



South Washington County Schools

Public Hearing for Taxes Payable in 2023

**DAN PYAN, EXECUTIVE DIRECTOR OF FINANCE &
OPERATIONS**

December 15, 2022



Minnesota State Law Requirements

A Public Meeting...

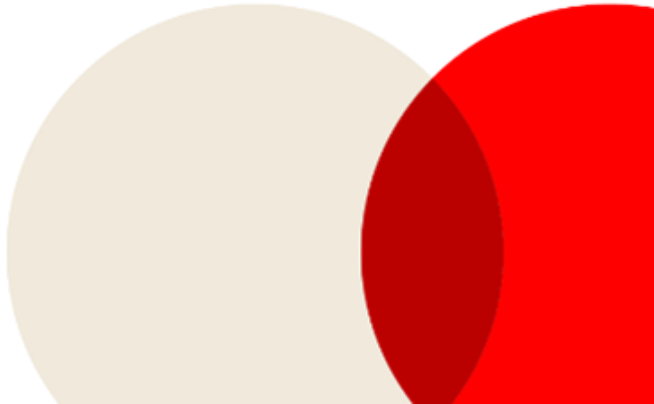
- Between Nov. 25 & Dec. 28
- At 6 p.m. or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

...and Presentation of:

- Current year budget
 - Proposed property tax levy
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Hearing Agenda

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



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

As a Result, Funding is Highly Regulated



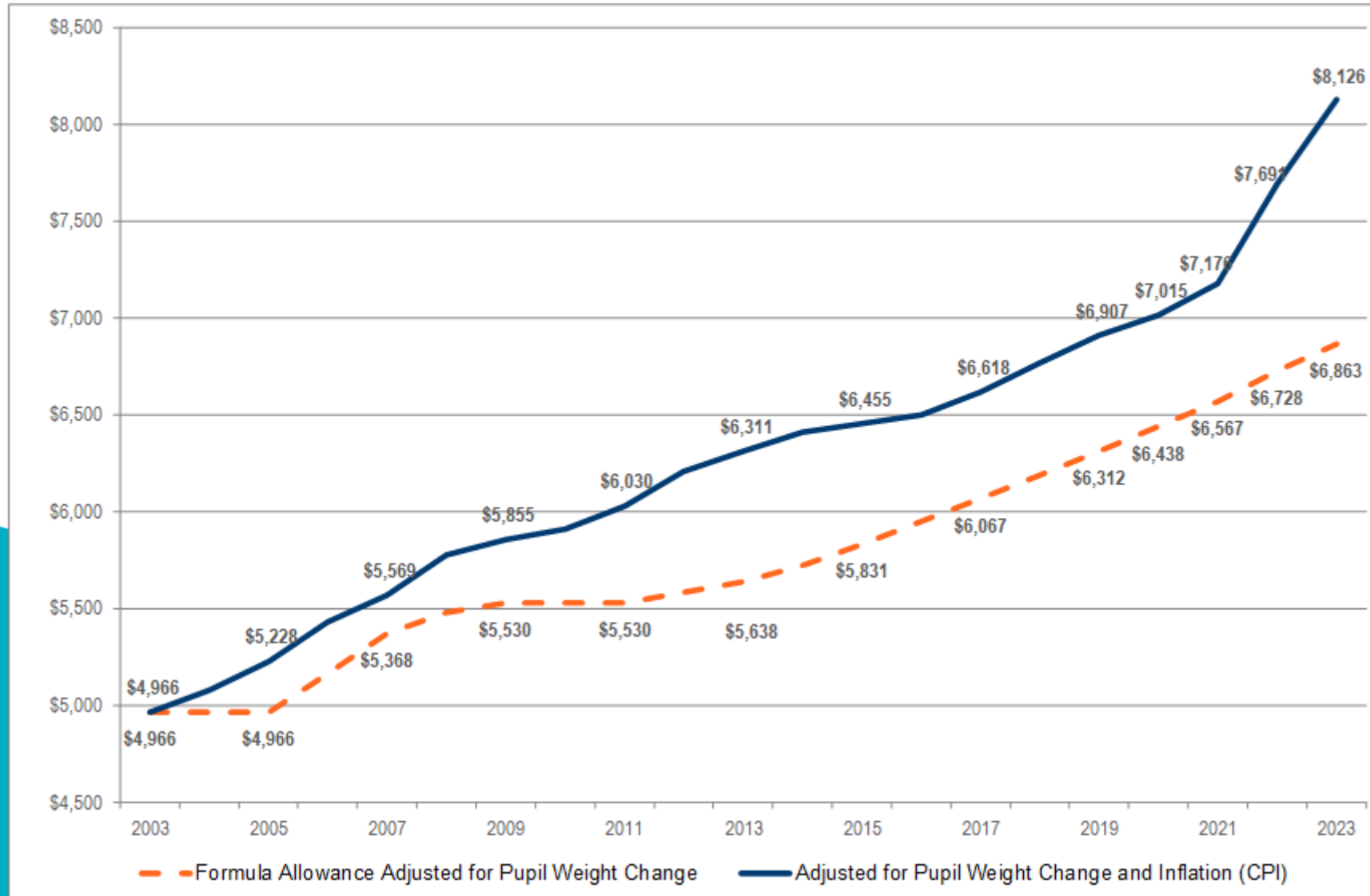
Basic General Education Formula Lags Inflation

- 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 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)

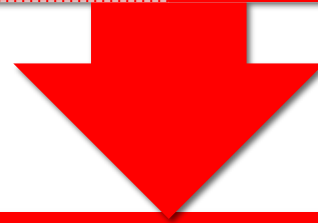


Underfunding of Special Education

According to MN Department of Education (MDE):

FY 2020 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

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



School District:

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



City/County:

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

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 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
- Trust
- OPEB* Trust



**Other Post-Employment Benefits*

District Revenues & Expenditures

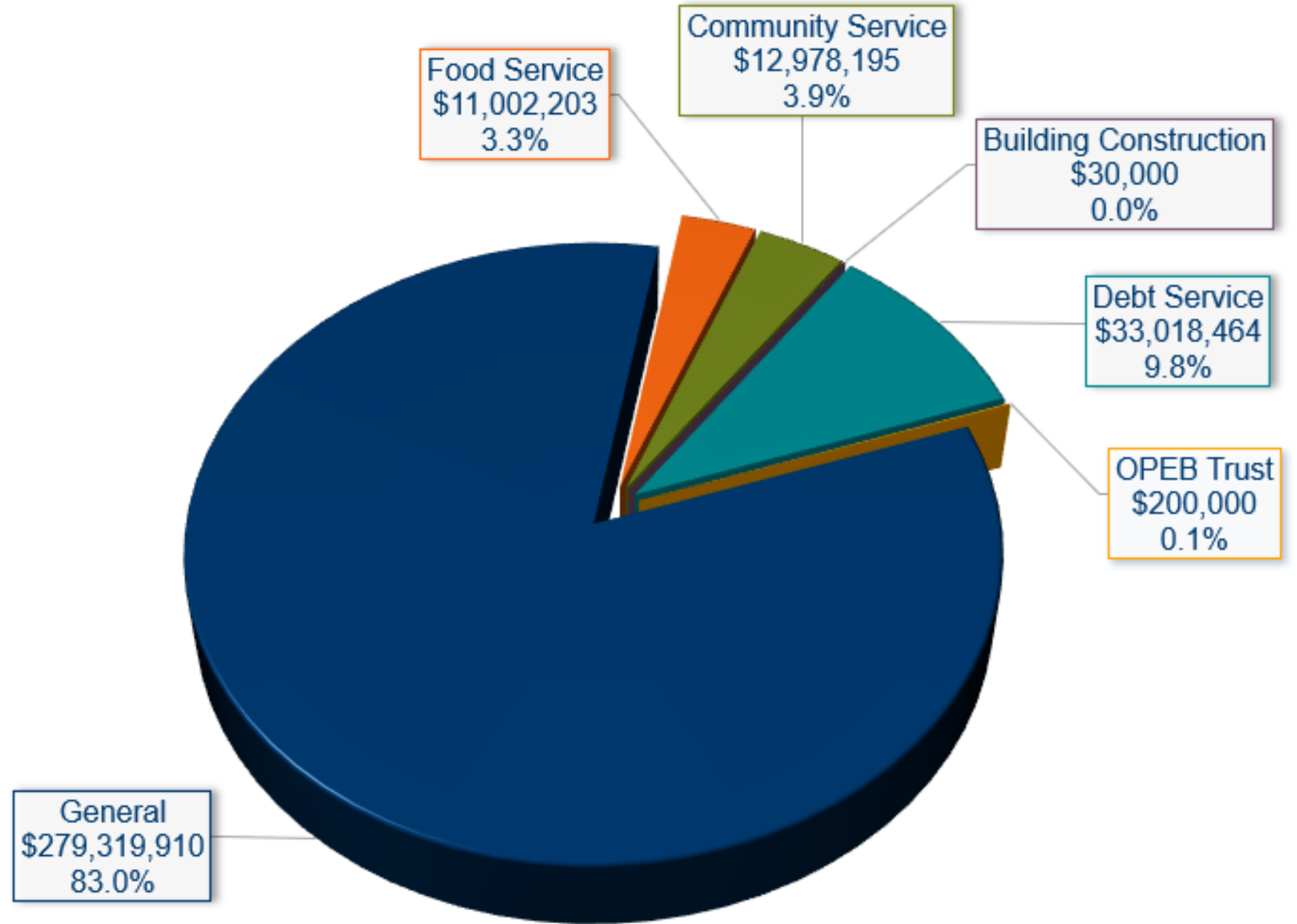
Actual for FY 2022, Budget for FY 2023

FUND	FISCAL 2022 BEGINNING	2021-22 ACTUAL		JUNE 30, 2022 ACTUAL	2022-23 BUDGET		JUNE 30, 2023 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$3,458,155	\$31,147,227	\$30,763,817	\$3,841,565	\$32,241,734	\$31,582,259	\$4,501,040
General/Other	14,406,862	240,957,195	231,872,282	23,491,775	247,078,176	246,380,130	24,189,821
Food Service	1,073,800	13,212,738	11,289,462	2,997,076	11,002,203	11,299,375	2,699,904
Community Service	158,291	13,592,299	12,787,176	963,414	12,978,195	12,807,817	1,133,792
Building Construction	18,777,990	35,834,954	17,713,697	36,899,247	30,000	13,530,000	23,399,247
Debt Service	5,912,705	37,639,628	36,833,927	6,718,406	33,018,464	32,944,280	6,792,590
Trust	40,082	17,145	11,500	45,727	15,500	15,500	45,727
Internal Service	151,152			-			-
OPEB* Irrevocable Trust	3,903,112	(517,418)	260,530	3,125,164	200,000	426,062	2,899,102
Total All Funds	\$47,882,149	\$371,883,768	\$341,532,391	\$78,082,374	\$336,564,272	\$348,985,423	\$65,661,223

*Other Post Employment Benefits

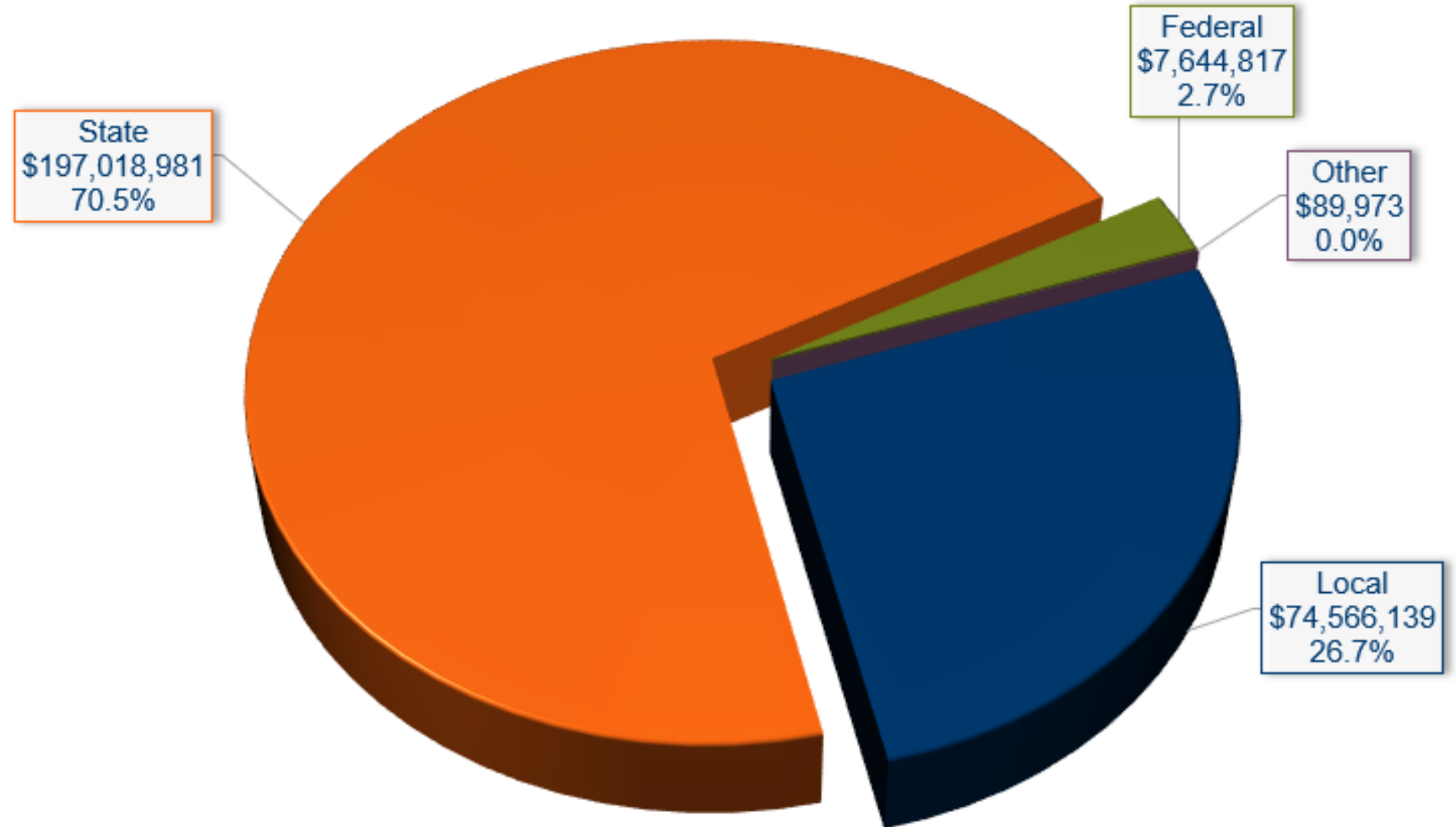
Revenue - All Funds -

2022-23 Budget
\$336,564,272



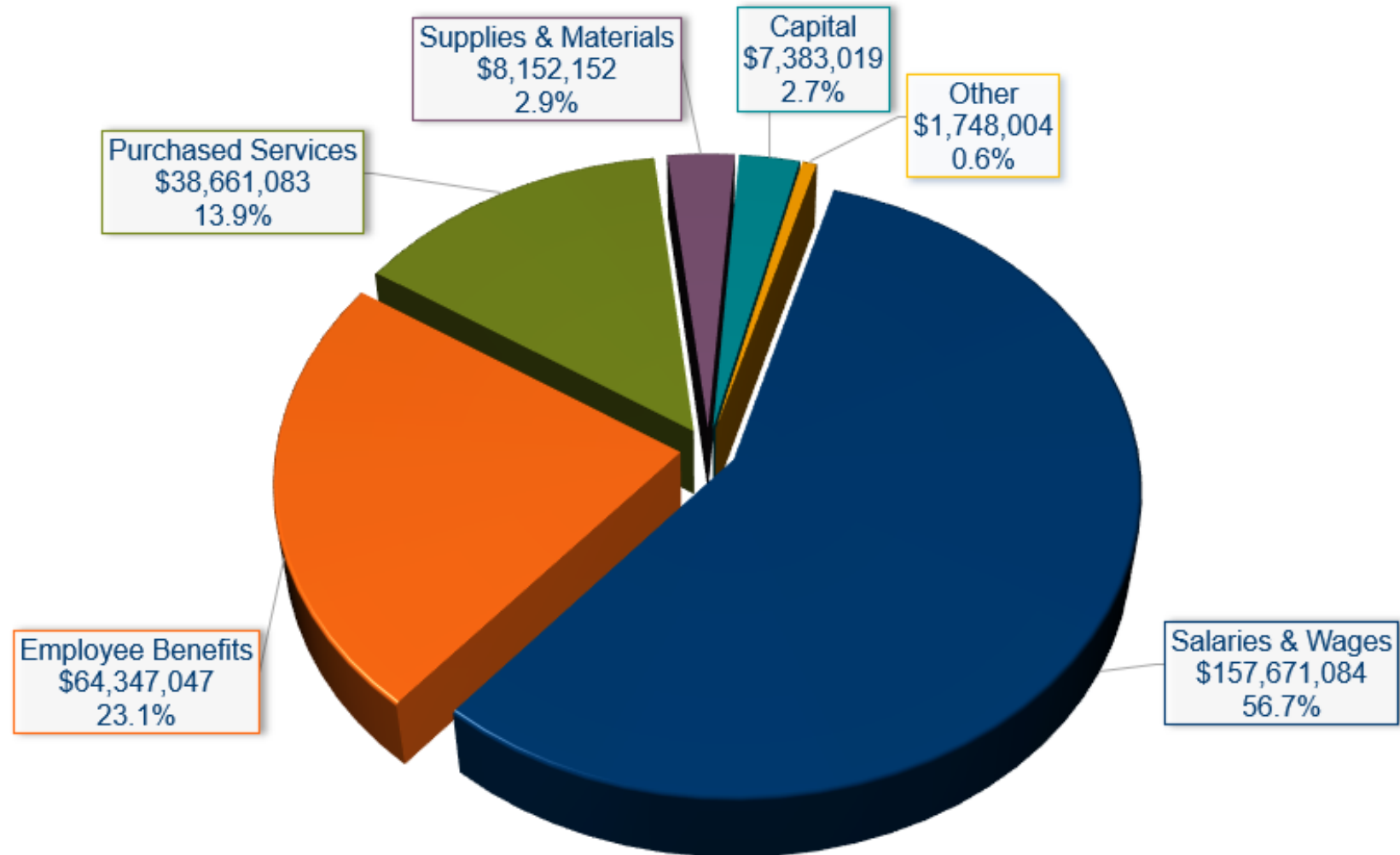
General Fund Revenue

2022-23 Budget
\$279,319,910



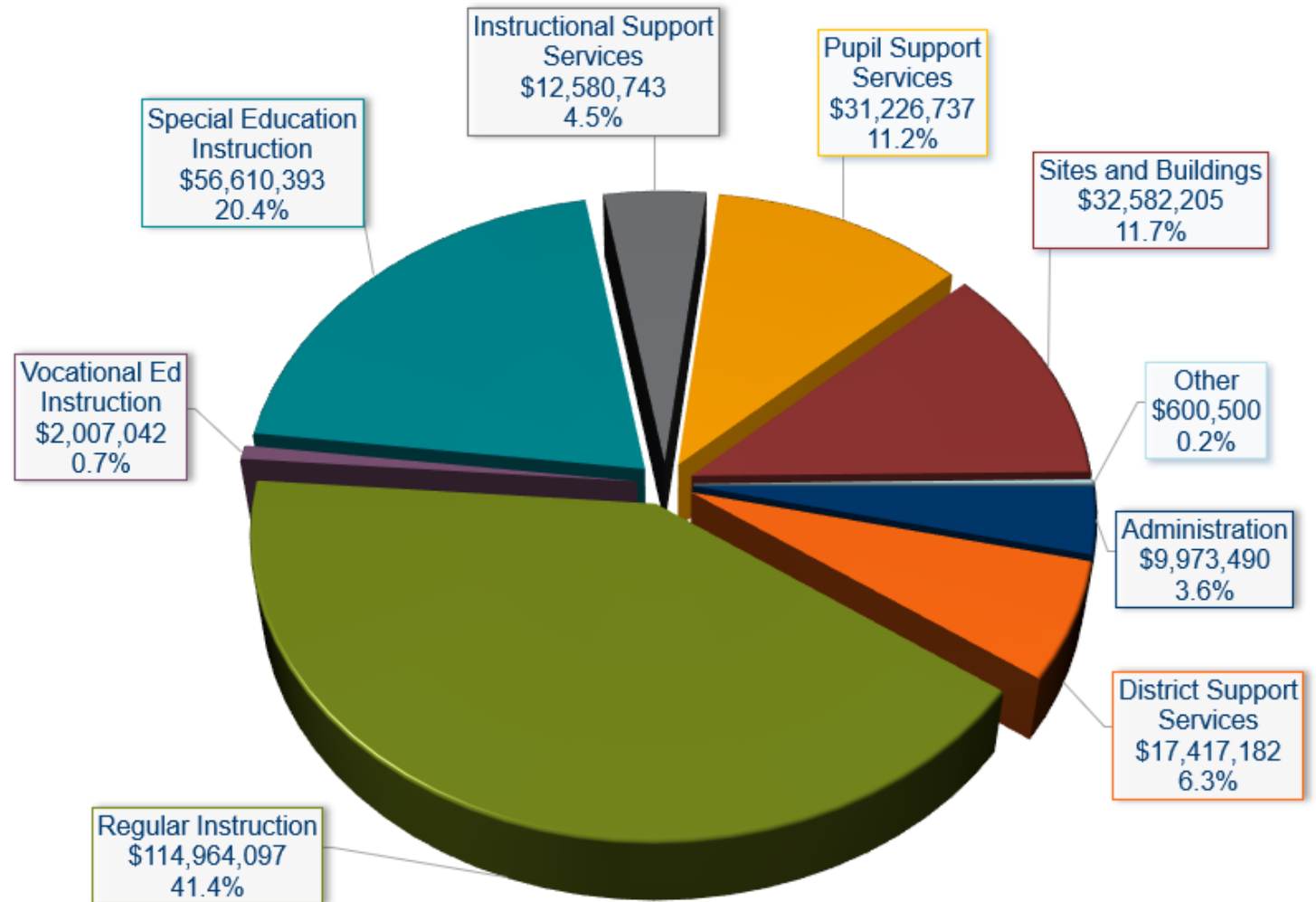
General Fund Expenditures - by Object -

**2022-23 Budget
\$277,962,389**



General Fund Expenditures - by Program -

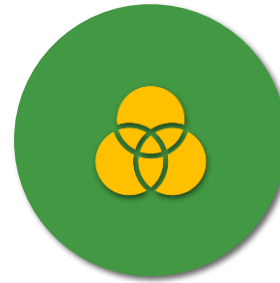
2022-23 Budget
\$277,962,389



Payable 2023 Property Tax Levy



Determination of levy



Comparison of 2022 to 2023 levies



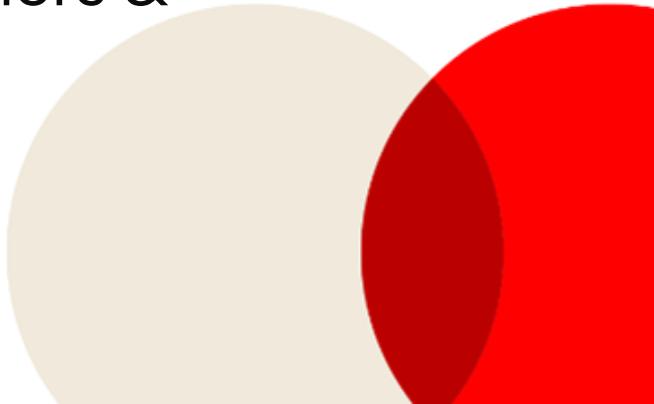
Reasons for changes in tax levy



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 & distributes funds back to other taxing jurisdictions
- 



Sample of parcel specific notice mailed to every property owner between Nov. 11-24

Contents:

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



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 1	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2022	2023
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHstd	Res Hstd
Step 2	PROPOSED TAX		
	Property Taxes before credits	\$1,562.46	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,550.46	
Step 3	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
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) 123-7894	December 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6780	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.			
Metro 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 9.0%



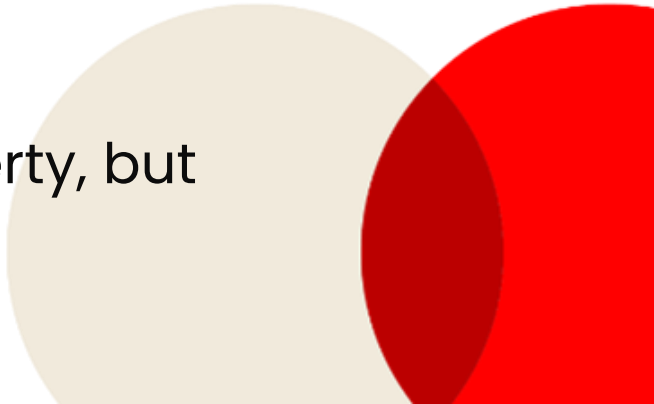
School District Property Taxes

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

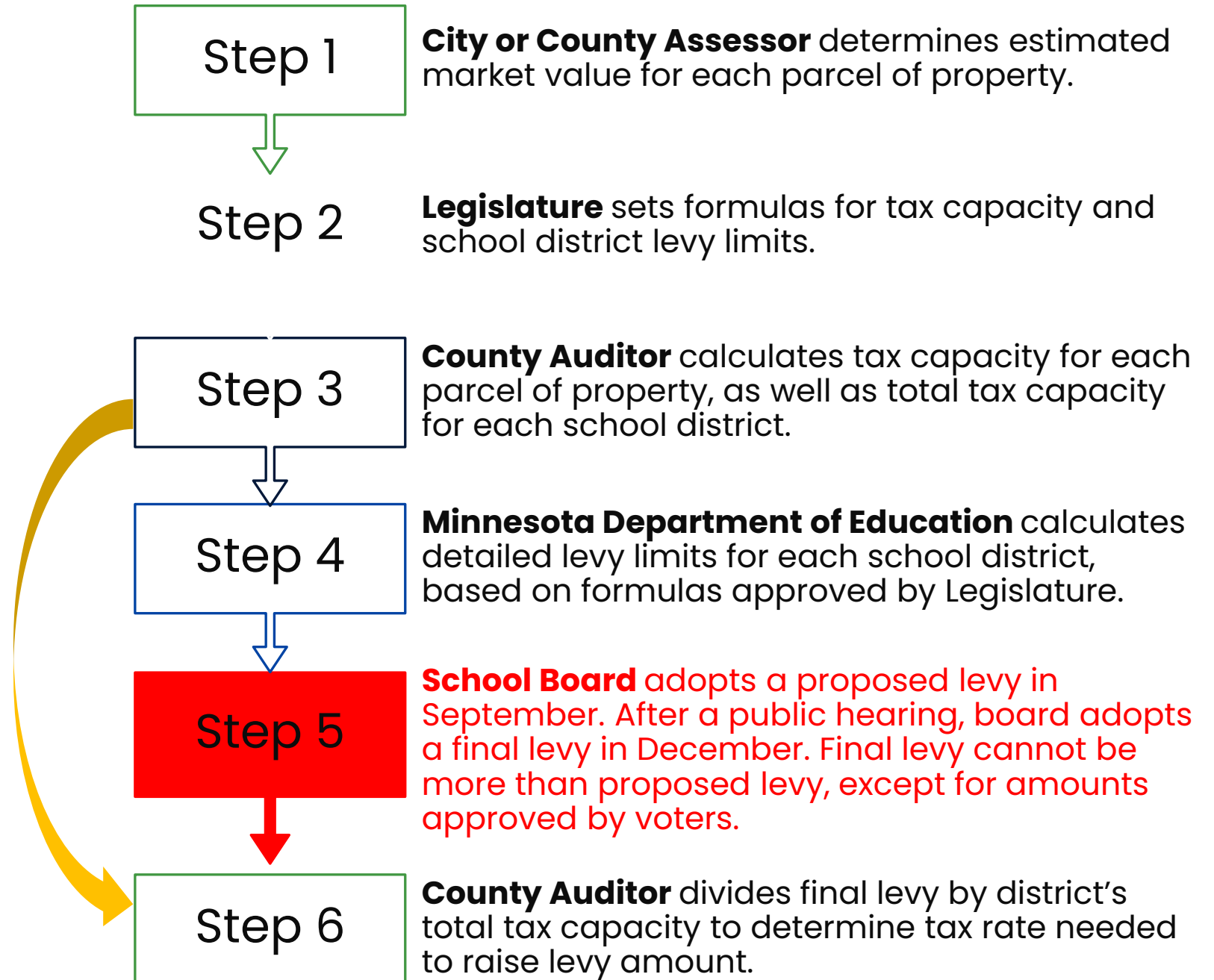
Property Tax Process

- 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)

September 8:
MDE prepared
& distributed
first draft of
levy limit
report setting
maximum
authorized
levy



September 22:
School Board
approved
proposed levy
amounts



Mid-
November:
County
mailed
"Proposed
Property Tax
Statements"
to all property
owners



December 15:
Public hearing
on proposed
levy at regular
meeting



Following
hearing,
School Board
will certify
final levy
amounts

Overview of District's Proposed Tax Levy

Proposed Payable 2023 tax levy is an increase from 2022 of \$8,947,584 or 8.6%

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

Fund Levy Category	Actual Levy Payable in 2022	Proposed Levy Payable in 2023	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$38,648,990	\$39,735,358	\$1,086,368	
Local Optional Revenue (LOR)	12,716,053	12,945,501	229,448	
Equity	1,413,028	1,585,608	172,580	
Capital Project/Technology Referendum	2,690,277	2,832,894	142,617	
Operating Capital	1,496,533	1,603,865	107,332	
Alternate Teacher Compensation	1,645,660	1,650,000	4,340	
Safe Schools	1,047,448	1,049,186	1,738	
Long Term Facilities Maintenance	7,367,036	10,416,973	3,049,937	
Instructional Lease	3,764,844	3,906,903	142,059	
Other	2,839,493	2,935,177	95,684	
Prior Year & Other Adjustments	(2,426,255)	(2,781,426)	(355,171)	
Total, General Fund	\$71,203,108	\$75,880,039	\$4,676,931	6.6%
Community Service				
Basic Community Education	\$753,890	\$753,890	\$0	
Early Childhood Family Education	381,944	408,572	26,628	
School-Age Child Care	625,000	670,874	45,874	
Other	17,274	18,308	1,034	
Prior Year Adjustments	2,805	80,952	78,148	
Total, Community Service Fund	\$1,780,913	\$1,932,596	\$151,683	8.5%
Debt Service				
Voter Approved	\$28,956,875	\$20,684,818	(\$8,272,057)	
Other	650,869	651,132	263	
Long Term Facility Maintenance	2,383,373	13,313,948	10,930,575	
Reduction for Debt Excess	(1,391,573)	0	1,391,573	
Prior Year Adjustments	(803)	67,814	68,617	
Total, Debt Service Fund	\$30,598,741	\$34,717,712	\$4,118,971	13.5%
Total Levy, All Funds	\$103,582,763	\$112,530,347	\$8,813,735	8.5%
Subtotal by Truth in Taxation Categories:				
Voter Approved	67,629,011	62,486,500	(5,142,511)	
Other	35,953,752	50,043,847	13,956,246	
Total	\$103,582,763	\$112,530,347	\$8,947,584	8.6%

Explanation of Levy Changes

Category:

General Fund – Voter Approved Operating Referendum

Change:

+\$1,086,368

Use of Funds:

General Operating Expenses

Reason for Change:

- Voter approved operating referendum authority includes an annual inflationary increase
- Inflation factors are determined by State, as set in statute

Explanation of Levy Changes

Category:

General Fund – Long Term Facilities Maintenance (LTFM)

Change:

+\$3,049,937

Use of Funds:

Deferred Maintenance Costs

Reason for Change:

- District is eligible for LTFM revenue based on state approved project costs
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

Explanation of Levy Changes

Category:

Debt Service Fund – Voter Approved and Long Term Facilities Maintenance (LTFM)

Change:

-\$8,272,057 (Voter Approved) and +\$10,930,575 (LTFM)

Use of Funds:

Debt Payments

Reason for Change:

- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate
- LTFM projects are financed through a combination of General Fund levies, state aid, and proceeds from bond issues

Explanation of Levy Changes

Category:

Debt Service Fund – Reduction for Debt Excess

Change:

+\$1,391,573

Use of Funds:

Debt Payments

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 adjustments to tax levy for debt excess balances
- No debt excess adjustment for taxes payable in 2023

What's happening with each slice?

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

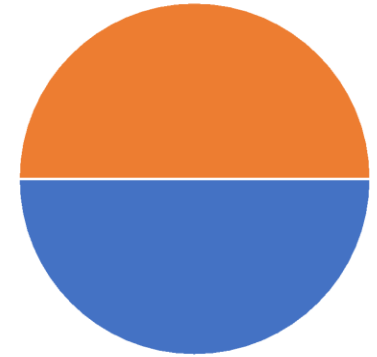
Two properties in the district

- 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

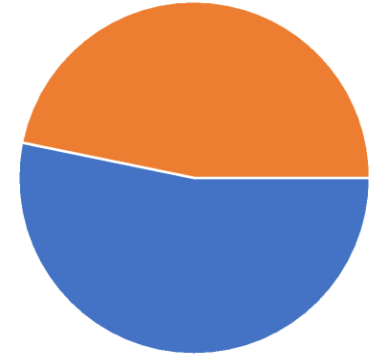
Two properties in the district

- 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

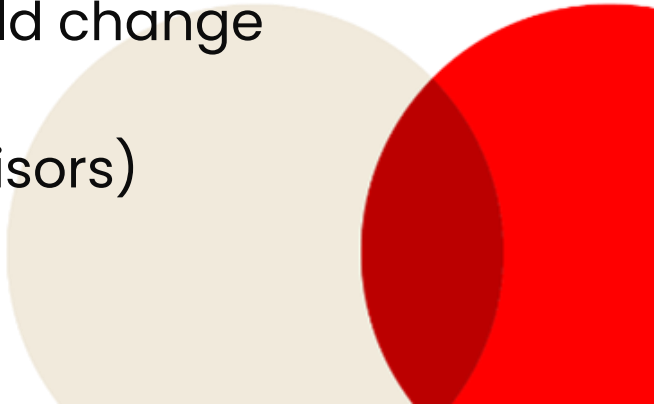


\$125,000



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Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 28.5% 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
 - Examples are for property in City of Woodbury
 - Amounts for 2023 are preliminary estimates; final amounts could change slightly
 - Estimates prepared by Ehlers (District's municipal financial advisors)
- 
- Two overlapping circles are located in the bottom right corner: a light beige circle and a red circle.

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	\$569	\$561	\$579	\$513	-\$56	-\$66
	250,000	1,613	1,594	1,636	1,456	-157	-180
	350,000	2,309	2,282	2,340	2,085	-224	-255
	500,000	3,326	3,288	3,371	3,003	-323	-368
	750,000	5,201	5,146	5,267	4,700	-501	-567
Commercial/Industrial #	\$100,000	\$647	\$641	\$653	\$583	-\$64	-\$70
	500,000	3,610	3,587	3,637	3,255	-355	-382
	1,000,000	7,380	7,336	7,431	6,657	-723	-774
	2,000,000	14,920	14,835	15,021	13,461	-1,459	-1,560

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

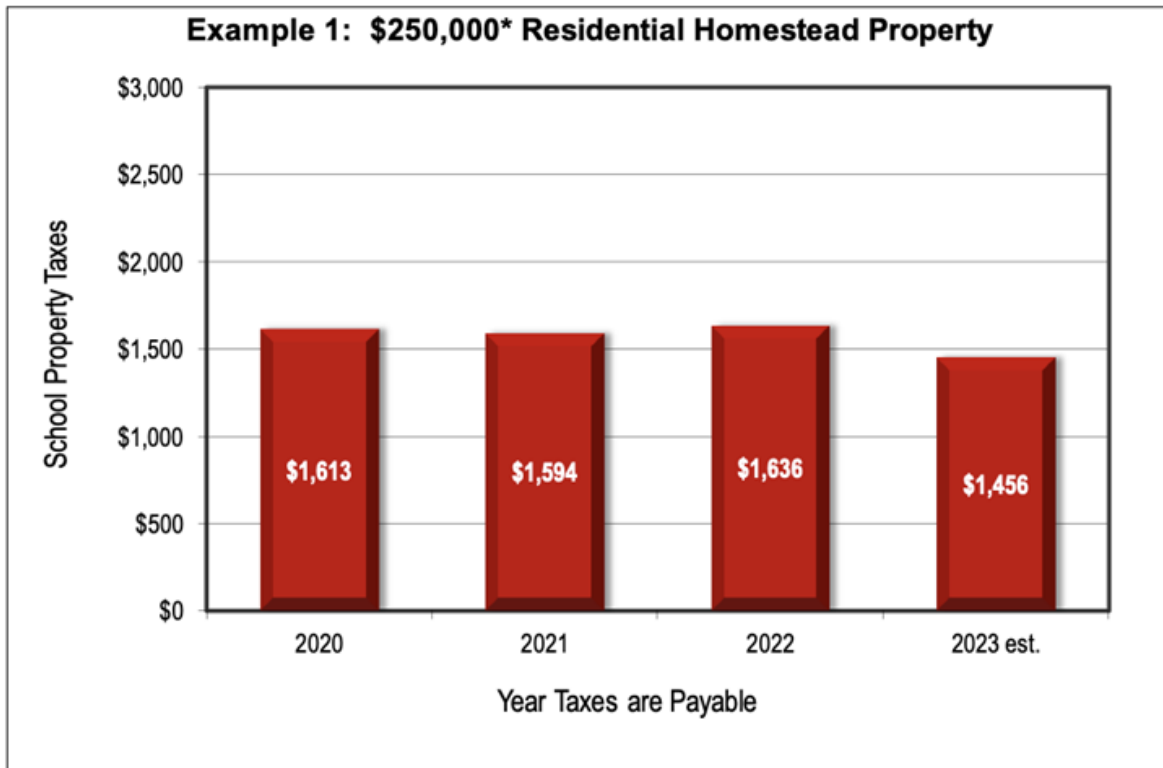
General Notes

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 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.

Estimated Changes in School Property Taxes, 2020–23



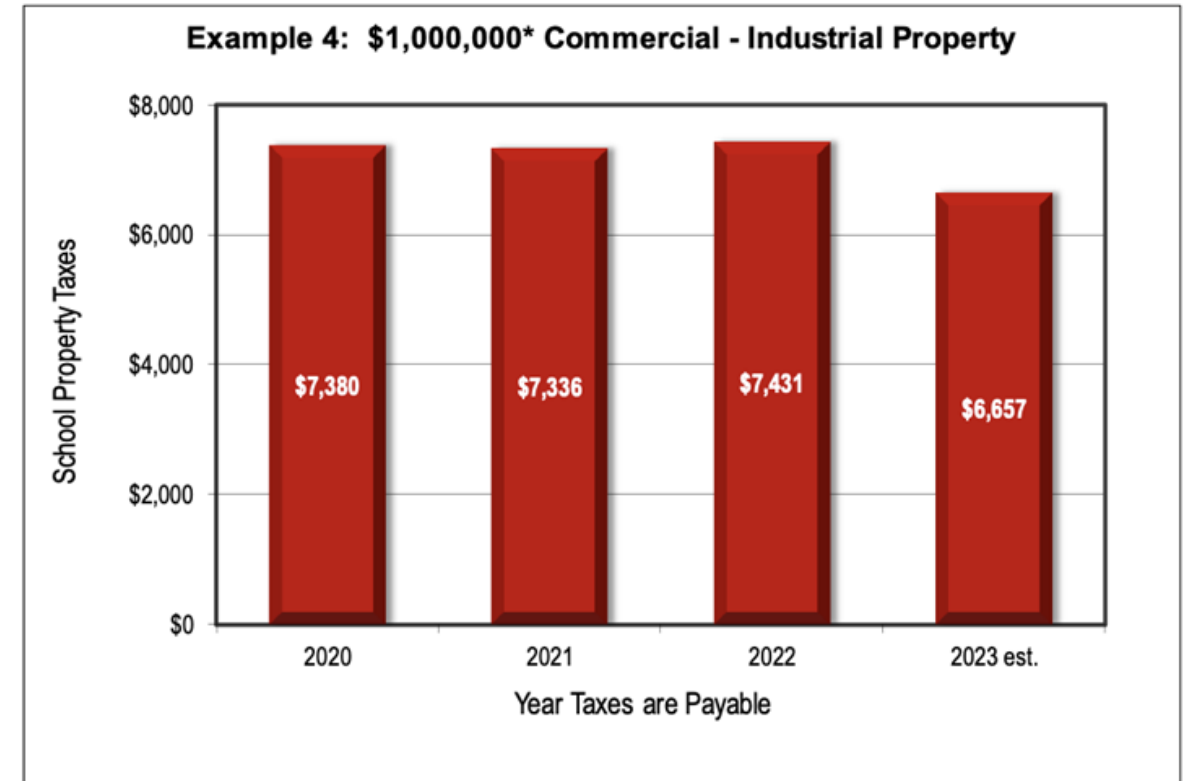
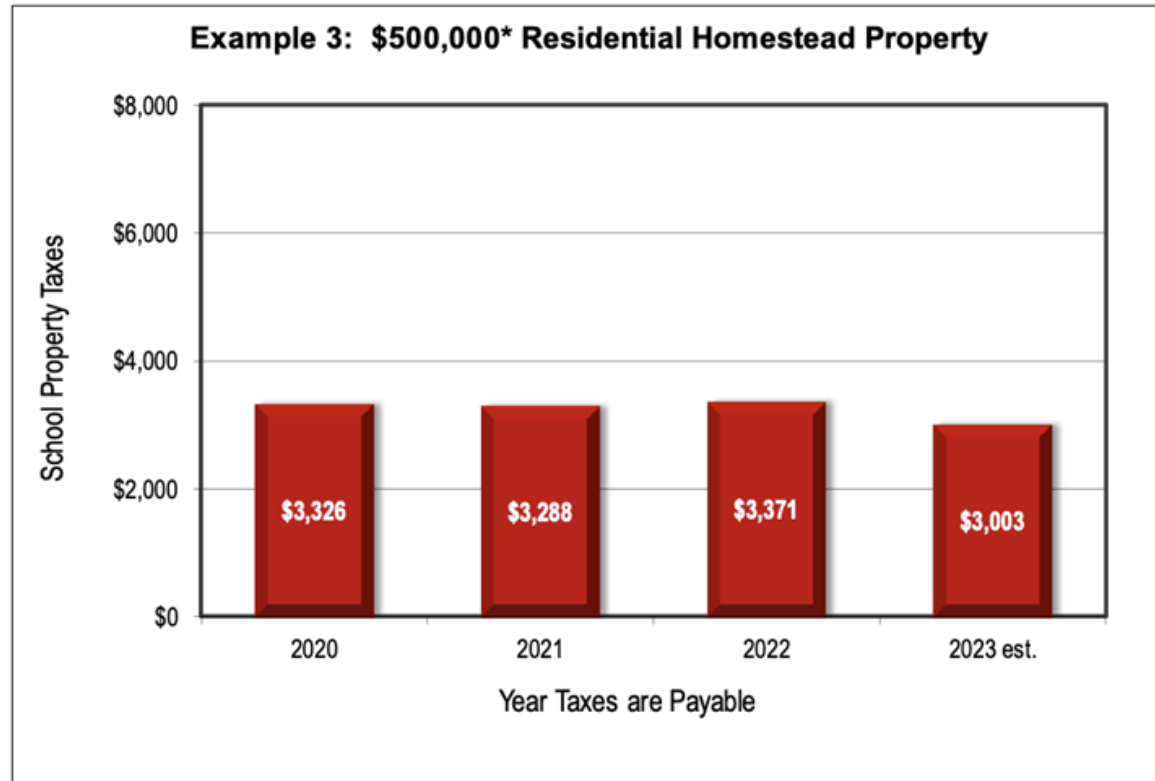
Based on No Changes in Property Value



* 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

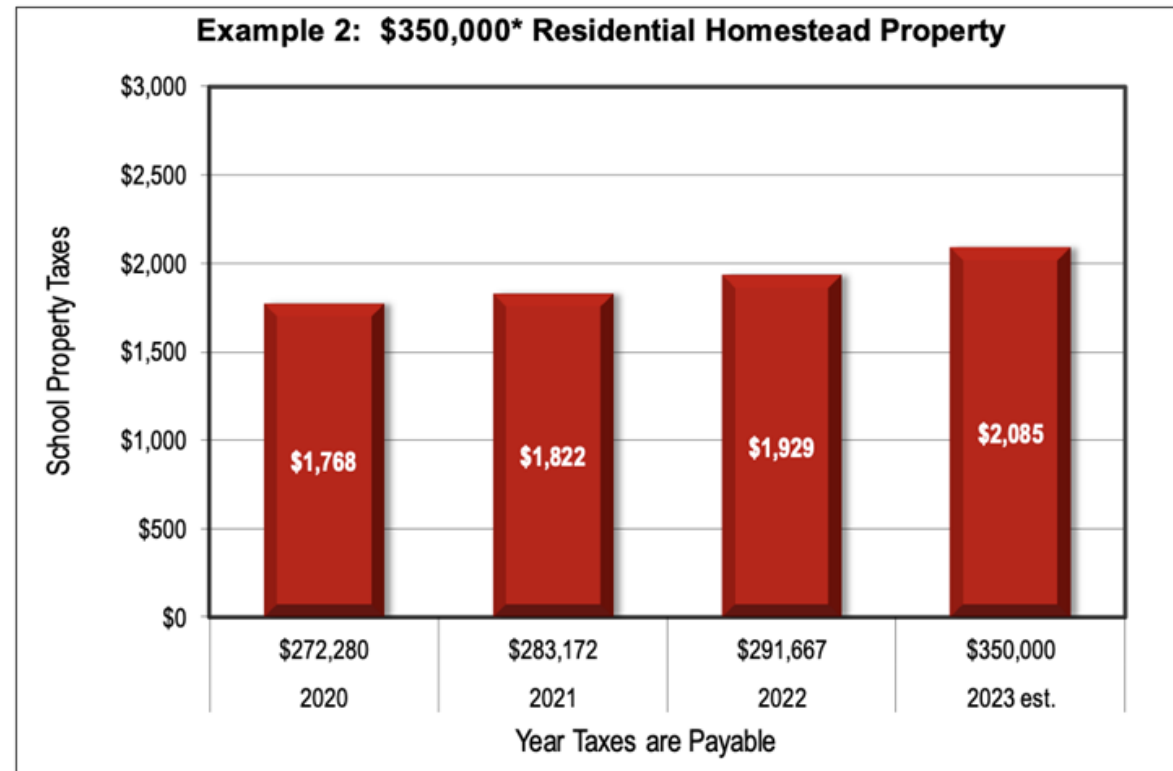
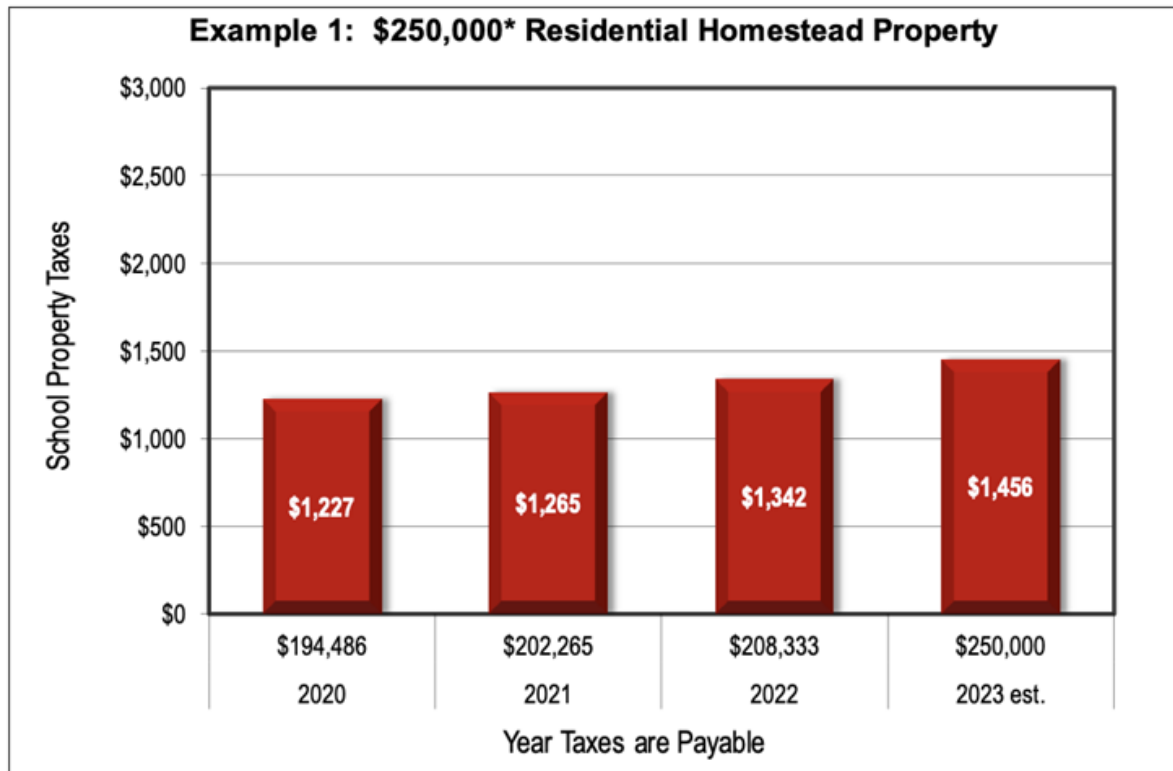
Based on No Changes in Property Value



* 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 28.5% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 4.0% from 2020 to 2021, 3.0% from 2021 to 2022 and 20.0% 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

Board will accept
public comments
on proposed levy

Board will certify
2023 property tax
levy

PUBLIC COMMENT