



# ISD #22 – Detroit Lakes Public Schools

Public Hearing for Taxes  
Payable in 2023

DECEMBER 19, 2022

PRESENTED BY:

JASON KUEHN,

DIRECTOR OF FINANCE &  
OPERATIONS

# Minnesota State Law Requirements

## 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

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- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2023
- Public Comments

# MN Legislature Must Set Funding for Minnesota Public Schools

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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 & capital needs to voters for approval

# Basic General Education Formula Lags Inflation

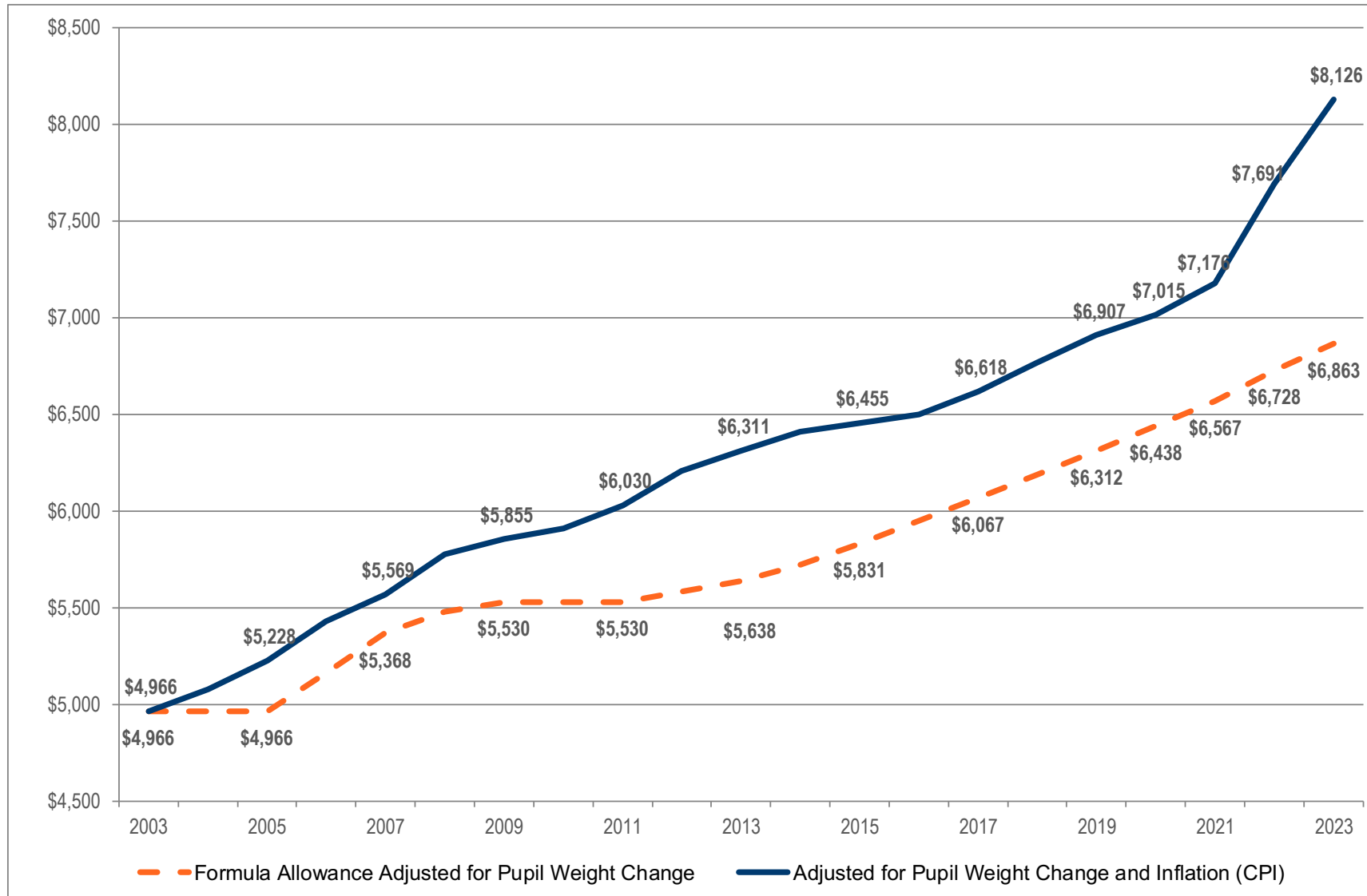
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- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2021-22, an increase of 2.45% or \$161 over previous year was approved
- For Fiscal Year 2022-23, an increase of 2.00% or \$135 over previous year was approved

Per-pupil allowance for Fiscal Year 2022-23 of \$6,863 would need to increase by another \$1,263 (18.4%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,126

# General Education Formula Allowance, 2003-2023

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2022 Inflation Estimates

According to MN Department of Education (MDE):

FY 2021 costs of providing programs were underfunded statewide by \$591 million

By FY 2025 costs of providing programs statewide will be underfunded by \$806 million



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

Underfunding  
of Special  
Education



# Change in Tax Levy does not Determine Change in Budget



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



Expenditure budget is limited by state-set revenue formulas, voter-approved levies & fund balance



An increase in school taxes does not always correlate to an equal increase in budget

# Difference in Levy Cycles

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## School District:

- Budget year begins July 1st
- 2023 taxes provide revenue for 2023-24 fiscal year
- Budget adopted in June 2023



## City/County:

- Budget year begins Jan. 1st
- 2023 taxes provide revenue for 2023 calendar year budget

# Budget Information

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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 2023-24 budget will be adopted by School Board in June 2023.

**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

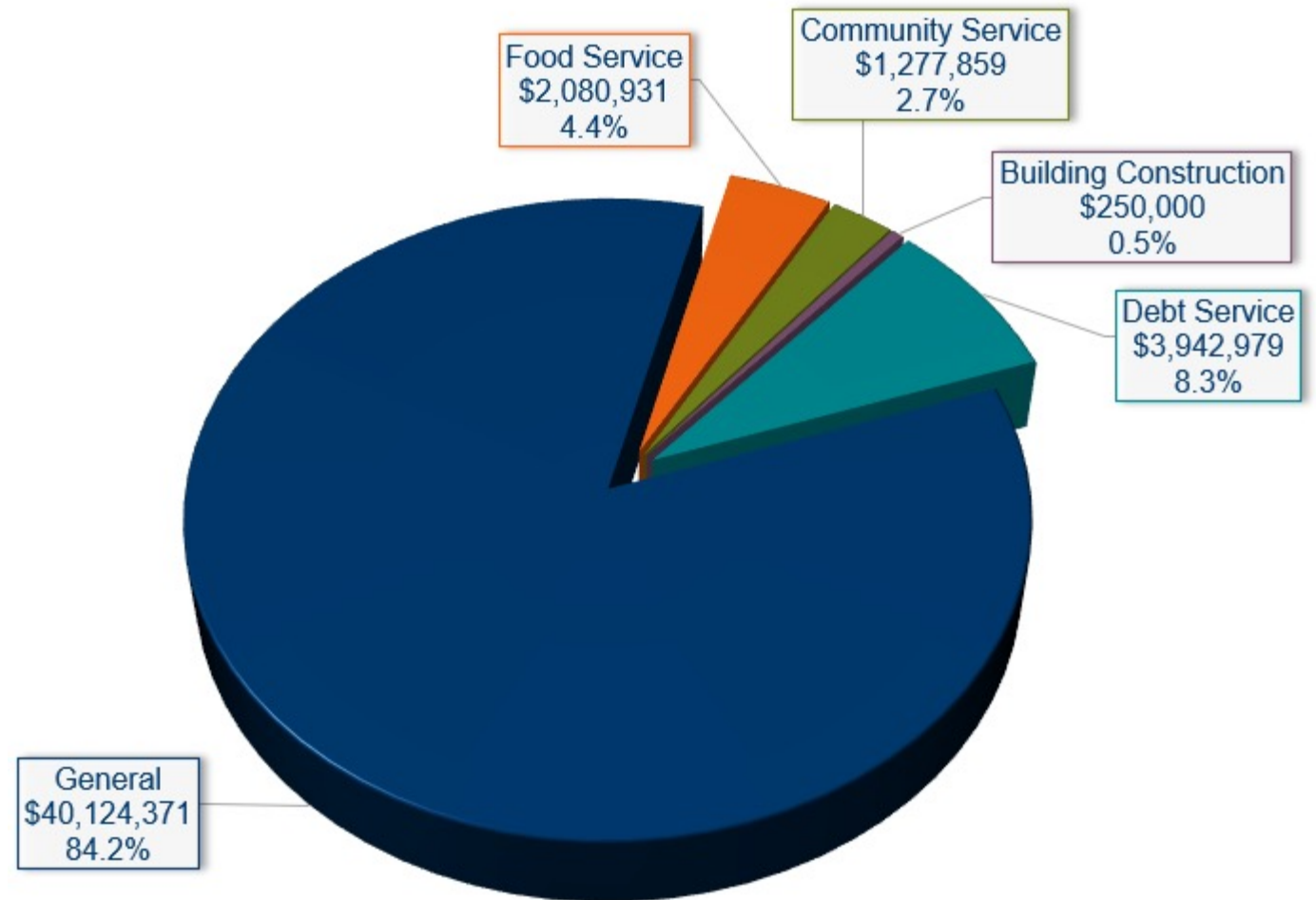


**District Revenues & Expenditures**  
Actual for FY 2022, Budget for FY 2023

FUND	FISCAL 2022 BEGINNING	2021-22 ACTUAL		JUNE 30, 2022 ACTUAL	2022-23 BUDGET		JUNE 30, 2023 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$3,279,210	\$4,955,780	\$4,576,992	\$3,657,998	\$4,701,788	\$4,599,340	\$3,760,446
General/Other	11,380,544	33,503,795	34,677,788	10,206,551	35,422,583	35,612,535	10,016,599
Food Service	1,079,152	2,260,535	2,183,128	1,156,559	2,080,931	2,159,444	1,078,046
Community Service	477,914	1,354,401	1,189,252	643,063	1,277,859	1,304,607	616,315
Building Construction	6,648,029	277,965	8,348,773	(1,422,780)	250,000	3,218,000	(4,390,780)
Debt Service	434,388	3,883,617	3,702,531	615,474	3,942,979	3,846,931	711,522
Total All Funds	\$23,299,237	\$46,236,093	\$54,678,465	\$14,856,865	\$47,676,140	\$50,740,857	\$11,792,148

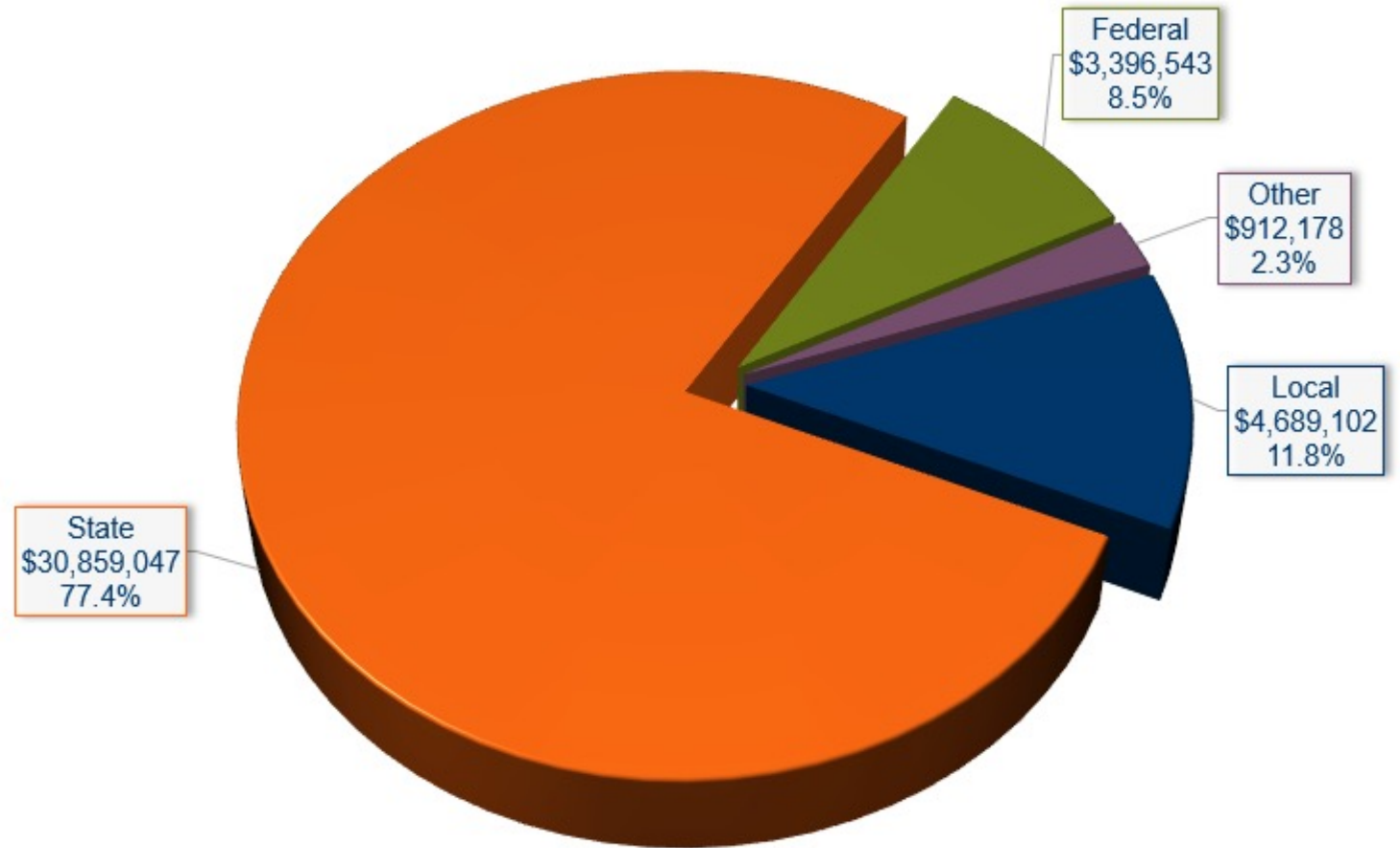
# Revenue - All Funds -

2022-23 Budget  
\$47,676,140



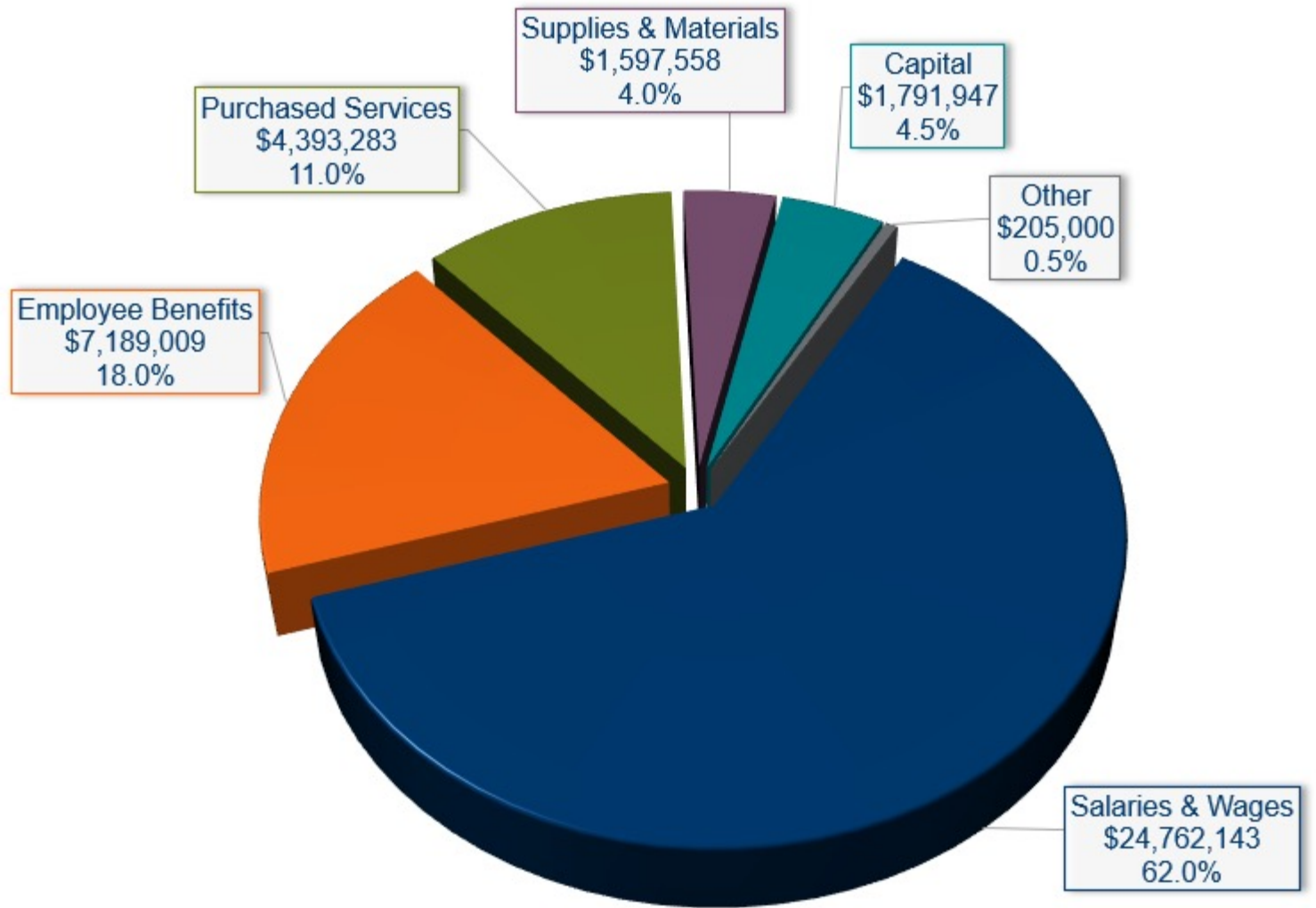
# General Fund Revenue

2022-23 Budget  
\$39,856,870



# General Fund Expenditures - by Object -

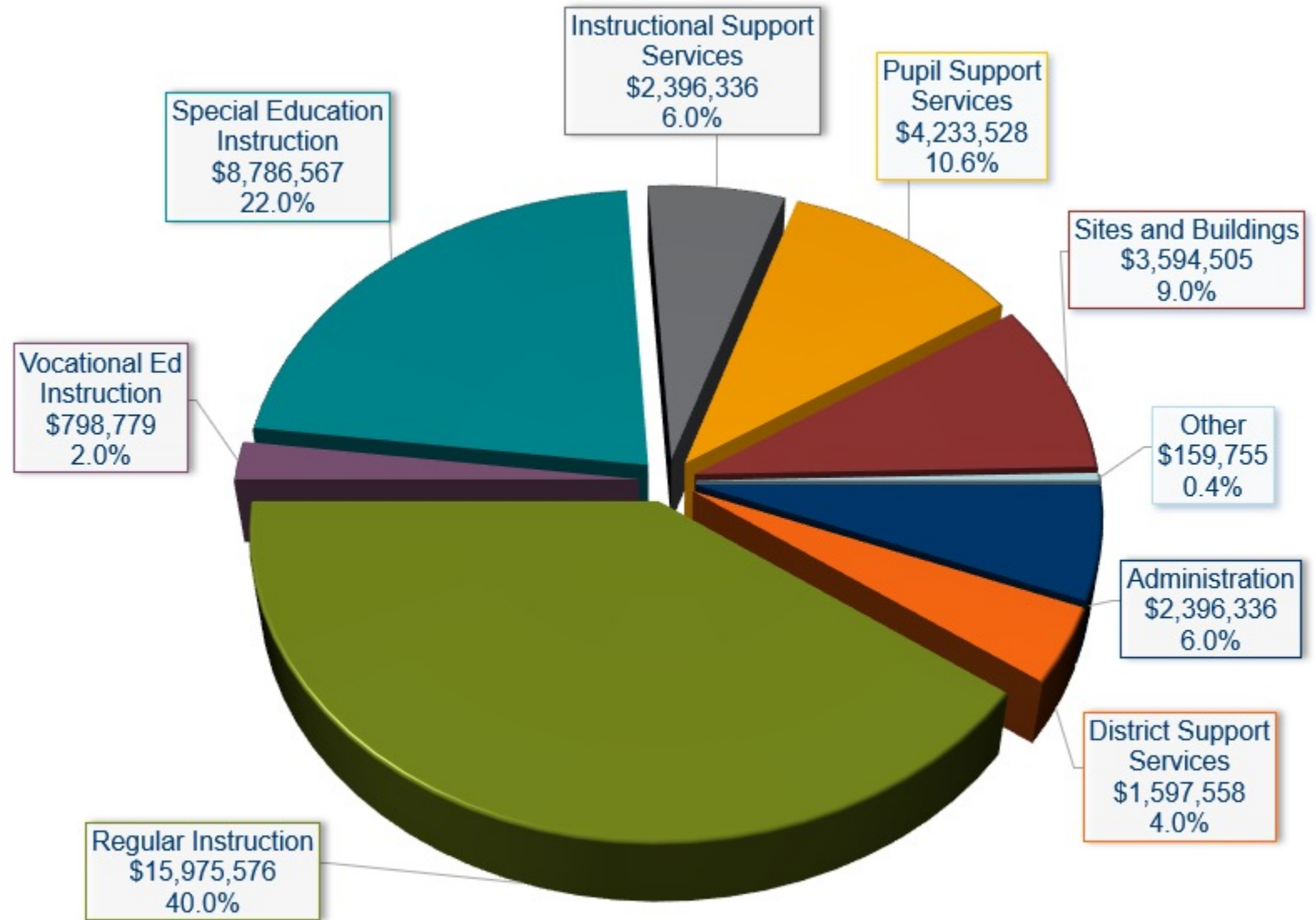
2022-23 Budget  
\$39,938,940





# General Fund Expenditures - by Program -

2022-23 Budget  
\$39,938,940



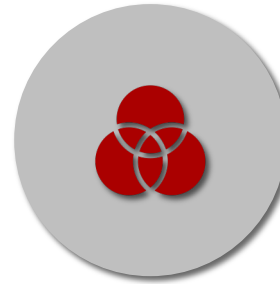


# Payable 2023 Property Tax Levy

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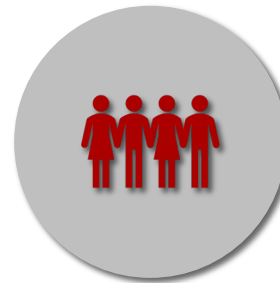
Determination of levy



Comparison of 2022 to 2023  
levies



Reasons for changes in tax  
levy



Impact on taxpayers

# Property Tax Background

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- 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 & distributes funds back to other taxing jurisdictions

# Sample of parcel specific notice mailed to every property owner between November 11 & November 24

## Contents:

- Proposed property taxes compared to last year
  - By taxing jurisdiction
  - By voter approved & other for school district
- Time & place of public meetings



**Spruce County**  
Jane Smith, Auditor-Treasurer  
345 12th Street East, Box 78  
Spruceville, MN 55555-5555  
(555) 345-6789  
[www.co.spruce.mn.us](http://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 2023

THIS IS NOT A BILL. DO NOT PAY.

Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2022	2023
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHstd	Res Hmstd

Step	PROPOSED TAX	
	Property Taxes before credits	\$1,562.46
2	School building bond credit	\$ 12.00
	Agricultural market value credit	
	Other credits	
	Property Taxes after credits	\$1,550.46

Step	PROPERTY TAX STATEMENT	
	Coming in 2023	

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 2022	Proposed 2023	
State General Tax	No meeting required	\$0	\$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 2, 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 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06	
Spruceville School District 909 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789	December 9, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		\$289.35	\$296.68	
Other Levies		\$340.11	\$374.60	
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 2023 may be higher than the proposed amount shown on this notice.				
Memo 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 meeting required	\$12.80	\$13.02	
Tax Increment Tax	No meeting required	\$10.15	\$11.22	
Total excluding any special assessments		\$1,422.02	\$1,660.46	9.9%

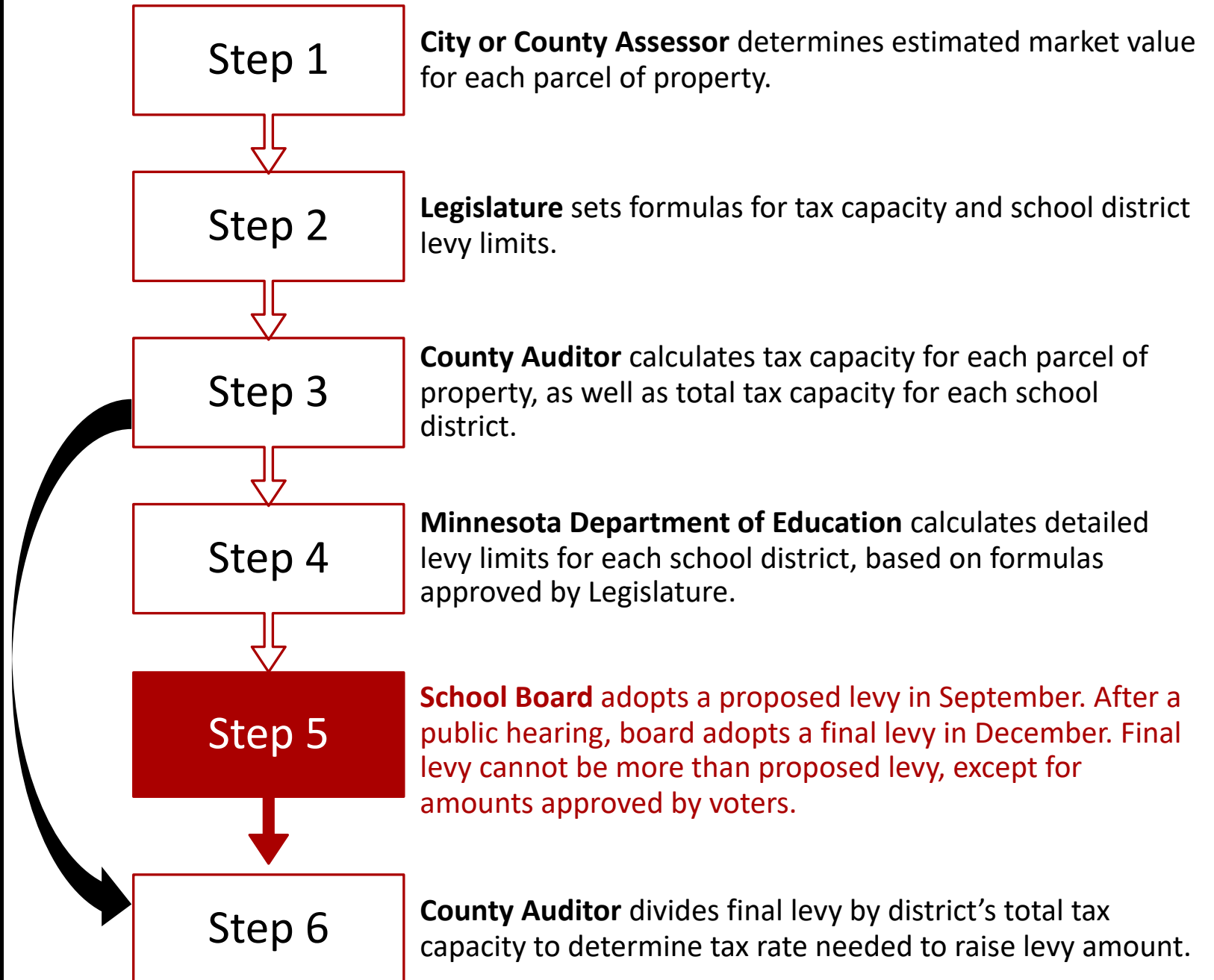
# School District Property Taxes

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- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts (calculated by MDE) for each category are set by:
  - State law
  - Voter approval
- Property Tax Process
  - 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 6 steps

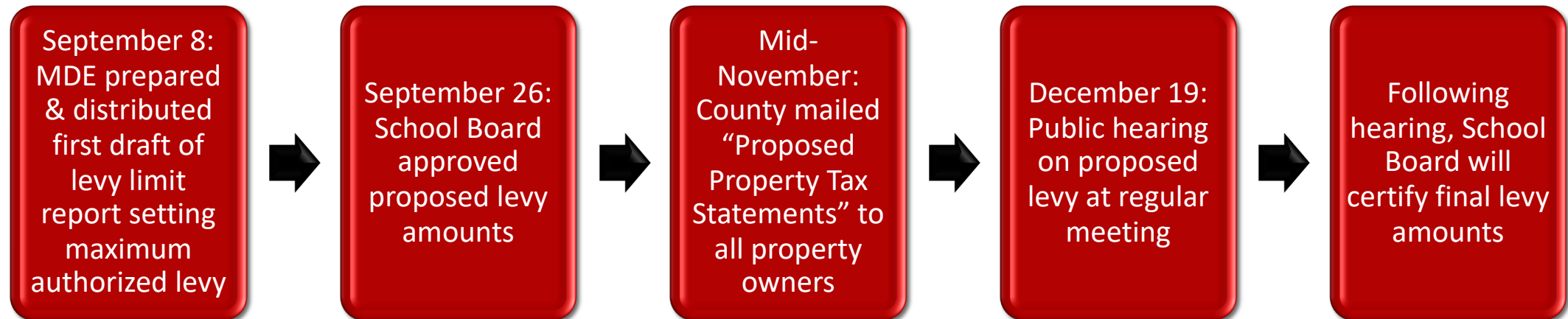
# School District Property Tax Process

*Note:* For certain levy categories, tax rates & levy amounts are based on referendum market value, rather than tax capacity.



# Approval of District's Tax Levy in 2022 (Payable 2023)

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The background of the slide features a blurred image of financial documents. In the foreground, there is a tablet displaying a bar chart. Below it, a printed document shows a bar chart with blue bars and a red line graph. A pen is visible on the left side of the documents.

## Overview of District's Proposed Tax Levy

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- Proposed Payable 2023 tax levy is an increase from 2022 of \$292,332 or 3.3%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

## Comparison of Actual Tax Levy Payable in 2022 to Proposed Levy Payable in 2023

<b>Fund Levy Category</b>	<b>Actual Levy Payable in 2022</b>	<b>Proposed Levy Payable in 2023</b>	<b>\$ Change</b>	<b>% Change</b>
<b>General</b>				
Local Optional Revenue (LOR)	\$693,145	\$697,569	\$4,424	
Equity	529,469	492,096	(37,373)	
Operating Capital	337,058	352,139	15,081	
Alternate Teacher Compensation	264,078	259,472	(4,606)	
Achievement and Integration	103,988	96,408	(7,580)	
Long Term Facilities Maintenance	949,258	674,964	(274,294)	
Instructional Lease	266,087	279,756	13,669	
Other	460,359	466,111	5,752	
Prior Year Adjustments	1,003,288	766,002	(237,287)	
Total, General Fund	\$4,606,730	\$4,084,516	(\$522,214)	-11.3%
<b>Community Service</b>				
Basic Community Education	\$138,617	\$138,617	\$0	
Early Childhood Family Education	83,800	89,420	5,620	
Other	1,901	2,608	707	
Prior Year Adjustments	879	117	(762)	
Total, Community Service Fund	\$225,197	\$230,762	\$5,565	2.5%
<b>Debt Service</b>				
Voter Approved	\$3,491,546	\$4,000,036	\$508,490	
Other	442,155	437,798	(4,357)	
Long Term Facility Maintenance	87,553	365,638	278,085	
Reduction for Debt Excess	(111,430)	(81,290)	30,139	
Prior Year Adjustments	5,488	2,112	(3,376)	
Total, Debt Service Fund	\$3,915,312	\$4,724,294	\$808,982	20.7%
<b>Total Levy, All Funds</b>	<b>\$8,747,240</b>	<b>\$9,039,572</b>	<b>\$292,332</b>	<b>3.3%</b>
<b>Subtotal by Truth in Taxation Categories:</b>				
Voter Approved	3,400,618	3,936,601	535,983	
Other	5,346,622	5,102,971	(243,651)	
<b>Total</b>	<b>\$8,747,240</b>	<b>\$9,039,572</b>	<b>\$292,332</b>	<b>3.3%</b>



# Explanation of Levy Changes

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**Category:**

General & Debt Service Funds – Long Term Facilities Maintenance (LTFM)

**Change:**

-\$274,294 (General Fund) and +\$278,085 (Debt Service Fund)

**Use of Funds:**

Facilities Maintenance and Bond Payments

**Reasons for Changes:**

- LTFM revenue is based on a per pupil formula and state-approved project costs
- For projects financed by bond proceeds, a portion of General Fund LTFM revenue is transferred to the Debt Service Fund to cover bond payments

# Explanation of Levy Changes

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**Category:**

General Fund – Prior Year Adjustments

**Change:**

-\$237,287

**Use of Funds:**

Various

**Reason for Change:**

Initial levies are based on estimates. In later years, amounts are updated and levies are retroactively adjusted.

# Explanation of Levy Changes

<b>Category:</b>	Debt Service Fund – Voter Approved
<b>Change:</b>	+\$508,490
<b>Use of Funds:</b>	Bond Payments
<b>Reasons for Change:</b>	<ul style="list-style-type: none"><li>• District voters authorized the issuance of up to \$49,800,000 in bonds in 2018 election. In 2019, the District issued bonds totaling \$47,445,000, leaving a remaining unused authority of \$2,435,000. District issued the remaining \$2,435,000 in 2022.</li><li>• Levies are coordinated with other capital &amp; debt levies to maintain a tax rate that is lower than taxes payable 2022.</li></ul>

# Factors Impacting Individual Taxpayers' School Taxes

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Many factors can cause a 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 within District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs & costs, voter-approved referendums & other factors

# What's happening with each slice?

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Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each Property Owner pays a portion of the pie

# Impact of Property Valuations

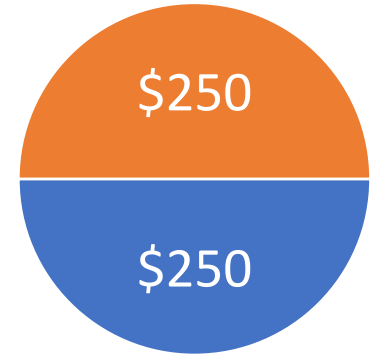
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



# Impact of Property Valuations

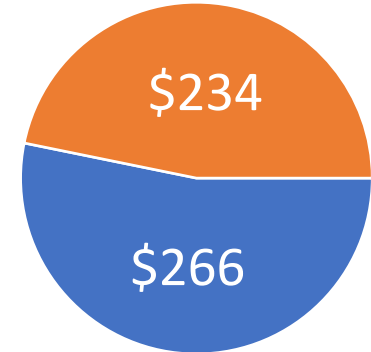
Two properties in the district

- Orange house value increases by 10%
- Blue house value increases by 25%

Total levy of \$500

- School District will still generate the same amount of levy even though values increased
- Orange house pays less
- Blue house pays more

\$110,000



\$125,000



# Four Year School Levy Comparison

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- Examples include school district taxes only & are shown based on no change and a 22.1% increase in property value for residential homes over the past four years
  - 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
- Amounts for 2023 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)



# Estimated Changes in School Property Taxes, 2020 to 2023

*Based on No Changes in Property Values*

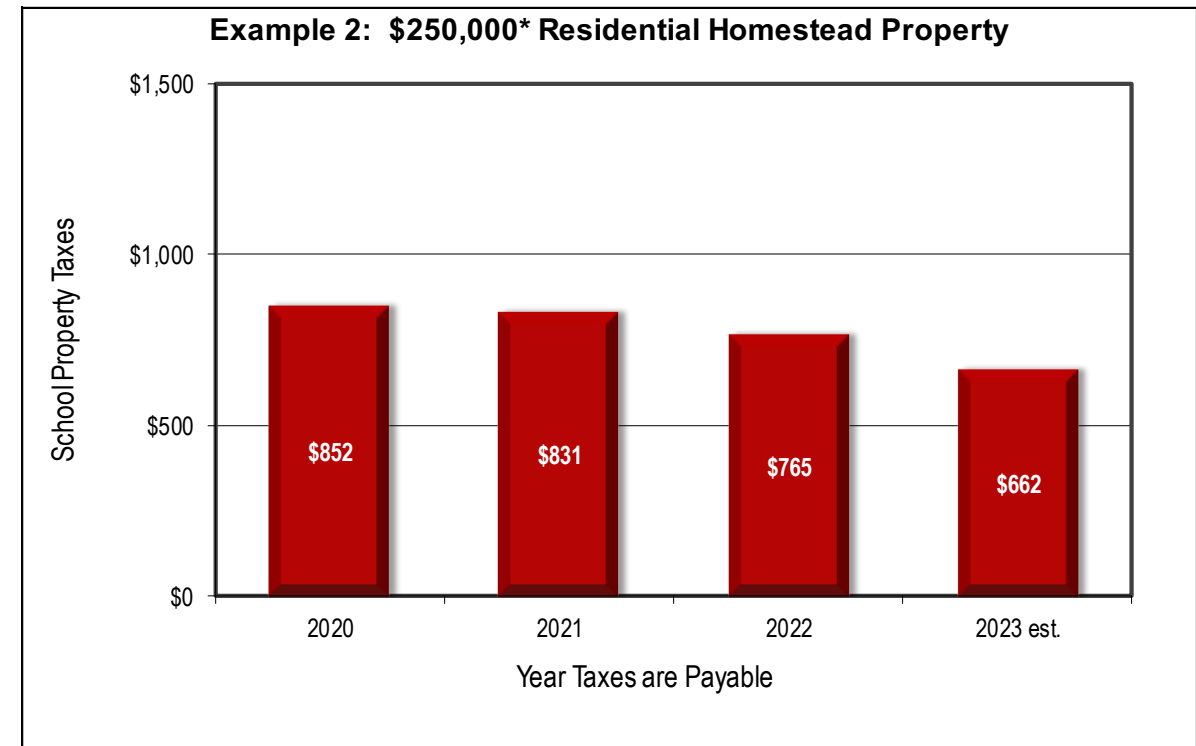
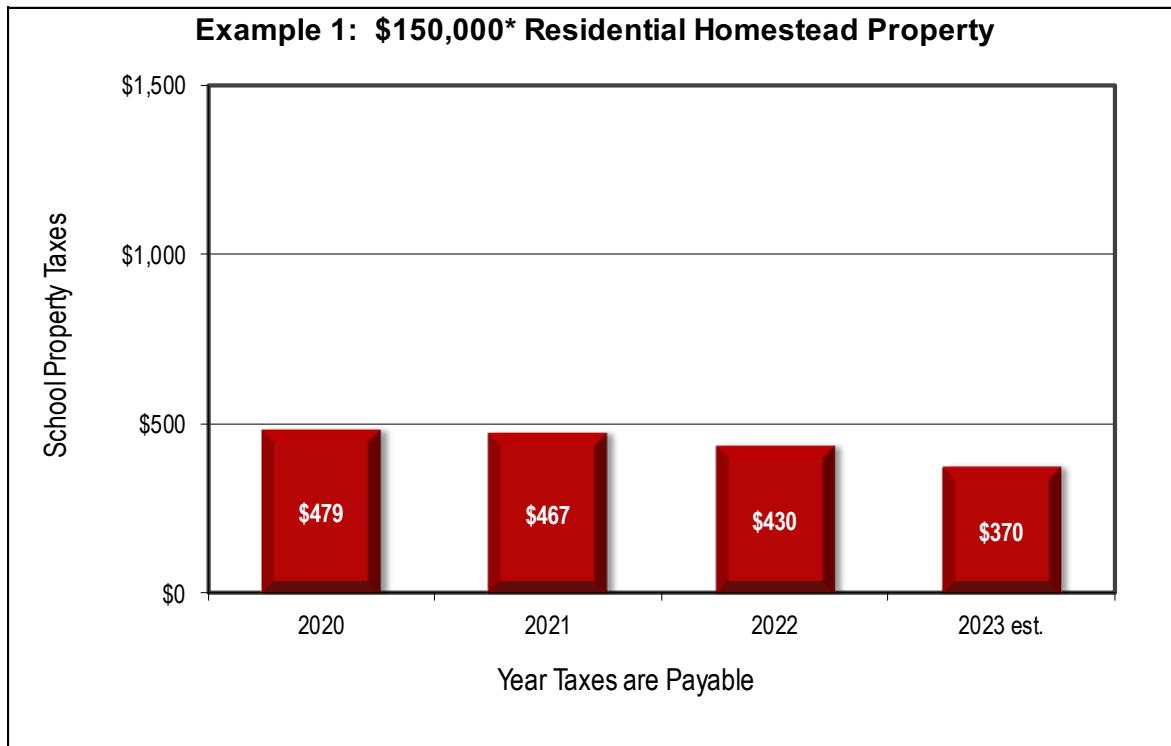
Type of Property	Estimated Market Value	Actual Taxes Payable in 2020	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Estimated Taxes Payable in 2023	Change in Taxes 2020 to 2023	Change in Taxes 2022 to 2023
Residential Homestead	\$100,000	\$293	\$286	\$263	\$224	-\$69	-\$39
	150,000	479	467	430	370	-109	-60
	200,000	665	649	597	516	-149	-81
	250,000	852	831	765	662	-190	-103
	300,000	1,038	1,012	932	808	-230	-124
	400,000	1,411	1,376	1,267	1,100	-311	-167
	500,000	1,767	1,723	1,587	1,377	-390	-210
Commercial/ Industrial	\$250,000	\$1,259	\$1,227	\$1,133	\$1,009	-\$250	-\$124
	500,000	2,680	2,611	2,413	2,154	-526	-259
	750,000	4,100	3,995	3,692	3,300	-800	-392
	1,000,000	5,521	5,379	4,971	4,445	-1,076	-526
Agricultural Homestead (average value per acre of land and buildings)	\$3,000	\$2.24	\$2.09	\$1.81	\$1.42	-\$0.83	-\$0.40
	4,000	\$3.00	\$2.79	\$2.43	1.88	-1.11	-0.54
	5,000	\$3.74	\$3.48	\$3.03	2.36	-1.38	-0.67
	6,000	\$4.49	\$4.18	\$3.64	2.83	-1.65	-0.80
Agricultural Non-homestead (average value per acre of land and buildings)	\$3,000	\$4.49	\$4.18	\$3.64	\$2.83	-\$1.65	-\$0.80
	4,000	\$5.98	\$5.58	\$4.84	3.78	-2.21	-1.07
	5,000	\$7.48	\$6.97	\$6.05	4.73	-2.76	-1.33
	6,000	\$8.98	\$8.37	\$7.27	5.66	-3.32	-1.61
Seasonal Recreational Residential	\$150,000	\$322	\$313	\$291	\$274	-\$48	-\$17
	250,000	537	522	486	457	-80	-29
	500,000	1,074	1,045	971	914	-160	-57

## 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 2023 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2020 to 2023.
4. For agricultural property, estimates of taxes include impact of School Building Bond Agricultural Credit. Average value per acre is total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include value of house, garage, and one acre, for which tax impact will be same as on a residential homestead property. This calculation does not include impact of Agricultural Homestead Credit, which reduces taxes on each parcel of agricultural homestead property by varying amounts.

# Estimated Changes in School Property Taxes, 2020-23

*Based on No Changes in Property Value*

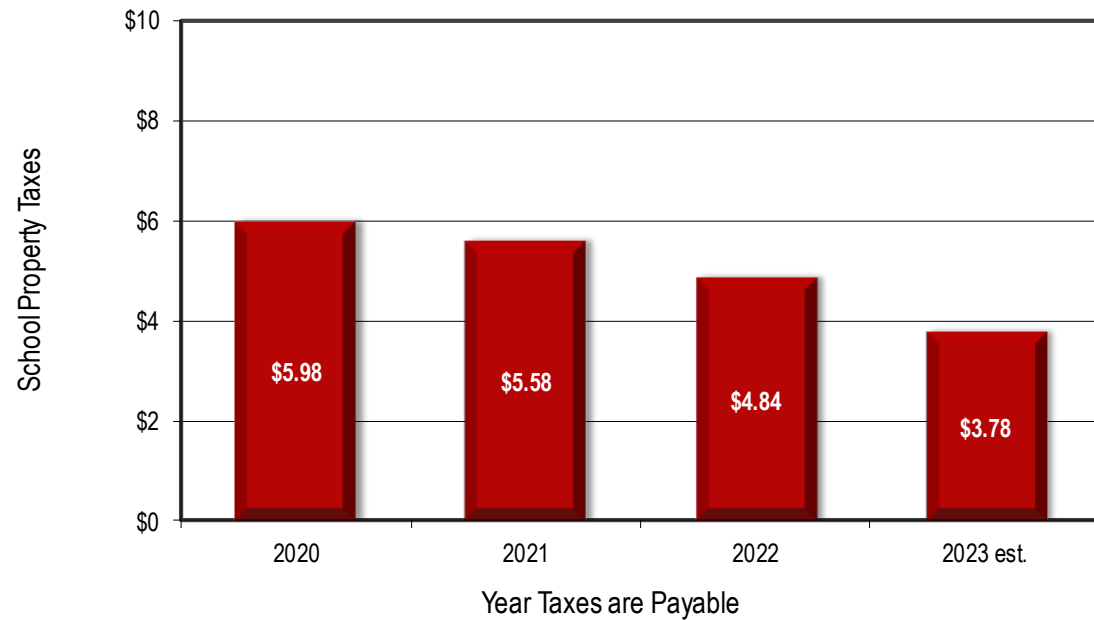


\* Estimated market value for taxes payable in 2023. Taxes are calculated based on no changes in market value from 2020 to 2023.

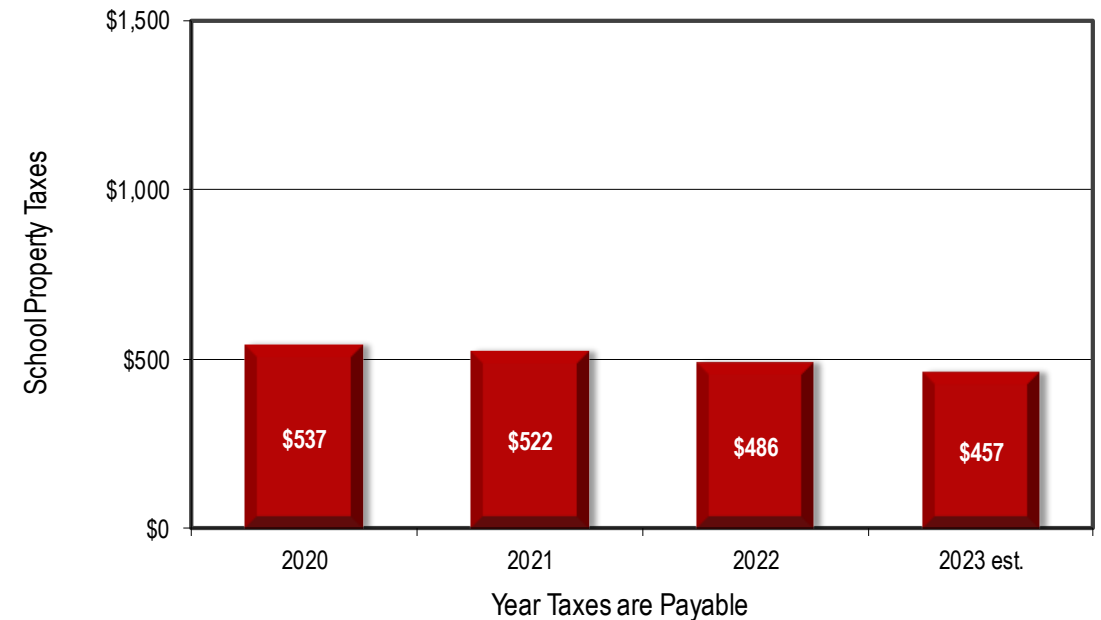
# Estimated Changes in School Property Taxes, 2020-23

*Based on No Changes in Property Value*

**Example 3: \$4,000\* Agricultural - Non-Homestead Property**



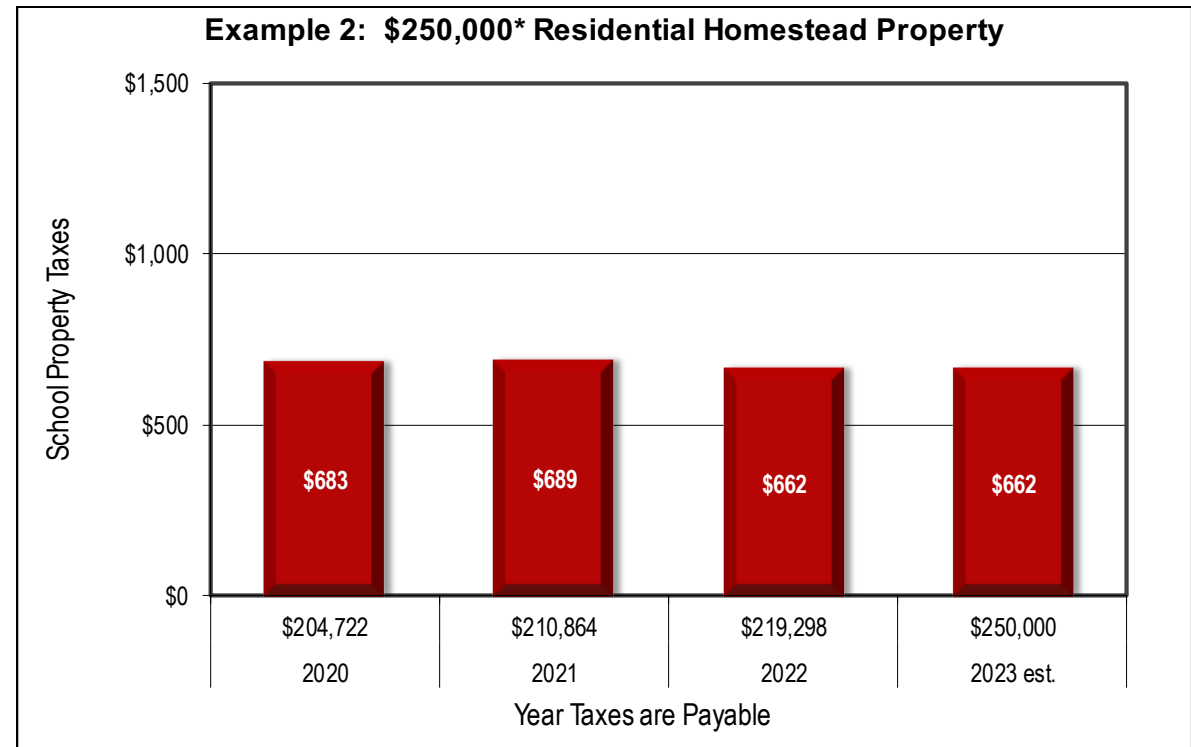
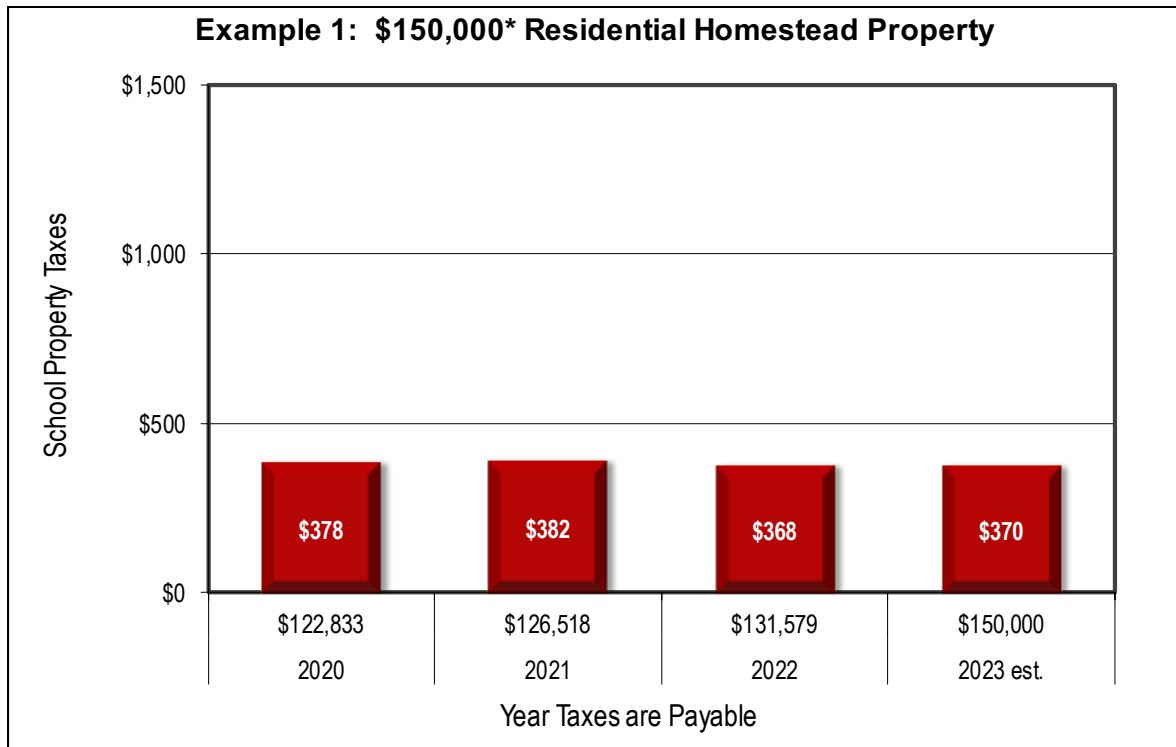
**Example 4: \$250,000\* Seasonal Recreational Property**



\* Estimated market value for taxes payable in 2023. Taxes are calculated based on no changes in market value from 2020 to 2023.

# Estimated Changes in School Property Taxes, 2020-23

*Based on 22.1% Cumulative Changes in Property Value*



\* Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 3.0% from 2020 to 2021, 4.0% from 2021 to 2022 and 14.0% from 2022 to 2023.

# State Property Tax Refunds & Deferral

## Homestead Credit Refund

- Available for all homestead property, both residential and agricultural (house, garage and one acre (HGA) only)
- Refund is sliding scale, based on total property taxes and income (maximum refund is \$2,930 for homeowners and \$2,280 for renters)

## Special Property Tax Refund

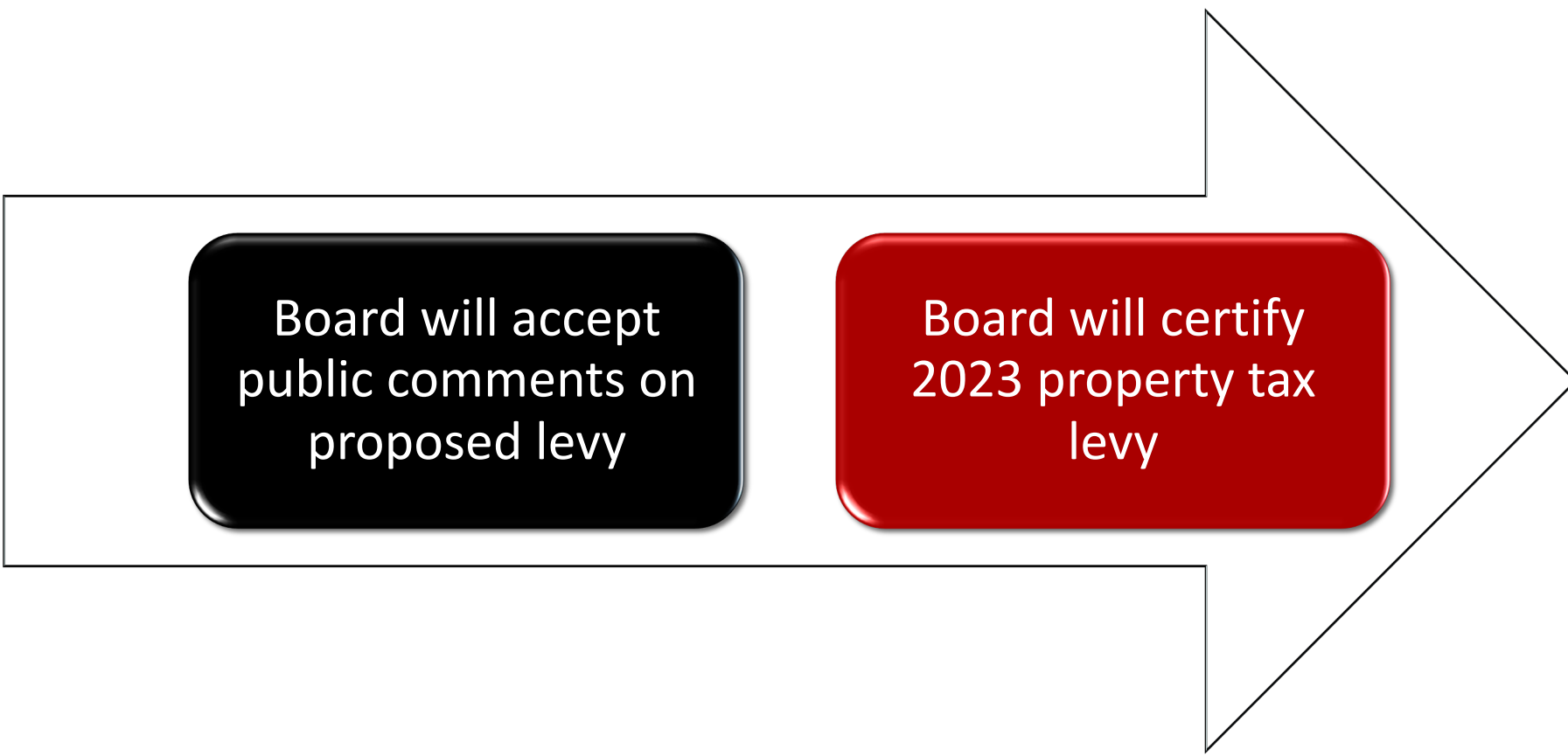
- Available for all homestead property, both residential & agricultural (HGA only) with a gross tax increase of at least 12% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 12% or \$100 (max \$1,000)

## Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$60,000 or less to defer a portion of property taxes on their home
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

# Next Steps

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Board will accept  
public comments on  
proposed levy

Board will certify  
2023 property tax  
levy



PUBLIC COMMENTS