



# Truth in Taxation Meeting

2020 Payable 2021  
Property Tax Levy

December 7, 2020

# 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 pupil
- 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.

# State Set Basic General Education Formula Lags Inflation

- The General Education revenue formula has not kept pace with inflation
- For Fiscal Year 2020-21, Legislature approved an increase of 2% or \$129
- Per-pupil allowance for Fiscal Year 2020-21 of \$6,567 would need to increase by another \$639 (9.7%) to have kept pace with inflation since 2002-03



# 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

***2020 Payable 2021 Levy / Fiscal Year 2021-2022 (July 1, 2021-June 30, 2022)***

# 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

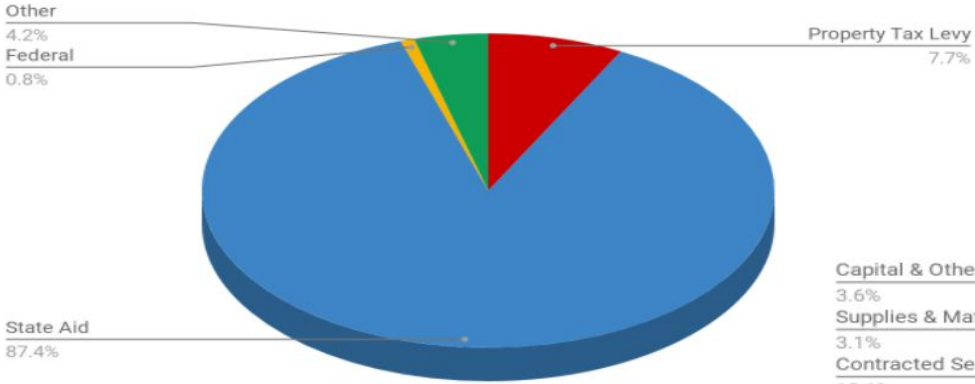
- **General**
- Food Service
- **Community Service**
- Building Construction
- **Debt Service**
- Custodial (previously Agency)
- Internal Service

# FY 2020-2021 Budget

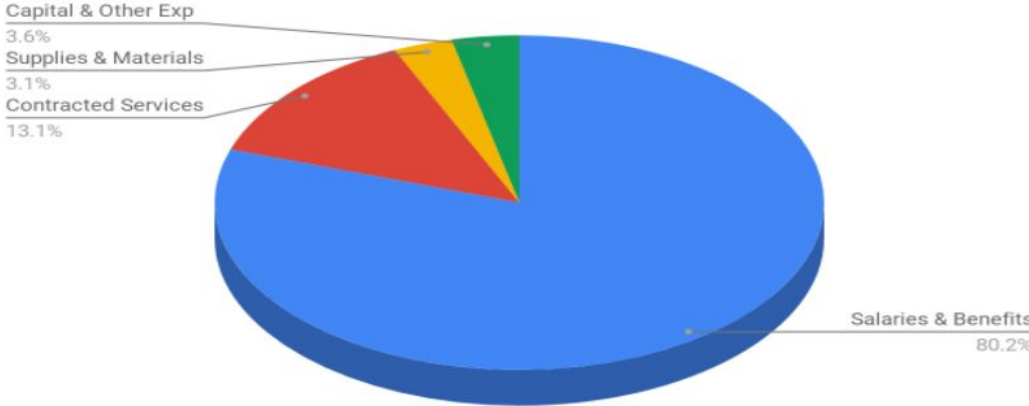
	<u>Revenue</u>	<u>Expenditures</u>
General Fund	\$69,158,908	\$70,828,697
Food Service Fund	3,491,152	3,757,244
Community Service Fund	5,249,681	5,504,977
Debt Service Fund	15,275,436	15,658,903
Total	<u>\$93,175,177</u>	<u>\$95,749,821</u>

# General Fund Revenues & Expenses

## General Fund Revenues



## General Fund Expenditures



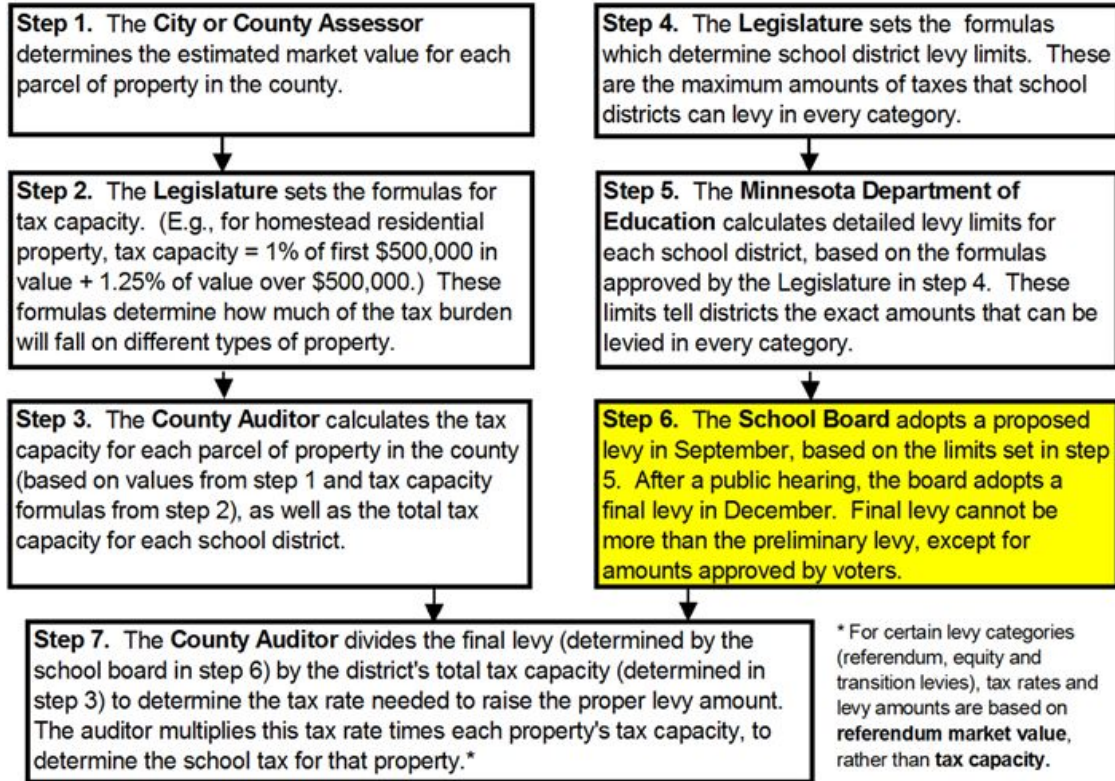
# Property Tax Levy

# 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

## July-August

- MDE Levy Information System is updated

## September 8

- MDE prepared and distributed first draft of levy limit report

## September 21

- School Board approved preliminary levy amount at the maximum

## Mid-November

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

## December 7

- Truth in Taxation Meeting with time for public comment on proposed levy
- School Board certifies final levy amount

# Proposed Property Tax Levy

Fund & Category	Prior Year Levy 2019 Pay 2020	Final Levy 2020 Pay 2021	Amount Change	% Change	Prior Year % Change
<b>General Fund</b>					
Local Optional Referendum	3,043,660.24	3,151,741.68	108,081.44	3.6%	
Quality Compensation	351,092.90	392,878.41	41,785.51	11.9%	
Equity	852,533.79	882,807.57	30,273.78	3.6%	
Transition	3,359.99	3,479.30	119.31	3.6%	
Operating Capital	215,476.95	235,573.77	20,096.82	9.3%	
Safe Schools	264,038.40	258,098.40	(5,940.00)	-2.2%	
Long Term Facilities Maintenance (LTFM)	578,535.23	595,249.13	16,713.90	2.9%	
Building/ Land Lease	105,255.29	103,166.77	(2,088.52)	-2.0%	
Career & Tech	110,140.88	122,713.44	12,572.56	11.4%	
Reemployment	12,000.00	50,000.00	38,000.00	316.7%	
Prior Year Adjustments & Abatements	(175,154.07)	(194,969.15)	(19,815.08)	11.3%	
<b>General Fund Total</b>	<b>5,360,939.60</b>	<b>5,600,739.32</b>	<b>239,799.72</b>	<b>4.5%</b>	<b>2.8%</b>
<b>Community Service Fund</b>					
Basic Community Education	189,813.45	189,813.45	-	0.0%	
Early Childhood Education	67,936.78	69,148.23	1,211.45	1.8%	
School Age Child Care	70,000.00	70,000.00	-	0.0%	
Home Visiting	1,183.08	1,375.22	192.14	16.2%	
Prior Year Adjustments & Abatements	44,430.38	(23,450.89)	(67,881.27)	-152.8%	
<b>Community Service Fund Total</b>	<b>373,363.69</b>	<b>306,886.01</b>	<b>(66,477.68)</b>	<b>-17.8%</b>	<b>8.4%</b>
<b>Debt Service Fund</b>					
Voter Approved Debt Service	9,998,400.15	10,555,472.93	557,072.78	5.6%	
Reduction for Debt Excess	(663,036.37)	(856,560.90)	(193,524.53)	29.2%	
Prior Year Adjustments & Abatements	(4,114.98)	(6,344.40)	(2,229.42)	54.2%	
<b>Debt Service Fund Total</b>	<b>9,331,248.80</b>	<b>9,692,567.63</b>	<b>361,318.83</b>	<b>3.9%</b>	<b>3.7%</b>
<b>Total Levy, All Funds</b>	<b>15,065,552.09</b>	<b>15,600,192.96</b>	<b>534,640.87</b>	<b>3.55%</b>	<b>3.5%</b>

# Explanation of Levy Changes

- Legislative Change - General Fund Voter Approved Referendum, Board Approved Referendum, and Local Optional revenues formulas are now combined (no change to the calculation)
- Changes in categories are due to:
  - Increase 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 ISD #885

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 16.9% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Type of Property	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Actual Taxes Payable in 2019	Estimated Market Value for 2020 Taxes	Actual Taxes Payable in 2020	Estimated Market Value for 2021 Taxes	Estimated Taxes Payable in 2021	Change in Taxes 2018 to 2021	Change in Taxes 2020 to 2021
Residential Homestead	\$171,138	\$989	\$179,695	\$1,045	\$188,679	\$1,069	\$200,000	\$1,105	\$116	\$36
	192,530	1,135	202,156	1,197	212,264	1,224	225,000	1,264	129	40
	213,922	1,281	224,618	1,350	235,849	1,379	250,000	1,422	141	43
	235,314	1,427	247,080	1,502	259,434	1,534	275,000	1,581	154	47
	256,706	1,573	269,542	1,655	283,019	1,688	300,000	1,740	167	52
	278,099	1,718	292,004	1,807	306,604	1,843	325,000	1,898	180	55
	299,491	1,864	314,466	1,960	330,189	1,998	350,000	2,057	193	59
	342,275	2,156	359,389	2,266	377,358	2,307	400,000	2,374	218	67
	385,060	2,448	404,313	2,570	424,528	2,613	450,000	2,677	229	64
	427,844	2,734	449,236	2,860	471,698	2,903	500,000	2,975	241	72
Commercial/ Industrial	\$171,138	\$1,555	\$179,695	\$1,638	\$188,679	\$1,676	\$200,000	\$1,742	\$187	\$66
	342,275	3,469	359,389	3,629	377,358	3,691	400,000	3,816	347	125
	427,844	4,426	449,236	4,624	471,698	4,699	500,000	4,853	427	154
	641,766	6,818	673,854	7,113	707,547	7,219	750,000	7,445	627	226
	855,688	9,211	898,473	9,602	943,396	9,738	1,000,000	10,037	826	299
Agricultural Homestead (average value per acre of land and buildings)	\$4,278	\$6.86	\$4,492	\$7.02	\$4,717	\$6.11	\$5,000	\$6.89	-\$0.97	-\$0.22
	5,134	\$8.23	5,391	\$8.43	5,660	\$7.33	6,000	7.05	-1.18	-0.28
	6,846	\$10.98	7,188	\$11.23	7,547	\$9.77	8,000	9.41	-1.57	-0.36
	8,557	\$13.73	8,985	\$14.05	9,434	\$12.21	10,000	11.76	-1.97	-0.45
Agricultural Non-homestead (average value per acre of land and buildings)	\$4,278	\$13.73	\$4,492	\$14.05	\$4,717	\$12.21	\$5,000	\$11.76	-\$1.97	-\$0.45
	5,134	\$16.47	5,391	\$16.85	5,660	\$14.65	6,000	14.12	-2.35	-0.53
	6,846	\$21.95	7,188	\$22.48	7,547	\$19.53	8,000	18.83	-3.12	-0.70
	8,557	\$27.44	8,985	\$28.09	9,434	\$24.42	10,000	23.53	-3.91	-0.89

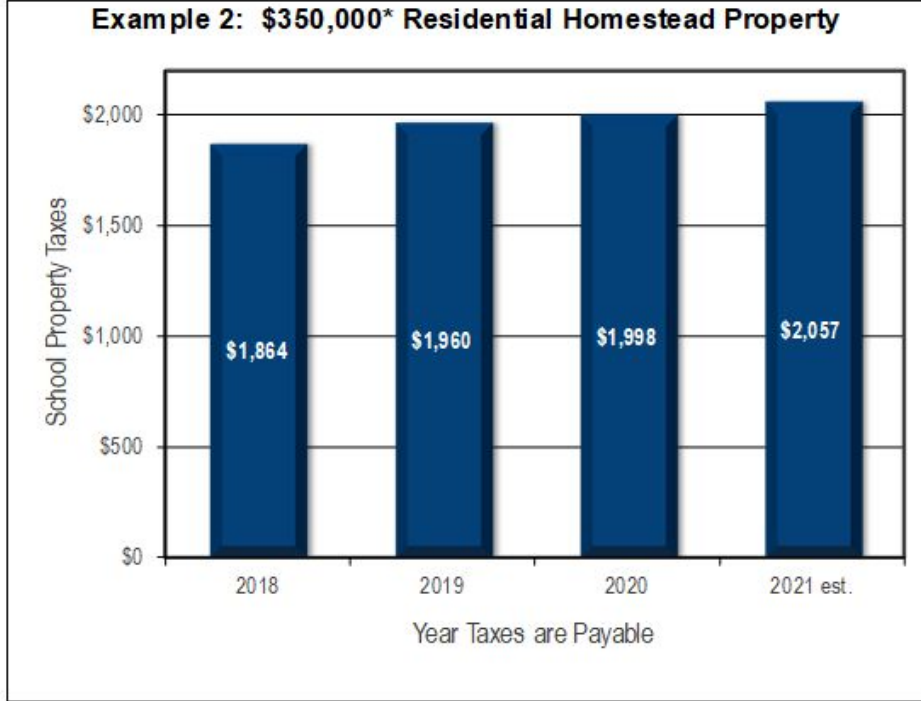
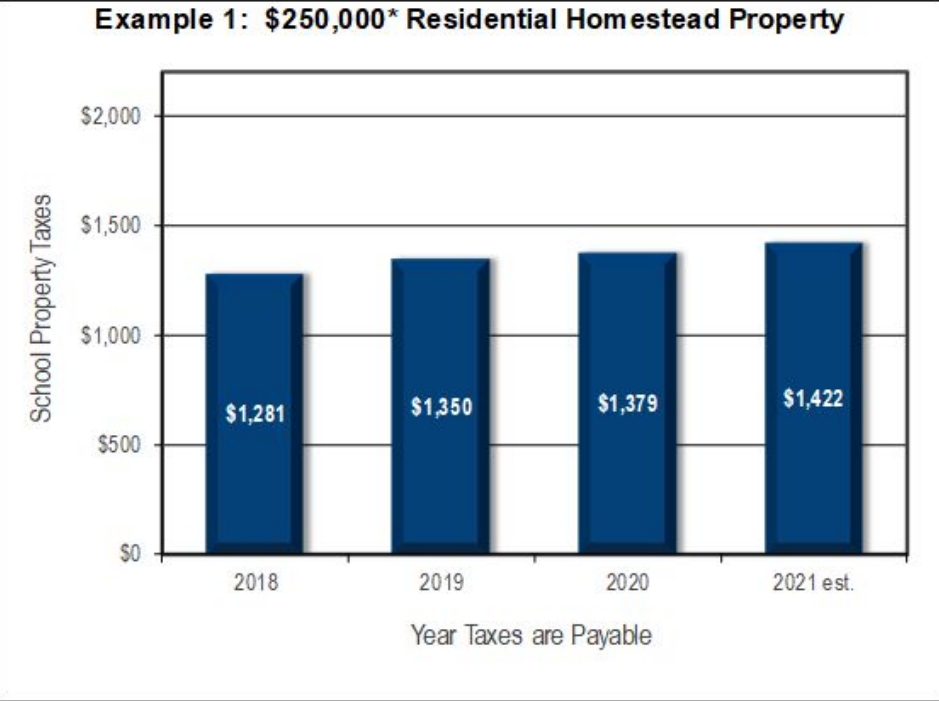
## General Note

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 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 5.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 6.0% from 2020 to 2021.
4. For agricultural property, estimates of taxes payable beginning in 2018 include the impact of the School Building Bond Agricultural Credit. Average value per acre is the total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include the value of the house, garage, and one acre, for which tax impact will be the same as on a residential homestead property. This calculation does not include the impact of the Agricultural Homestead Credit, which reduces taxes on each parcel of agricultural homestead property by varying amounts.

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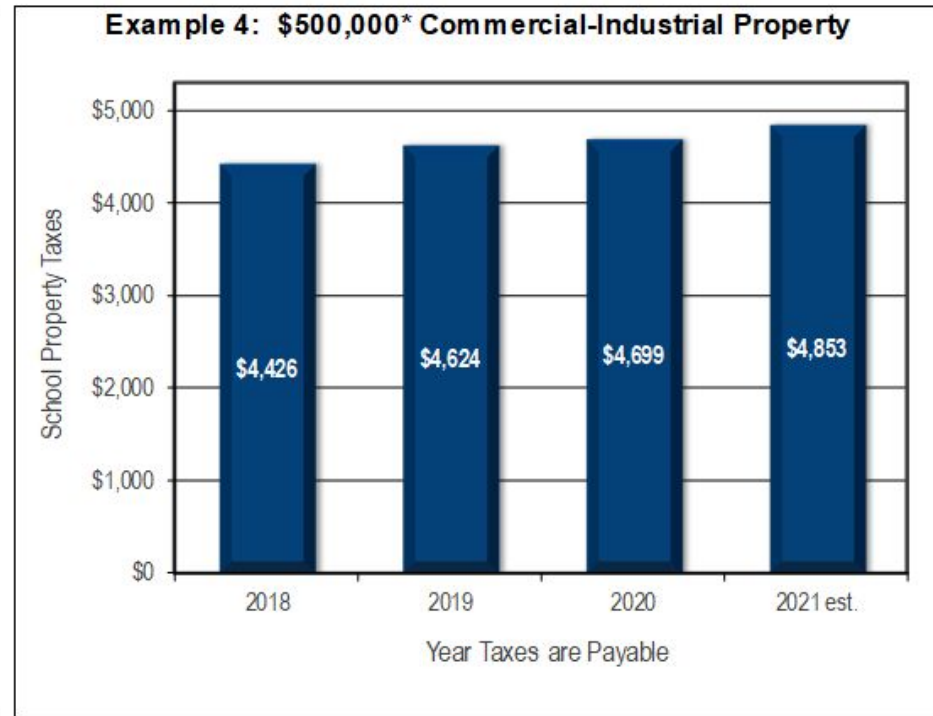
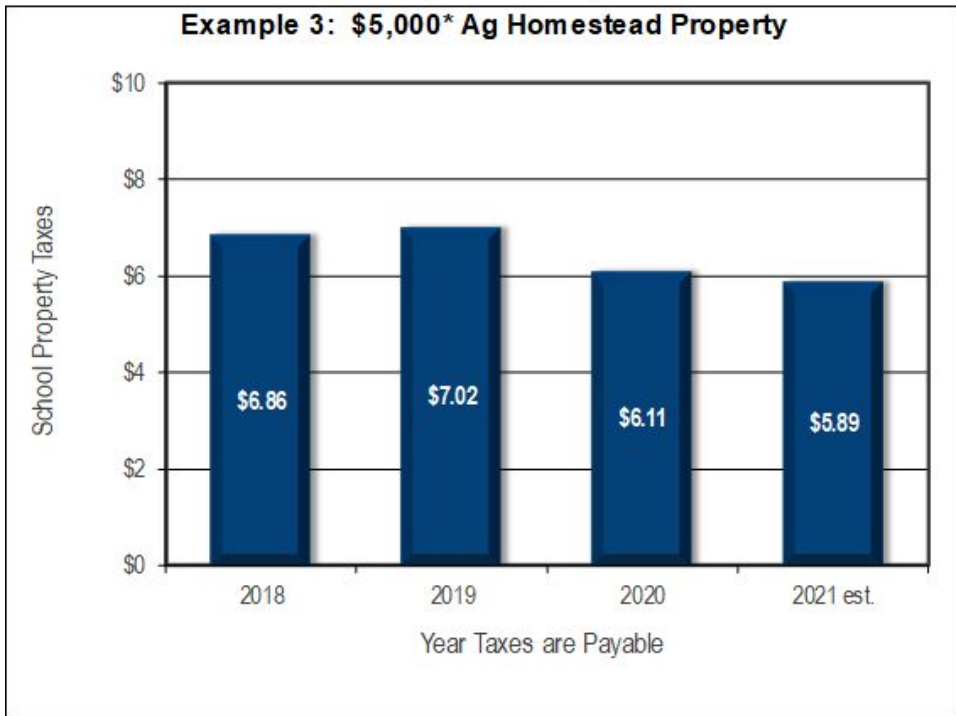


\* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 5.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 6.0% from 2020 to 2021.

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# 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 2020 Payable 2021 Property Tax Levy

