



# Truth in Taxation Meeting

2022 Payable 2023  
Property Tax Levy

December 5, 2022

# Truth in Taxation Meeting Requirements

- Must be after November 24th
- Must be before Final Levy Certification
  - May be at the same meeting
  - Deadline of December 30th
- Must be 6:00 p.m. or later
- Present current year budget
- Present proposed property tax levy
- Allow a time for the public to speak

# Background on Public School Funding

MN Constitution Assigns Legislature Responsibility to Set Funding

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.”

# School Funding is Highly Regulated

The State sets:

- Formulas which determine revenue
  - Most revenue is based on specified amounts per student
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than the amount authorized by state, unless approved by the voters)

The State also authorizes school boards to submit referendums for operating and capital needs to voters for approval.



# School District

## Property Tax Levy vs. Budget Cycle

### Property Tax Levy

- Preliminary Levy set in September
- Final Levy set in December
- Property taxes levied on a calendar year basis

### Budget Cycle

- Final budget approved in June
- Budget is for fiscal year (July 1 - June 30)
- Mid-year budget revisions

***2022 Payable 2023 Levy / Fiscal Year 2023-2024 (July 1, 2023-June 30, 2024)***

# 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, and fund balance

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

# Budget Information

# Budget Information

School district budgets are divided into separate funds, each with its own purpose.

Tax levy is *one* of the sources of revenue for *some* of the funds.

## Fund Categories

- **General**
- Food Service
- **Community Service**
- Building Construction
- **Debt Service**
- Custodial (previously Agency)
- Internal Service

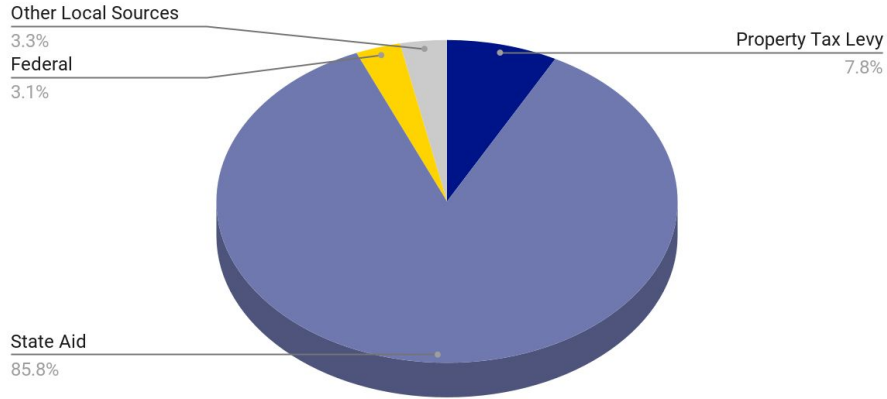
# FY 2022-2023 Budget

<b>Fund</b>	<b>Revenue</b>	<b>Expenditures</b>
General Fund	\$74,508,795	\$74,641,610
Food Service Fund	\$3,346,490	\$3,641,705
Community Service Fund	\$5,014,397	\$5,023,948
Debt Service Fund	<u>\$16,182,944</u>	<u>\$16,405,778</u>
Total Budget	\$99,052,626	\$99,713,041

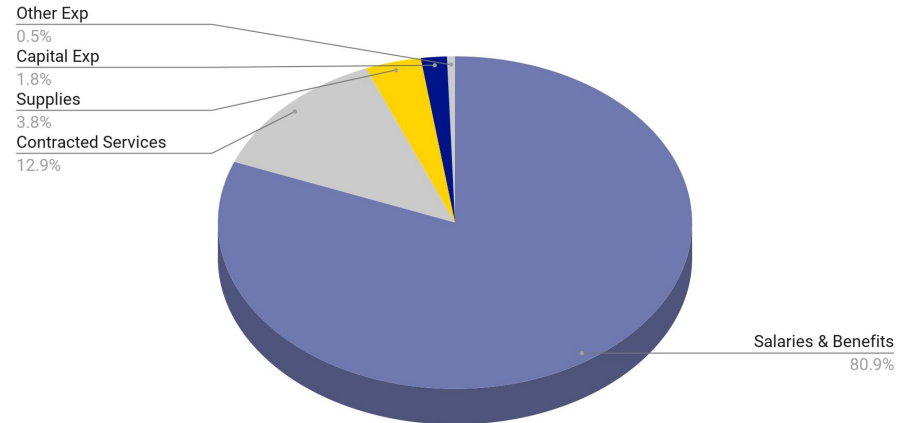
School Board approved June 20, 2022.

# General Fund Revenue and Expenditures

## General Fund Revenue



## General Fund Expenditures



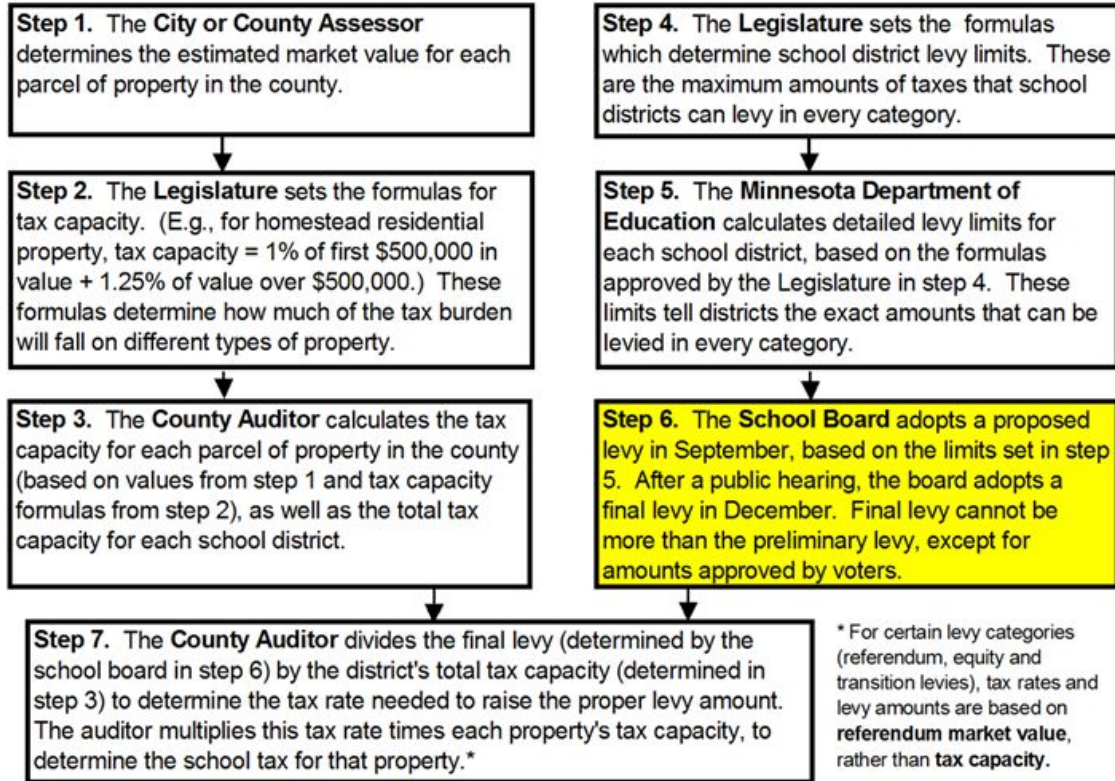
# Property Tax Levy

# School District Tax Levy Information

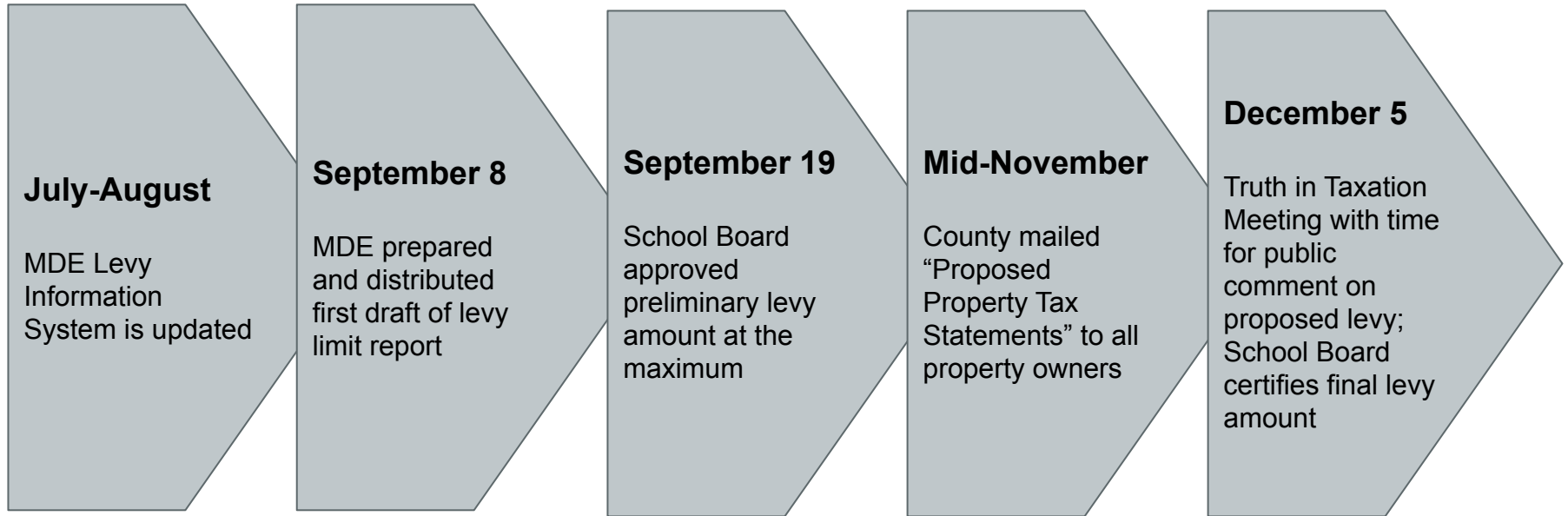
- State sets funding formulas which determine revenue
- State sets tax policy for school districts
- State sets maximum authorized property tax levy
- State authorizes school board to submit referendums for operating and capital needs to voters for approvals

# Minnesota School District Levy Process

## Minnesota School District Property Taxes - Key Steps in the Process



# School District Property Tax Levy Timeline



# Proposed Property Tax Levy

Fund & Category	Prior Year Levy 2021 Pay 2022	Final Proposed Levy 2022 Pay 2023	Amount Change	% Change
<b>General Fund</b>				
Voter Approved Referendum	-	-	-	
Local Optional	3,092,752.06	3,549,624.84	456,872.78	14.77%
Quality Compensation	396,609.38	438,126.59	41,517.21	10.47%
Equity	847,513.59	994,255.23	146,741.64	17.31%
Transition	3,340.20	3,918.54	578.34	17.31%
Operating Capital	263,068.14	287,657.74	24,589.60	9.35%
Safe Schools	250,113.60	261,036.00	10,922.40	4.37%
Long Term Facilities Maintenance (LTFM)	607,227.22	682,512.14	75,284.92	12.40%
Building/Land Lease	66,732.00	71,232.00	4,500.00	6.74%
Career & Tech	164,952.87	172,926.94	7,974.07	4.83%
Reemployment	50,000.00	20,000.00	(30,000.00)	-60.00%
Prior Year Adjustments & Abatements	15,483.88	(89,903.31)	(105,387.19)	-680.63%
<b>General Fund Total</b>	<b>5,757,792.94</b>	<b>6,391,386.71</b>	<b>633,593.77</b>	<b>11.00%</b>
<b>Community Service Fund</b>				
Basic Community Education	185,395.20	185,395.20	-	0.00%
Early Childhood Family Education	70,302.32	76,624.33	6,322.01	8.99%
School Age Child Care	70,000.00	65,000.00	(5,000.00)	-7.14%
Home Visiting	1,476.63	1,599.76	123.13	8.34%
Prior Year Adjustments & Abatements	1,185.20	(33,614.44)	(34,799.64)	-2936.18%
<b>Community Service Fund Total</b>	<b>328,359.35</b>	<b>295,004.85</b>	<b>(33,354.50)</b>	<b>-10.16%</b>
<b>Debt Service Fund</b>				
Voter Approved Debt Service	10,881,423.40	11,535,420.65	653,997.25	6.01%
Reduction for Debt Excess	(869,526.90)	(755,989.15)	113,537.75	-13.06%
Prior Year Adjustments & Abatements	19,578.78	(15,325.04)	(34,903.82)	-178.27%
<b>Debt Service Fund Total</b>	<b>10,031,475.28</b>	<b>10,764,106.46</b>	<b>732,631.18</b>	<b>7.30%</b>
<b>Total Levy, All Funds</b>	<b>16,117,627.57</b>	<b>17,450,498.02</b>	<b>1,332,870.45</b>	<b>8.27%</b>

# Explanation of Levy Changes

- Changes in categories are due to:
  - Changes in enrollment
  - Change in building age
  - Change in prior levy to actual costs
  - Changes in market value rates
  - Change in debt service scheduled payments

# Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause an increase or decrease from year to year to a taxpayer's property taxes

- 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

*The following 3 slides were provided by Ehlers, the District's municipal financial advisor.*

# St. Michael-Albertville School District

Estimated Changes in School Property Taxes, 2020 to 2023

Based on 27.9% Cumulative Changes in Property Value from 2020 to 2023 Taxes

Type of Property	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	Actual Taxes Payable in 2022	Estimated Market Value for 2023 Taxes	Estimated Taxes Payable in 2023	Change in Taxes 2020 to 2023	Change in Taxes 2022 to 2023
Residential Homestead	\$156,340	\$857	\$161,031	\$858	\$173,913	\$896	\$200,000	\$913	\$56	\$17
	175,883	985	181,159	986	195,652	1,028	225,000	1,043	58	15
	195,425	1,114	201,288	1,114	217,391	1,159	250,000	1,174	60	15
	214,968	1,242	221,417	1,242	239,130	1,291	275,000	1,304	62	13
	234,511	1,370	241,546	1,370	260,870	1,423	300,000	1,435	65	12
	254,053	1,498	261,675	1,497	282,609	1,555	325,000	1,565	67	10
	273,596	1,627	281,804	1,625	304,348	1,686	350,000	1,696	69	10
	293,138	1,755	301,932	1,753	326,087	1,818	375,000	1,827	72	9
	312,681	1,883	322,061	1,881	347,826	1,950	400,000	1,957	74	7
390,851	2,396	402,576	2,392	434,783	2,469	500,000	2,452	56	-17	
Commercial/ Industrial	\$390,851	\$3,836	\$402,576	\$3,845	\$434,783	\$3,996	\$500,000	\$3,959	\$123	-\$37
	586,276	5,923	603,865	5,934	652,174	6,153	750,000	6,071	148	-82
	703,532	7,176	724,638	7,187	782,609	7,447	900,000	7,338	162	-109
	781,702	8,011	805,153	8,022	869,565	8,310	1,000,000	8,183	172	-127
	1,172,553	12,186	1,207,729	12,199	1,304,348	12,623	1,500,000	12,408	222	-215
Agricultural Homestead (average value per acre of land and buildings)	\$7,817	\$10.36	\$8,052	\$9.73	\$8,696	\$9.37	\$10,000	\$7.33	-\$3.03	-\$2.04
	9,380	\$12.43	9,662	\$11.68	10,435	\$11.24	12,000	8.79	-3.64	-2.45
	10,553	\$13.98	10,870	\$13.14	11,739	\$12.65	13,500	9.89	-4.09	-2.76
	11,726	\$15.54	12,077	\$14.59	13,043	\$14.06	15,000	10.99	-4.55	-3.06

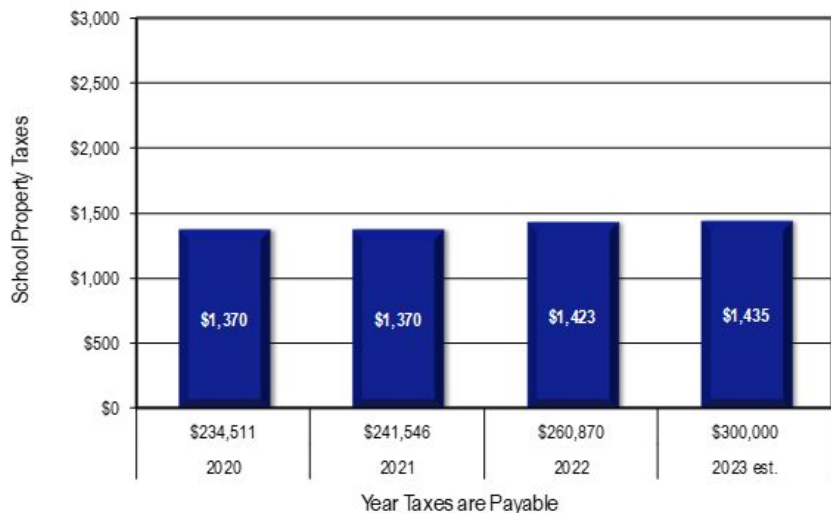
## General Notes

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 based on changes in estimated market value of 3.0% from 2020 to 2021, 8.0% from 2021 to 2022 and 15.0% from 2022 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.

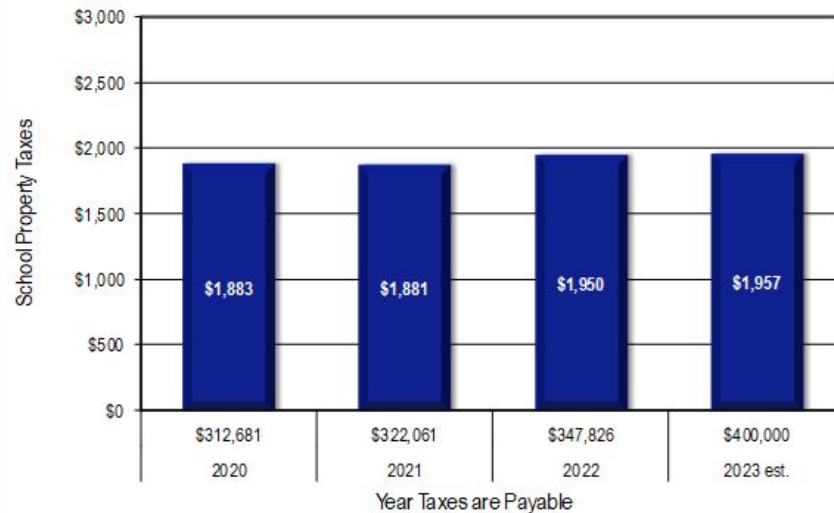
# Estimated Changes in School Property Taxes, 2020-23

*Based on 27.9% Cumulative Changes in Property Value*

**Example 1: \$300,000\* Residential Homestead Property**



**Example 2: \$400,000\* Residential Homestead Property**

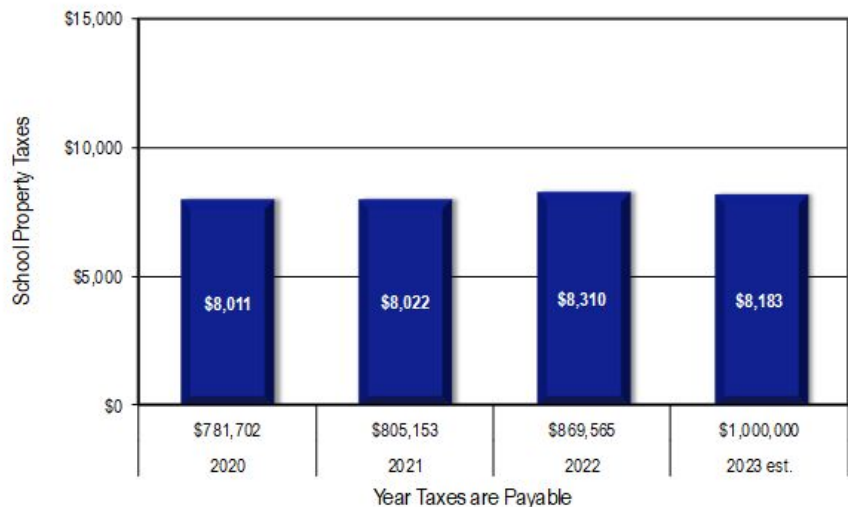


\* Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 3.0% from 2020 to 2021, 8.0% from 2021 to 2022 and 15.0% from 2022 to 2023.

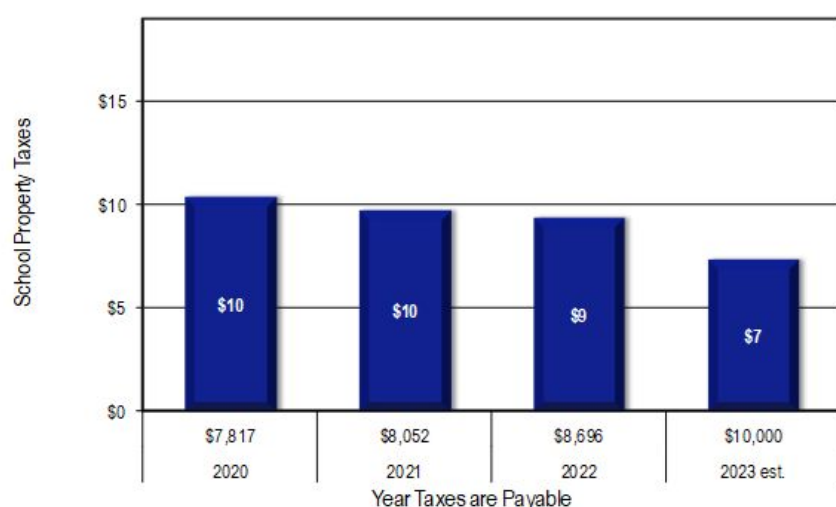
# Estimated Changes in School Property Taxes, 2020-23

*Based on 27.9% Cumulative Changes in Property Value*

**Example 3: \$1,000,000\* Commercial-Industrial Property**



**Example 4: \$10,000\* Agricultural - Homestead Property**



\* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 3.0% from 2020 to 2021, 8.0% from 2021 to 2022 and 15.0% from 2022 to 2023.

# Minnesota Special Property Tax Refund

Minnesota Homestead Credit Refund and Property Tax Refund

*Consult with your tax professional for more information and refer to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) for more information about the M-1PR Form*

# Next Steps

1

The Board will accept public comments on the proposed levy

2

The Board will certify the 2022 Payable 2023 Property Tax Levy

