



# Truth in Taxation Meeting

2019 Payable 2020  
Property Tax Levy

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# 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

# Truth in Taxation Meeting Agenda

- ❖ Background on MN Public School Funding
- ❖ Budget Information
- ❖ Property Tax Levy Information

# 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:

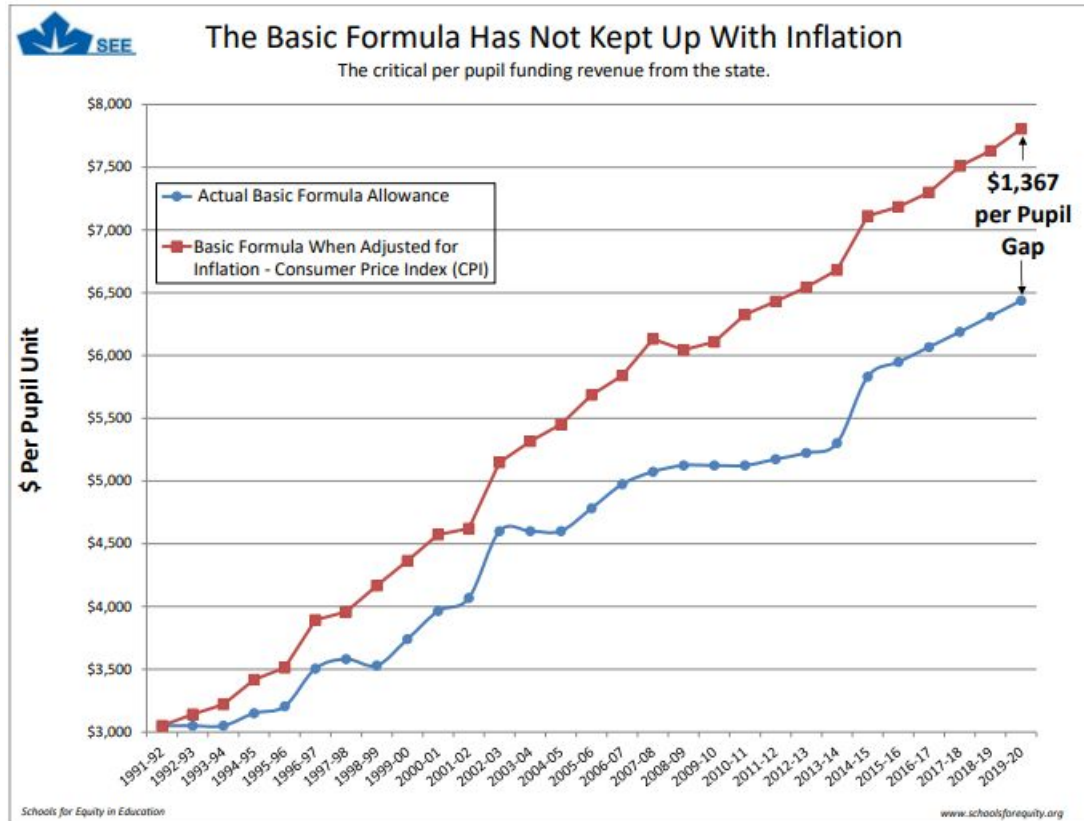
- Formulas which determine revenue
  - Most revenue is based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than the amount authorized by state, unless approved by the voters)

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 2019-20, Legislature approved an increase of 2% or \$126
- Per-pupil allowance for Fiscal Year 2019-20 would need to increase by another \$1,367 (%) to have kept pace with inflation

# Basic General Education Formula Lags Inflation





# 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

***2019 Payable 2020 Levy / Fiscal Year 2020-2021 (July 1, 2020-June 30, 2021)***

# 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

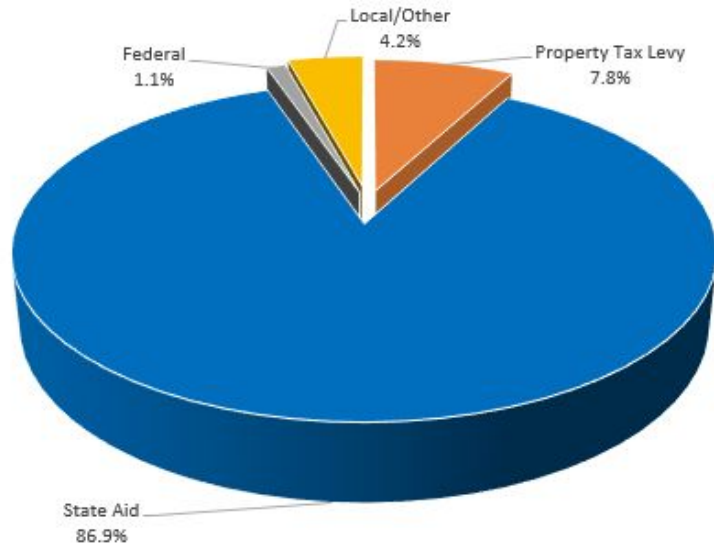
- **General**
- Food Service
- **Community Service**
- Building Construction
- **Debt Service**
- Trust & Agency
- Internal Service

# FY 2019-2020 Budget

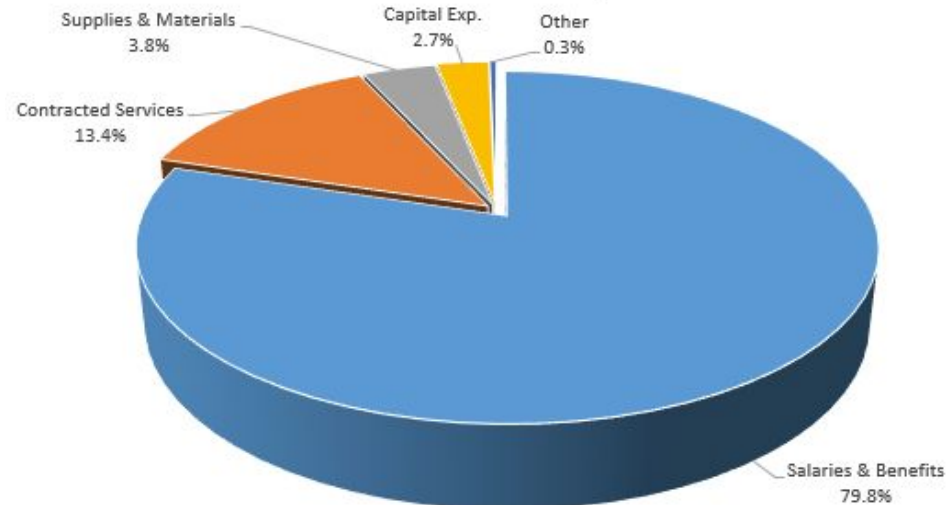
	<u>Revenue</u>	<u>Expenditures</u>
General Fund	\$67,916,544	\$68,597,360
Food Service Fund	3,413,675	3,679,167
Community Service Fund	5,370,401	5,300,310
Debt Service Fund	14,936,455	15,245,453
Building Construction Fund	120,872	1,122,063
Trust Fund	-	18,100
Total	<u>\$91,757,947</u>	<u>\$93,962,453</u>

# General Fund Revenues & Expenses

FY 2019-20 General Fund Revenues



FY 2019-20 General Fund Expenditures



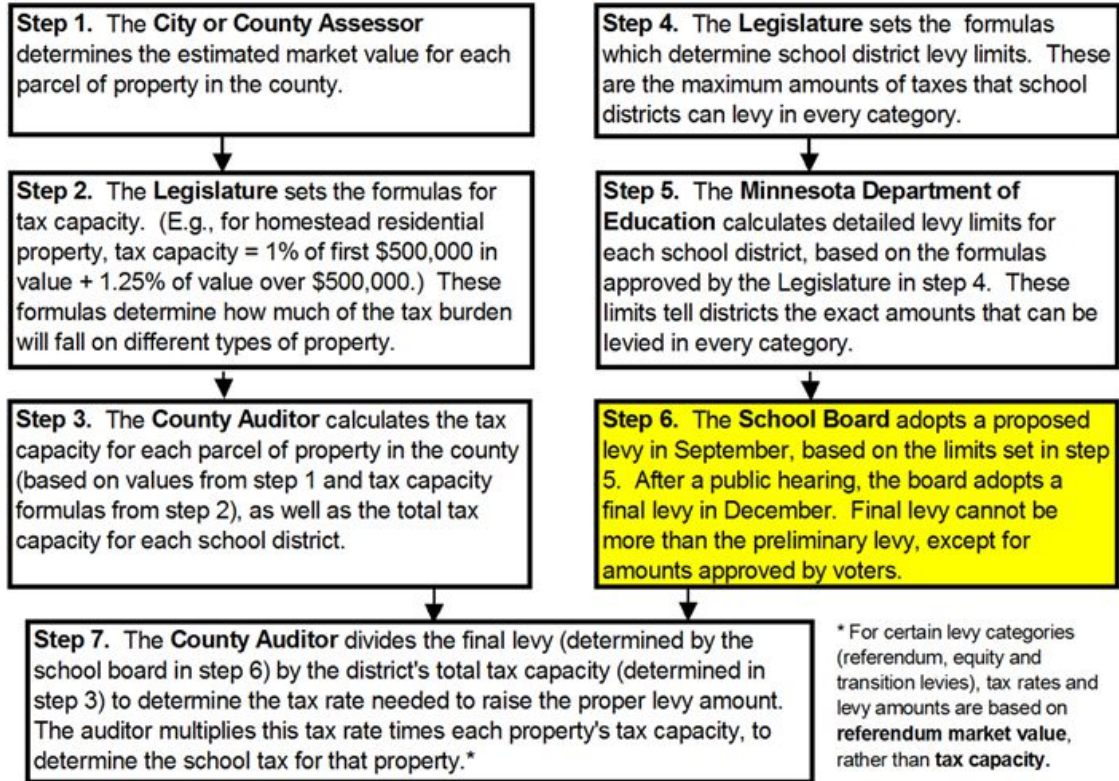
# Property Tax Levy

# School District Tax Levy Information

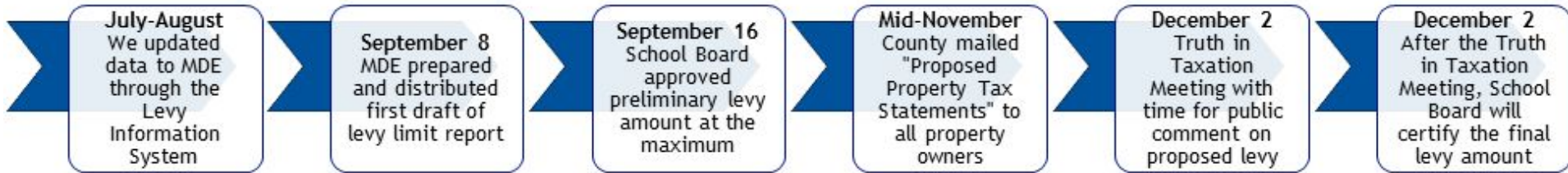
- State sets funding formulas which determine revenue
- State sets tax policy for school districts
- State sets maximum authorized property tax levy
- State authorizes school board to submit referendums for operating and capital needs to voters for approvals

# 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 2018 Pay 2019	Proposed Levy 2019 Pay 2020	Amount Change	% Change
<b>General Fund</b>				
Voter Approved Referendum	802,495.58	-	(802,495.58)	-100.0%
Board Approved Referendum	16,015.53	-	(16,015.53)	-100.0%
Local Optional	1,996,097.17	3,043,660.24	1,047,563.07	52.5%
Quality Compensation	327,207.84	351,092.90	23,885.06	7.3%
Equity	788,375.99	852,533.79	64,157.80	8.1%
Transition	3,107.13	3,359.99	252.86	8.1%
Operating Capital	215,428.63	215,476.95	48.32	0.0%
Safe Schools	255,780.00	264,038.40	8,258.40	3.2%
Long Term Facilities Maintenance (LTFM)	604,924.21	578,535.23	(26,388.98)	-4.4%
Building/Land Lease	97,404.87	104,621.29	7,216.42	7.4%
Career & Tech	76,930.13	110,140.88	33,210.75	43.2%
Reemployment	5,000.00	12,000.00	7,000.00	140.0%
Prior Year Adjustments & Abatements	24,323.79	(178,778.73)	(203,102.52)	-835.0%
<b>General Fund Total</b>	<b>5,213,090.87</b>	<b>5,356,680.94</b>	<b>143,590.07</b>	<b>2.8%</b>
<b>Community Service Fund</b>				
Basic Community Education	181,600.30	189,813.45	8,213.15	4.5%
Early Childhood Education	68,917.15	72,195.44	3,278.29	4.8%
School Age Child Care	70,000.00	70,000.00	-	0.0%
Home Visiting	1,200.32	1,183.08	(17.24)	-1.4%
Prior Year Adjustments & Abatements	26,718.43	44,430.38	17,711.95	66.3%
<b>Community Service Fund Total</b>	<b>348,436.20</b>	<b>377,622.35</b>	<b>29,186.15</b>	<b>8.4%</b>
<b>Debt Service Fund</b>				
Voter Approved Debt Service	10,086,623.22	9,998,400.15	(88,223.07)	-0.9%
Reduction for Debt Excess	(1,075,599.80)	(663,036.37)	412,563.43	-38.4%
Prior Year Adjustments & Abatements	(12,277.77)	(4,114.98)	8,162.79	-66.5%
<b>Debt Service Fund Total</b>	<b>8,998,745.65</b>	<b>9,331,248.80</b>	<b>332,503.15</b>	<b>3.7%</b>
<b>Total Levy, All Funds</b>	<b>14,560,272.72</b>	<b>15,065,552.09</b>	<b>505,279.37</b>	<b>3.47%</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

# Example Tax Estimate on a Residential Property

Market Value Change			Tax Capacity			(Prior Year) 2019 Taxes			(Preliminary Levy) Approx. 2020 Taxes			Annual Change	
2019	2020	% Chg.	2019	2020	% Chg.	Tax Cap.	Ref.	Total	Tax Cap.	Ref.	Total	Dollars	%
\$300,000	\$300,000	0.00%	\$2,898	\$2,898	0.00%	\$1,390	\$479	\$1,869	\$1,366	\$486	\$1,852	-\$17	-0.91%
\$300,000	\$315,000	5.00%	\$2,898	\$3,061	5.62%	\$1,390	\$479	\$1,869	\$1,443	\$510	\$1,953	\$84	4.49%
\$300,000	\$324,000	8.00%	\$2,898	\$3,159	9.01%	\$1,390	\$479	\$1,869	\$1,489	\$525	\$2,014	\$145	7.76%

# Examples - Tax Estimate on Properties

Type of Property	Market Value Change			2019 Taxes Payable	2020 Estimated Taxes Payable	Annual Change	
	2019	2020	% Chg.			Dollars	%
Residential	238,095	250,000	5%	\$1,446	\$1,514	\$68	4.70%
Commercial	476,190	500,000	5%	\$4,923	\$4,998	\$75	1.52%
Ag. Homestead*	7,143	7,500	5%	\$11.30	\$9.93	-\$1	-12.12%
Ag. Non-homestead*	7,143	7,500	5%	\$22.59	\$19.86	-\$3	-12.08%

\* Average value per acre of land & buildings.

# 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 2019 Payable 2020 Property Tax Levy

