665 | 22,564 | (137,101) | |
| Total, Debt Service Fund | \$13,717,366 | \$13,978,826 | \$261,460 | 1.9% |
| Total Levy, All Funds | \$41,104,902 | \$45,922,819 | \$4,817,917 | 11.7% |
| Subtotal by Truth in Taxation Categories: | | | | |
| Voter Approved | 19,228,848 | 26,750,927 | 7,522,078 | |
| Other | 21,876,054 | 19,171,893 | (2,704,161) | |
| Total | \$41,104,902 | \$45,922,819 | \$4,817,917 | 11.7% |

Explanation of Levy Changes

Categories: General Fund – Voter Approved Operating Referendum & Equity

Changes: +\$7,590,523 (Operating Referendum) and -\$382,271 (Equity)

Use of Funds: General operating expenses

Reason for Changes:

- Voters approved election questions to renew and increase operating referendum authority in a referendum held on November 2, 2021
- Increases in operating referendum authority result in a reduction to equity revenue, based on state-determined formula

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: -\$2,808,421

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
- For Long Term Facilities Maintenance category, adjustments for taxes payable in 2021 were a large positive amount as compared to large negative amount for taxes payable in 2022

Explanation of Levy Changes

Categories: Debt Service Fund – Voter Approved, Long Term Facilities Maintenance (LTFM), and Other Post Employment Benefits (OPEB)

Changes: -\$334,600 (Voter Approved), +\$363,744 (LTFM), and +\$338,467 (OPEB)

Use of Funds: Payments on bonds

Reason for Changes:

- District refinanced some of its existing voter approved bonds, reducing debt service levy
- Planned increase in total debt service levies to maintain a level tax rate and minimize interest costs, due to expected growth in the District's tax base

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 no change 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 Roseville
- 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

Roseville Area Schools, ISD 623

Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values

| Type of Property | Estimated Market Value | Actual Taxes Payable in 2019 | Actual Taxes Payable in 2020 | Actual Taxes Payable in 2021 | Estimated Taxes Payable in 2022 | | | Change in Taxes 2019 to 2022 | Change in Taxes 2021 to 2022 |
|-------------------------|------------------------|------------------------------|------------------------------|------------------------------|---------------------------------|-------------|-------|------------------------------|------------------------------|
| | | | | | Initial Proposed | Net Change* | Total | | |
| Residential Homestead | \$175,000 | \$881 | \$818 | \$775 | \$537 | \$342 | \$879 | -\$2 | \$104 |
| | 200,000 | 1,023 | 951 | 902 | 628 | 391 | 1,019 | -4 | 117 |
| | 225,000 | 1,166 | 1,084 | 1,030 | 719 | 440 | 1,159 | -7 | 129 |
| | 280,000 | 1,480 | 1,377 | 1,310 | 919 | 547 | 1,466 | -14 | 156 |
| | 300,000 | 1,594 | 1,483 | 1,412 | 992 | 587 | 1,579 | -15 | 167 |
| | 350,000 | 1,879 | 1,749 | 1,666 | 1,174 | 685 | 1,859 | -20 | 193 |
| | 400,000 | 2,165 | 2,016 | 1,921 | 1,356 | 782 | 2,138 | -27 | 217 |
| | 450,000 | 2,440 | 2,272 | 2,166 | 1,529 | 880 | 2,409 | -31 | 243 |
| | 500,000 | 2,711 | 2,524 | 2,406 | 1,699 | 978 | 2,677 | -34 | 271 |
| | 550,000 | 3,021 | 2,815 | 2,686 | 1,902 | 1,075 | 2,977 | -44 | 291 |
| Commercial/Industrial # | \$100,000 | \$541 | \$496 | \$486 | \$329 | \$195 | \$524 | -\$17 | \$38 |
| | 500,000 | 3,072 | 2,827 | 2,799 | 1,942 | 977 | 2,919 | -153 | 120 |
| | 750,000 | 4,688 | 4,315 | 4,278 | 2,977 | 1,465 | 4,442 | -246 | 164 |
| | 1,000,000 | 6,303 | 5,804 | 5,756 | 4,013 | 1,954 | 5,967 | -336 | 211 |
| | 1,500,000 | 9,533 | 8,780 | 8,714 | 6,083 | 2,930 | 9,013 | -520 | 299 |

* Net Change includes estimates for the voter-approved operating referendum questions (renewal and increase) and savings from refunding of a bond issue.

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

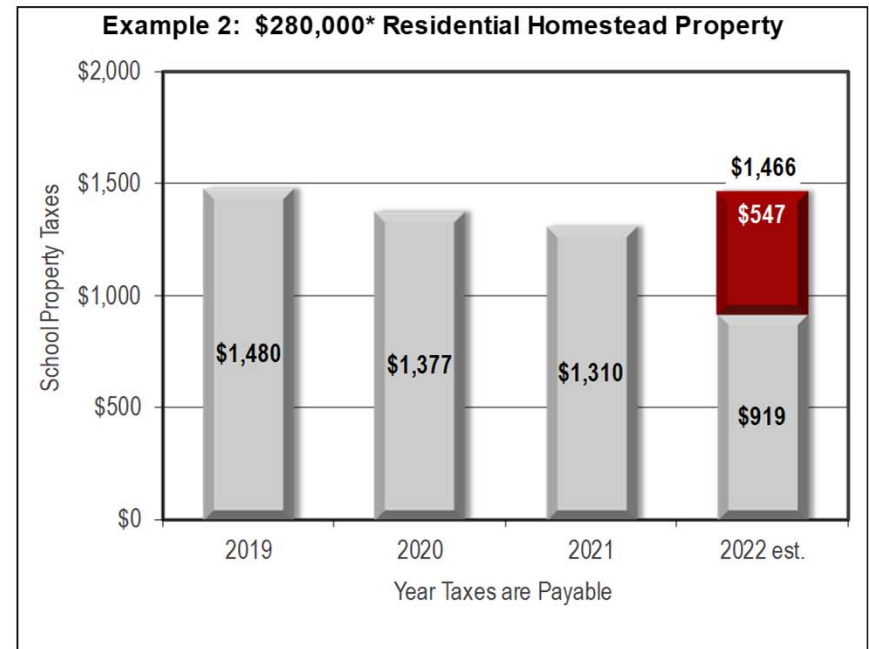
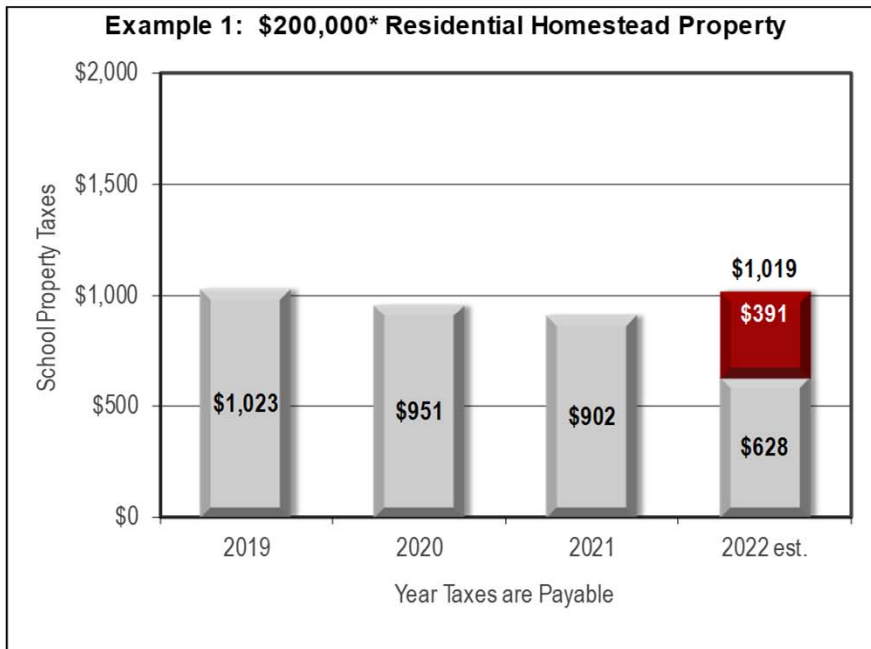
General Notes

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 best data available.
3. For all examples of properties, taxes are based on no changes in estimated market value from 2019 to 2022.

Roseville Area Schools, ISD 623

Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values



* Estimated market value for taxes payable in 2022. Taxes are calculated based on no changes in market value from 2019 to 2022.

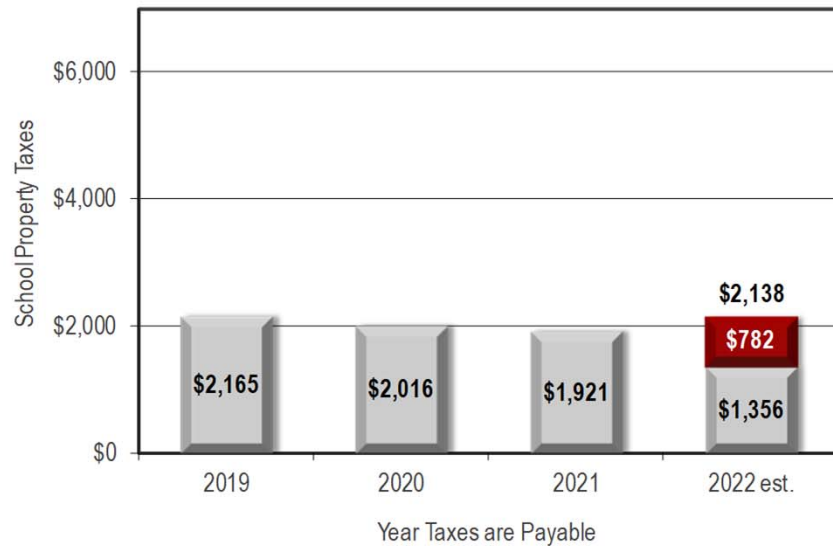
** Darker portion of 2022 bar represents net increase in estimated taxes due to the voter-approved operating referendum questions (renewal and increase) and savings from refunding of a bond issue.

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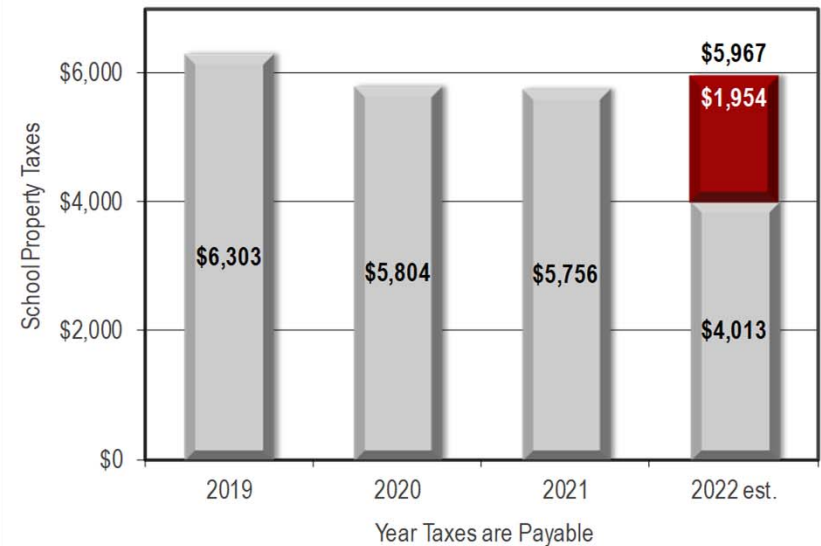
Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values

Example 3: \$400,000* Residential Homestead Property



Example 4: \$1,000,000* Commercial-Industrial Property



* Estimated market value for taxes payable in 2022. Taxes are calculated based on no changes in market value from 2019 to 2022.

** Darker portion of 2022 bar represents net increase in estimated taxes due to the voter-approved operating referendum questions (renewal and increase) and savings from refunding of a bond issue.

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



Roseville Area Schools

Quality Teaching & Learning for All...Equity in All We Do

PUBLIC COMMENTS