



White Bear Lake Area Schools, ISD 624

Public Hearing for Taxes Payable in 2023

DECEMBER 12, 2022

PRESENTED BY:

TIM WALD,

ASSISTANT SUPERINTENDENT FOR 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

- 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

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

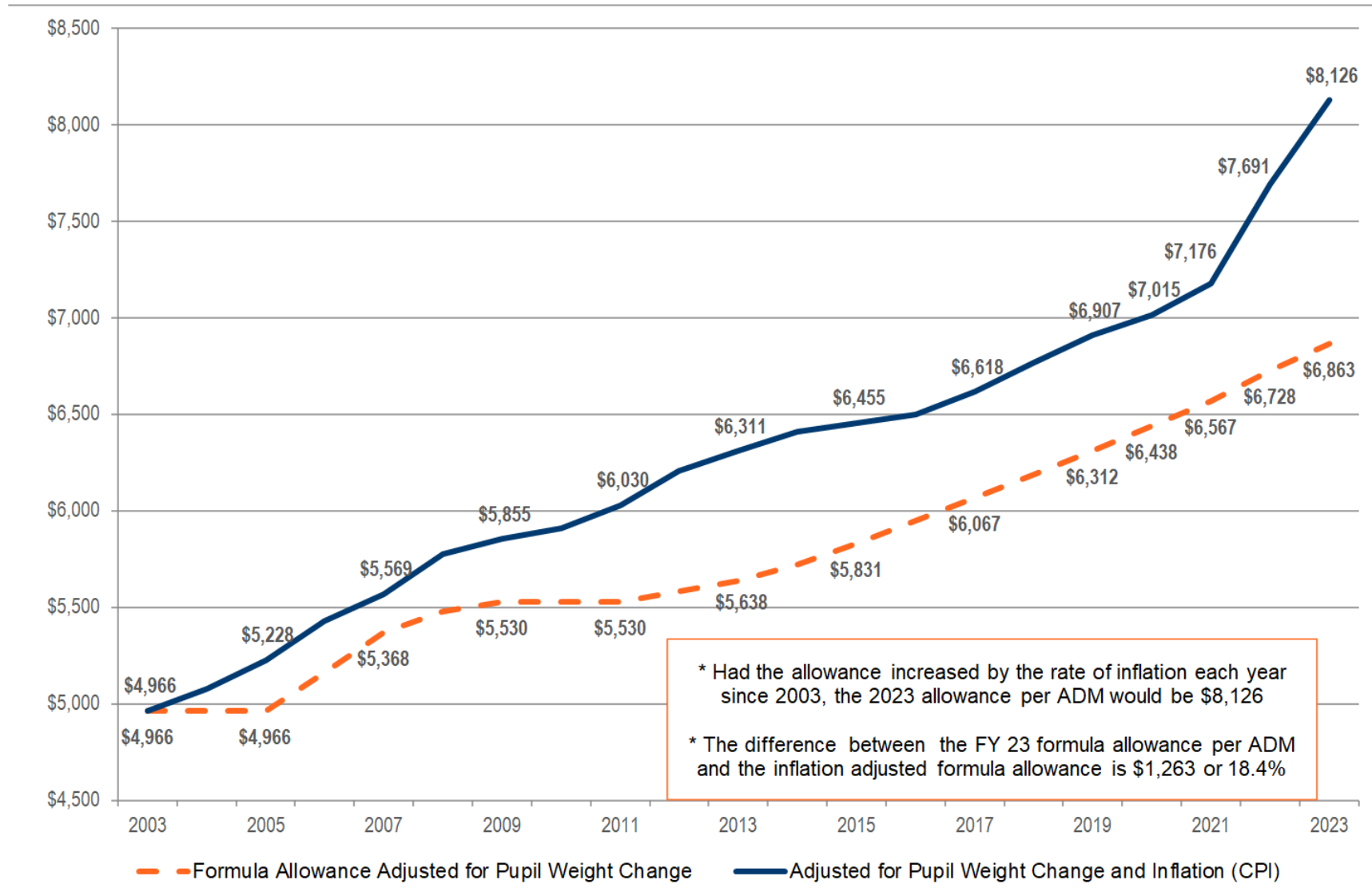
Basic General Education Formula Lags Inflation

- 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)

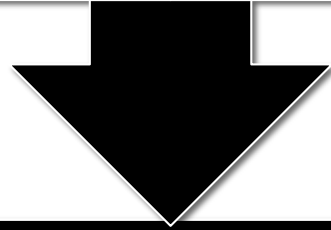


Source: MDE June 2022 Inflation Estimates

According to MN Department of Education (MDE):

FY 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

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



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

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
- Internal Service
- OPEB* Trust

**Other Post-Employment Benefits*



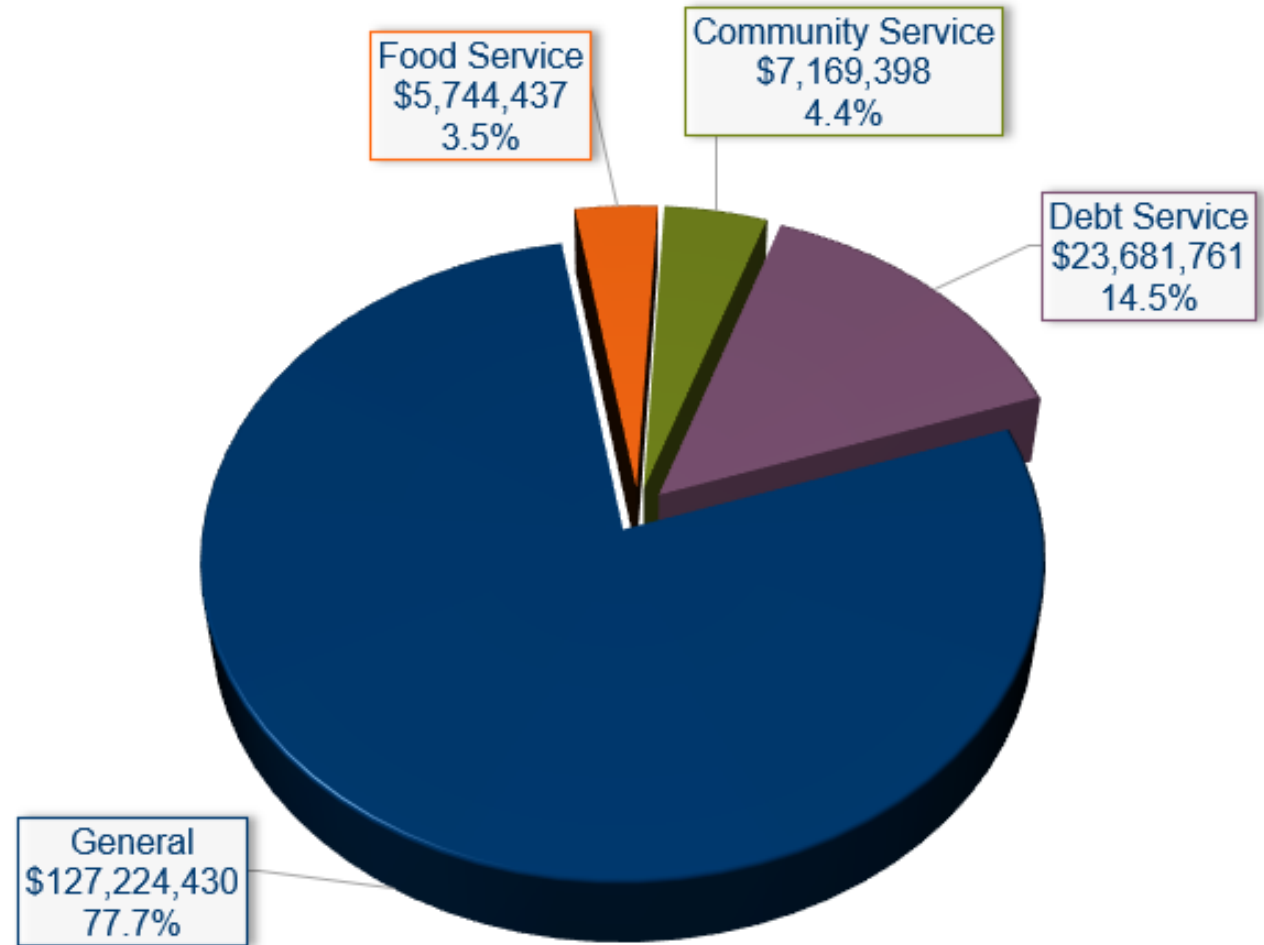
District Revenues & Expenditures
Actual for FY 2022, Budget for FY 2023

FUND	FISCAL 2022 BEGINNING	2021-22 ACTUAL		JUNE 30, 2022 ACTUAL	2022-23 BUDGET		JUNE 30, 2023 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
General/Restricted	\$4,568,631	\$22,886,263	\$23,179,443	\$4,275,451	\$15,793,690	\$15,992,888	\$4,076,253
General/Other	12,234,978	107,307,689	109,662,950	9,879,717	111,430,740	111,982,294	9,328,163
Food Service	1,405,150	6,998,355	5,308,456	3,095,049	5,744,437	6,539,079	2,300,407
Community Service	795,176	7,159,633	7,287,401	667,408	7,169,398	7,034,512	802,294
Building Construction	224,512,986	96,916,868	131,866,451	189,563,403	-	-	189,563,403
Debt Service	3,712,552	33,644,221	32,381,772	4,975,001	23,681,761	24,600,520	4,056,242
Trust	153,846	189,122	193,756	149,212	-	-	149,212
Internal Service	4,352,081			4,696,253			4,696,253
OPEB* Irrevocable Trust	36,349,857	(4,432,519)	1,742,959	30,174,379	-	-	30,174,379
Total All Funds	\$288,085,257	\$270,669,632	\$311,623,188	\$247,475,873	\$163,820,026	\$166,149,293	\$245,146,606

*Other Post Employment Benefits

Revenue - All Funds -

2022-23 Budget
\$163,820,026



General Fund Revenue

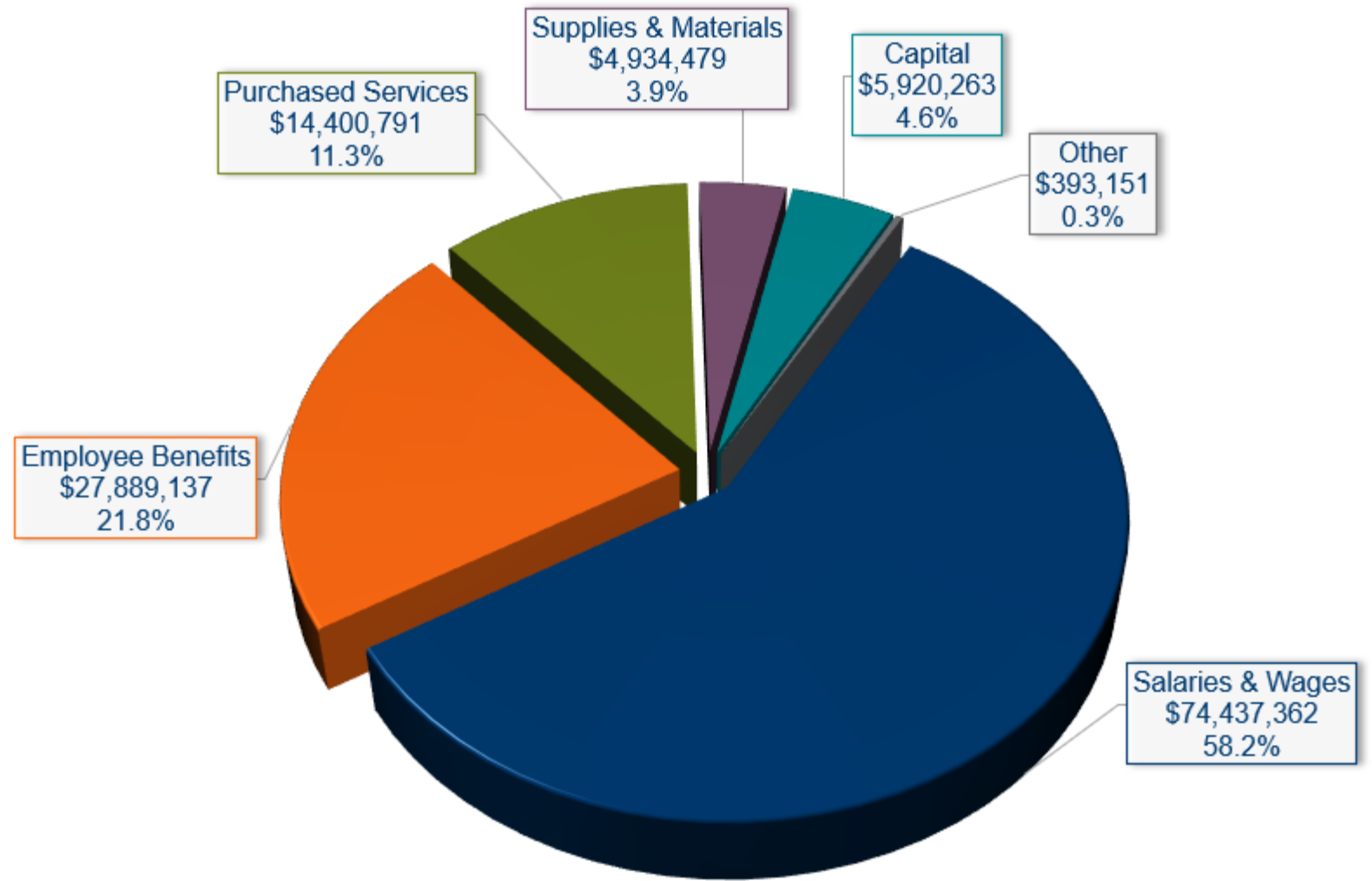
77.7% of all
revenues

2022-23 Budget



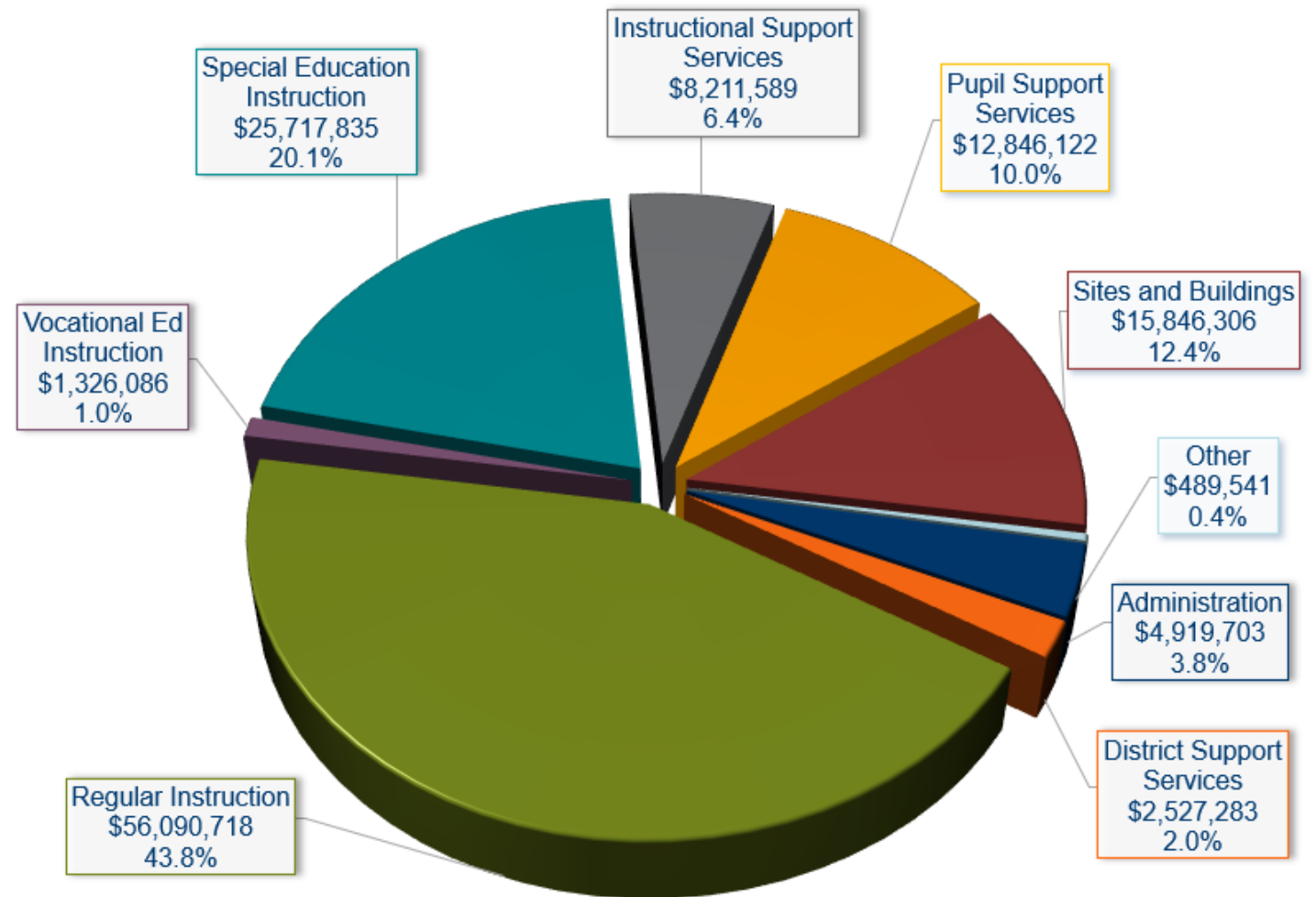
General Fund Expenditures - by Object -

2022-23 Budget
\$127,975,183



General Fund Expenditures - by Program

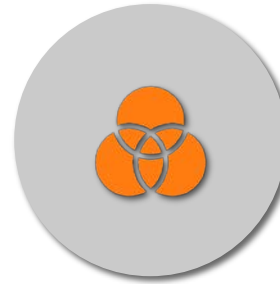
2022-23 Budget
\$127,975,183



Payable 2023 Property Tax Levy



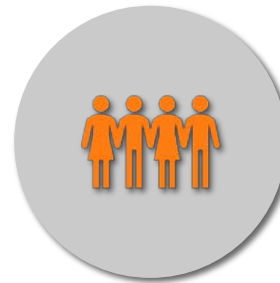
Determination of levy



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 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

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.

VALUES AND CLASSIFICATION			
Step	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 Hmstd	Res Hmstd
PROPOSED TAX			
Step 2	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

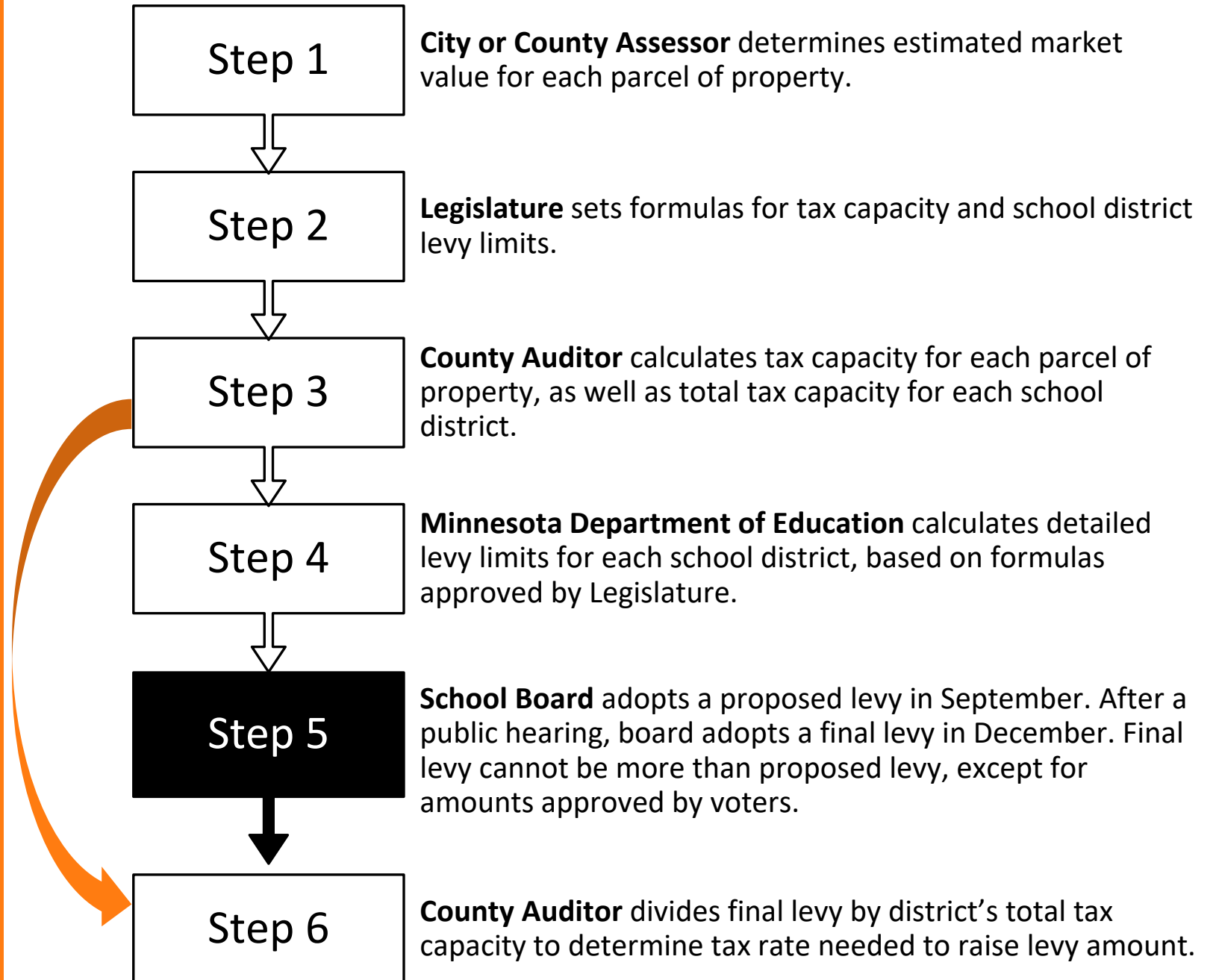
Contact Information	Meeting Information	Actual 2022	Proposed 2023
State General Tax	No meeting required	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 2, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7894	December 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 900 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 9, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$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 Tax Increment Tax	No meeting required No meeting required	\$12.80 \$10.15	\$13.02 \$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)



A background image showing a close-up of financial documents, including bar charts and a calculator, suggesting a business or financial context.

Overview of 2023 Proposed Tax Levy

- Proposed Payable 2023 tax levy is an increase from 2022 of \$4,812,817 or 8.4%
- 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	\$12,121,365	\$13,685,697	\$1,564,332	
Local Optional Revenue (LOR)	6,599,833	6,601,716	1,882	
Equity	892,345	888,829	(3,517)	
Capital Project Referendum	2,291,668	2,356,639	64,971	
Operating Capital	1,105,726	1,161,388	55,662	
Achievement and Integration	303,870	305,191	1,321	
Long Term Facilities Maintenance	5,574,264	4,765,873	(808,391)	
Instructional Lease	1,779,797	1,816,739	36,942	
Other	899,453	1,149,683	250,230	
Prior Year Adjustments	786,466	(120,371)	(906,837)	
Total, General Fund	\$32,354,787	\$32,611,382	\$256,595	0.8%
Community Service				
Basic Community Education	\$463,471	\$463,471	\$0	
Early Childhood Family Education	266,220	280,883	14,663	
School-Age Child Care	375,000	375,000	0	
Other	14,406	15,094	688	
Prior Year Adjustments	50,593	46,164	(4,429)	
Total, Community Service Fund	\$1,169,689	\$1,180,612	\$10,923	0.9%
Debt Service				
Voter Approved	\$12,378,267	\$15,450,830	\$3,072,563	
Long Term Facility Maintenance	11,272,937	13,053,587	1,780,651	
Reduction for Debt Excess	0	(337,346)	(337,346)	
Prior Year Adjustments	21,378	50,810	29,432	
Total, Debt Service Fund	\$23,672,582	\$28,217,881	\$4,545,299	19.2%
Total Levy, All Funds	\$57,197,058	\$62,009,875	\$4,812,817	8.4%
Subtotal by Truth in Taxation Categories:				
Voter Approved	26,855,382	32,089,805	5,234,423	
Other	30,341,677	29,920,071	(421,606)	
Total	\$57,197,058	\$62,009,875	\$4,812,817	8.4%

Explanation of Levy Changes

Category:

General Fund - Voter Approved Operating Referendum

Change:

+\$1,564,332

Use of Funds:

General Operating Expenses

Reason for Change:

Voter approved operating referendum authority includes an annual inflationary increase

Explanation of Levy Changes

Category:

General & Debt Service Funds – Long Term Facilities Maintenance (LTFM) and Debt Service Fund – Voter Approved (VA)

Change:

-\$808,391 (General Fund LTFM), +\$3,072,563 (Debt Service Fund VA) & +\$1,780,651 (Debt Service Fund LTFM)

Use of Funds:

Facilities Maintenance & Required Payments on Bonds

Reason for Change:

- District is eligible for LTFM revenue based on state-approved project cost
- LTFM projects are financed through a combination of annual General Fund levies, state aid and bond issues
- Levies are coordinated with other capital and debt levies to maintain a specified tax rate

Explanation of Levy Changes

Category:

General Fund – Prior Year Adjustments

Change:

-\$906,837

Use of Funds:

Various

Reason for Change:

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

Factors Impacting Individual Taxpayers' School Taxes

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

Impact of Property Valuations

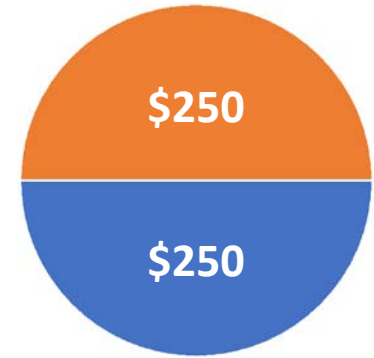
Two properties in the district

- 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

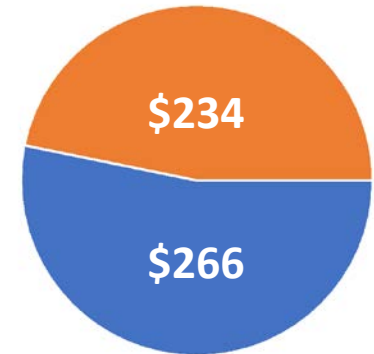
Two properties in the district

- 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

- Examples include school district taxes only and are shown based on no change and a 23.8% 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 White Bear Lake
- Amounts for 2023 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (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	\$150,000	\$800	\$739	\$728	\$684	-\$116	-\$44
	200,000	1,112	1,031	1,014	953	-159	-61
	250,000	1,425	1,324	1,300	1,221	-204	-79
	275,000	1,581	1,470	1,443	1,355	-226	-88
	350,000	2,050	1,909	1,872	1,758	-292	-114
	400,000	2,362	2,201	2,158	2,026	-336	-132
	450,000	2,662	2,481	2,433	2,284	-378	-149
	500,000	2,958	2,757	2,703	2,538	-420	-165
	550,000	3,300	3,079	3,017	2,832	-468	-185
Commercial/ Industrial #	600,000	3,642	3,401	3,331	3,126	-516	-205
	\$250,000	\$1,531	\$1,477	\$1,377	\$1,324	-\$207	-\$53
	500,000	3,234	3,136	2,911	2,802	-432	-109
	1,000,000	6,640	6,453	5,980	5,757	-883	-223
	1,500,000	10,045	9,770	9,049	8,712	-1,333	-337
Apartments and Res. Non-Homestead (2 or more units)	2,500,000	16,856	16,404	15,188	14,622	-2,234	-566
	\$750,000	\$5,127	\$4,830	\$4,708	\$4,415	-\$712	-\$293
	1,000,000	6,836	6,441	6,277	5,887	-949	-390
	2,000,000	13,671	12,881	12,554	11,774	-1,897	-780

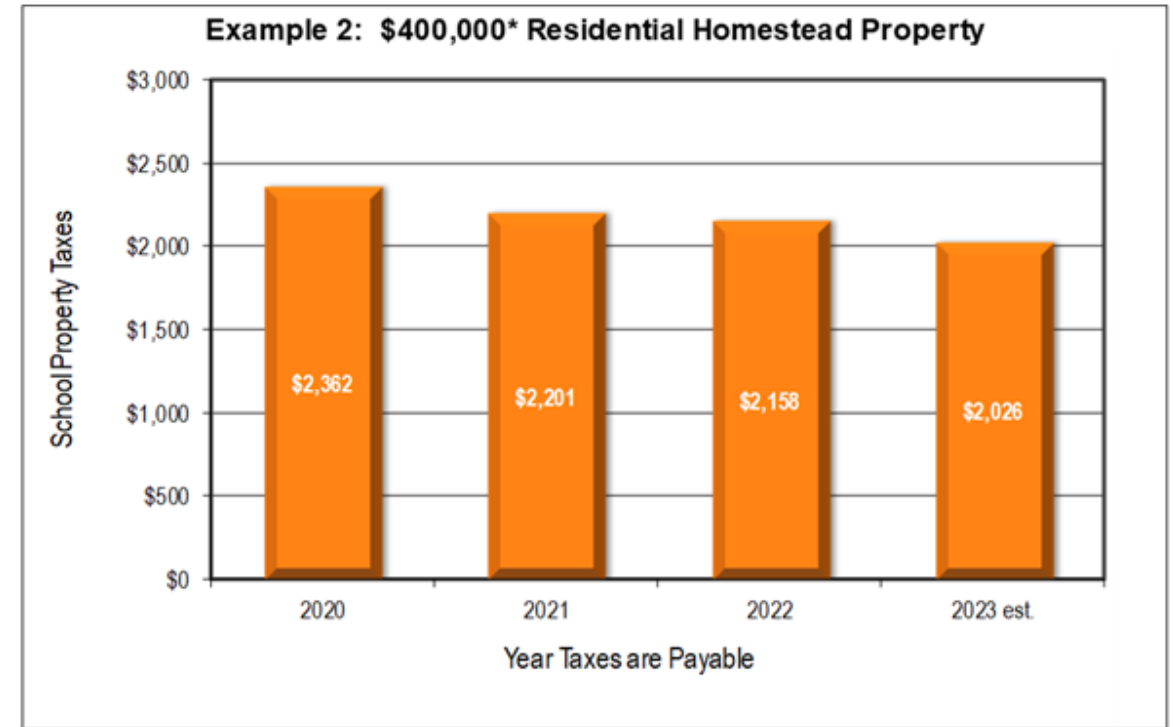
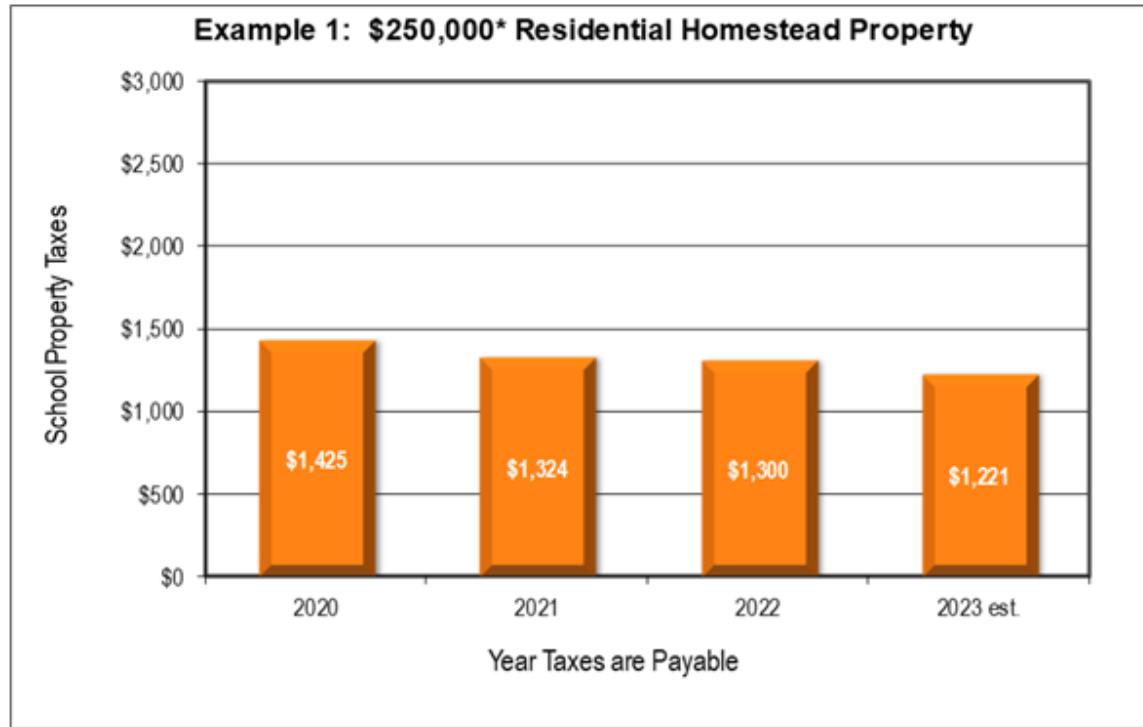
For commercial-industrial property, amounts above are for property in the City of White Bear Lake. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

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

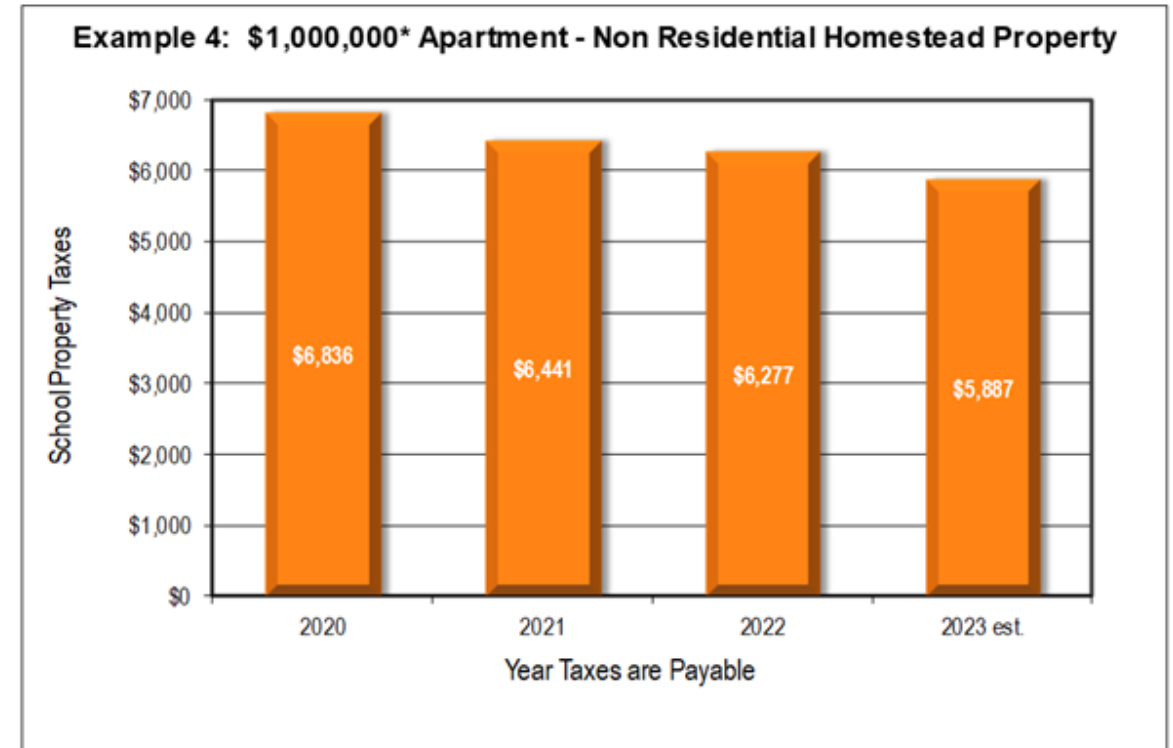
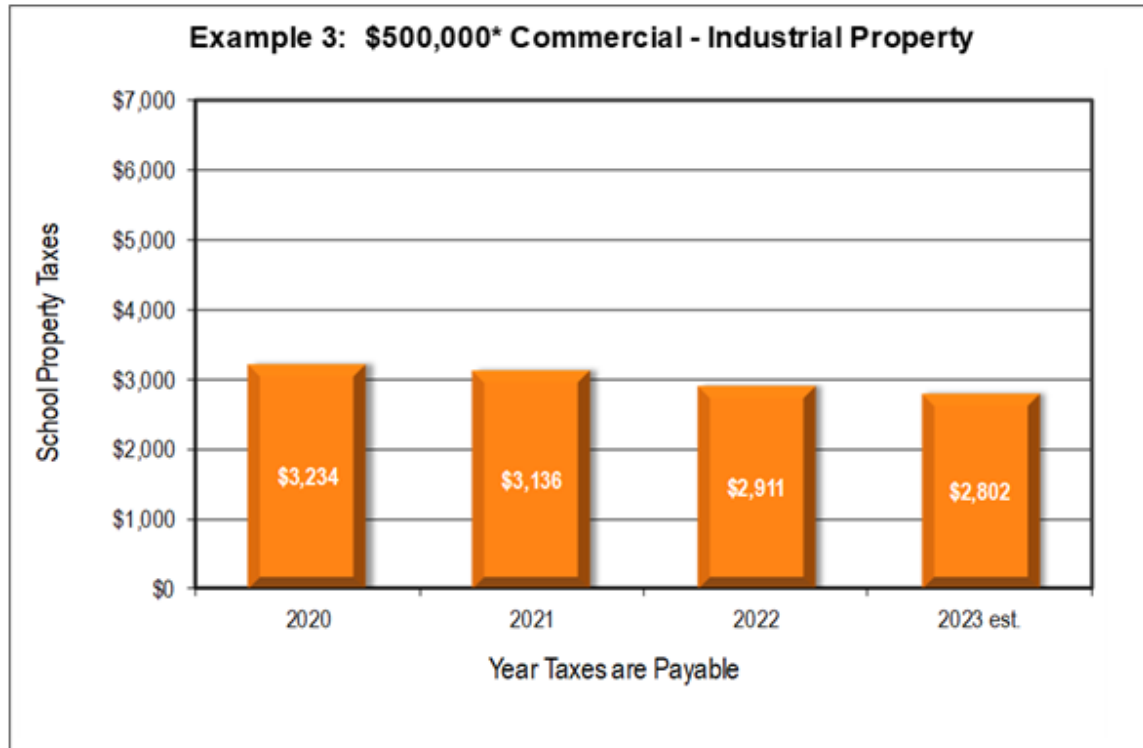
Based on No Changes in Property Value



* 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

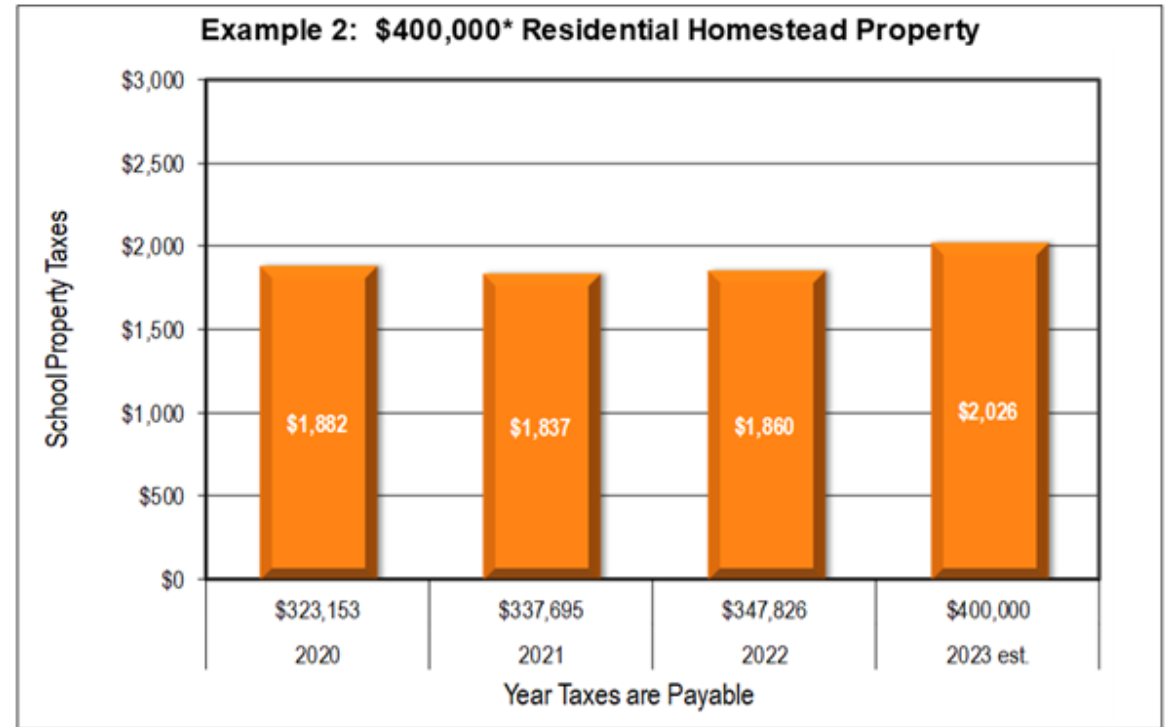
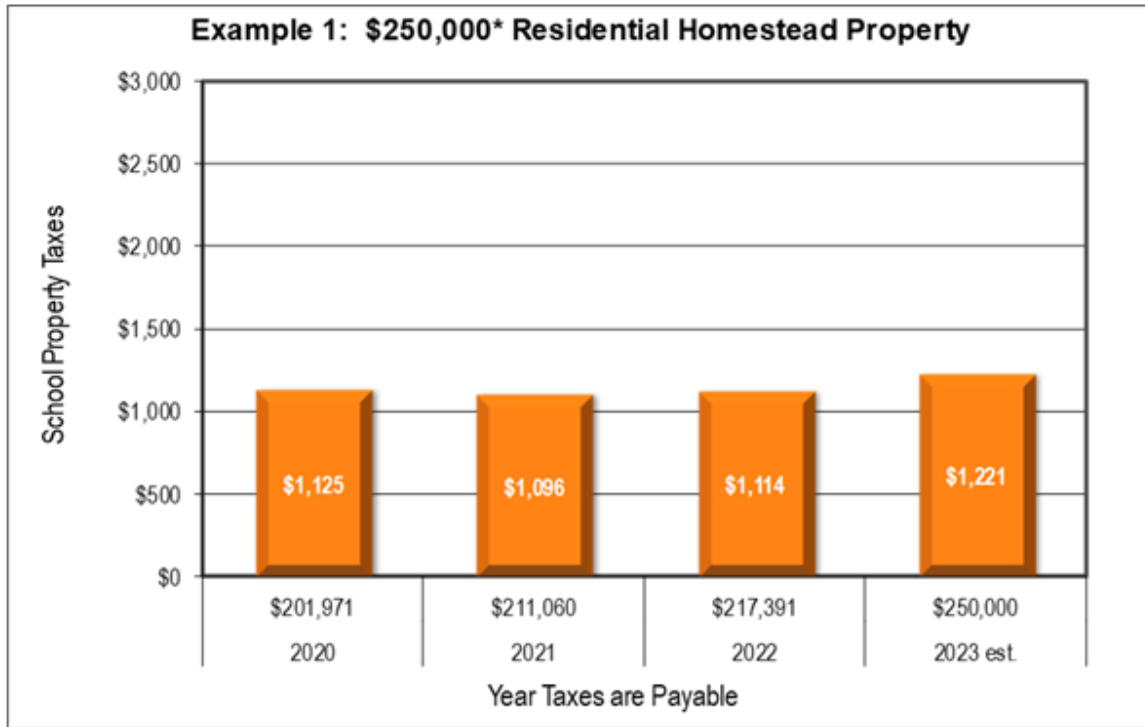
Based on No Changes in Property Value



* 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 23.8% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 4.5% from 2020 to 2021, 3.0% from 2021 to 2022 and 15.0% from 2022 to 2023.

State Property Tax Refunds & Deferral

See www.revenue.state.mn.us

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 COMMENTS