



Forest Lake Area Schools, ISD 831

Public Hearing for Taxes Payable in 2024

DECEMBER 7, 2023

PRESENTED BY:

CHRISSY REHNBERG-EIDE,
DIRECTOR OF BUSINESS SERVICES

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 2024



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

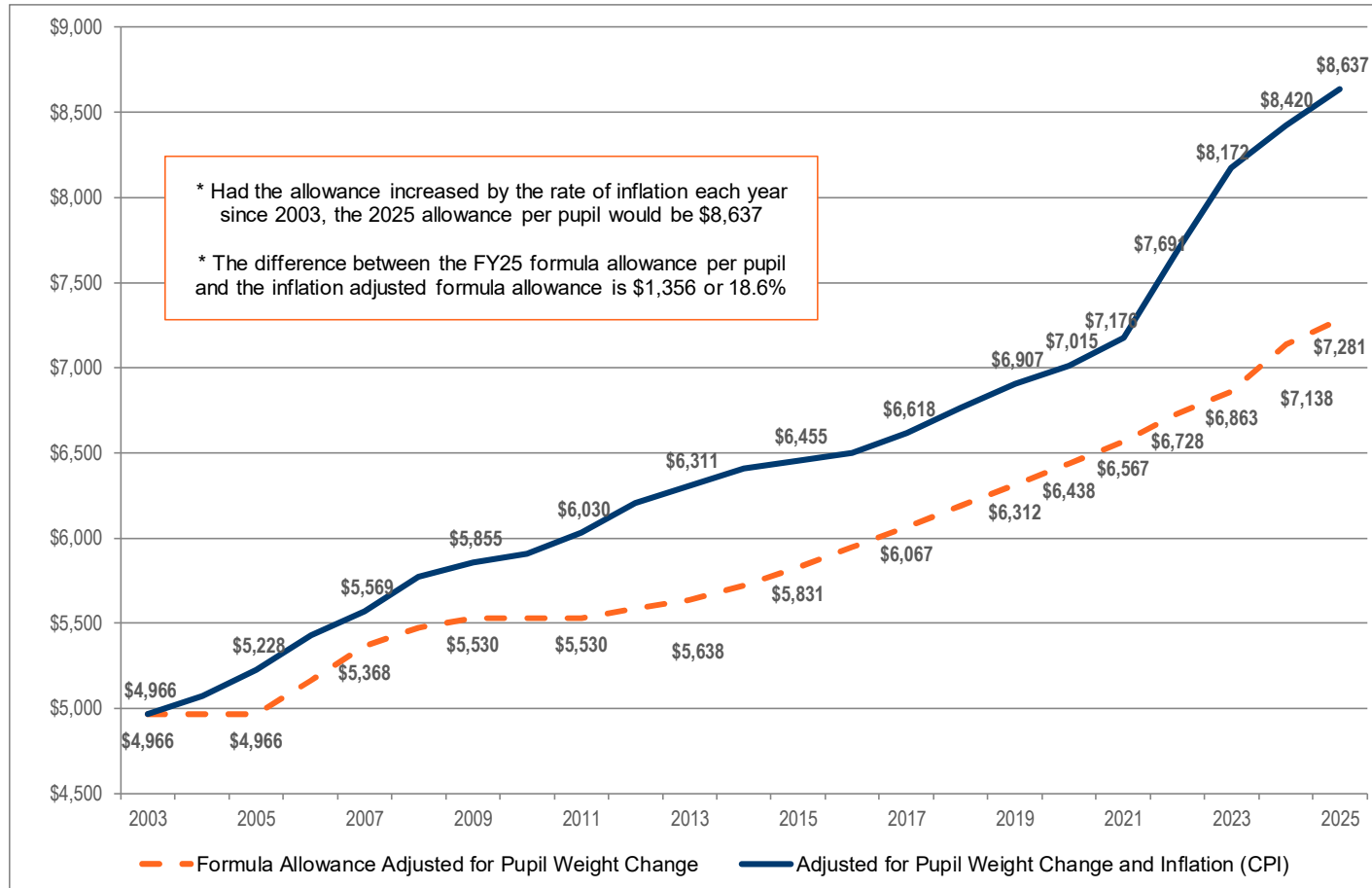
Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2023-24, an increase of 4.00% or \$275 over previous year was approved
- For Fiscal Year 2024-25, an increase of 2.00% or \$143 over previous year was approved

Per-pupil allowance for Fiscal Year 2024-25 of \$7,281 would need to increase by another \$1,356 (18.6%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,637

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2023 Inflation Estimates and Minnesota Laws 2023

According to MN Department of Education (MDE):

FY 2022 costs of providing programs were underfunded statewide by \$712 million

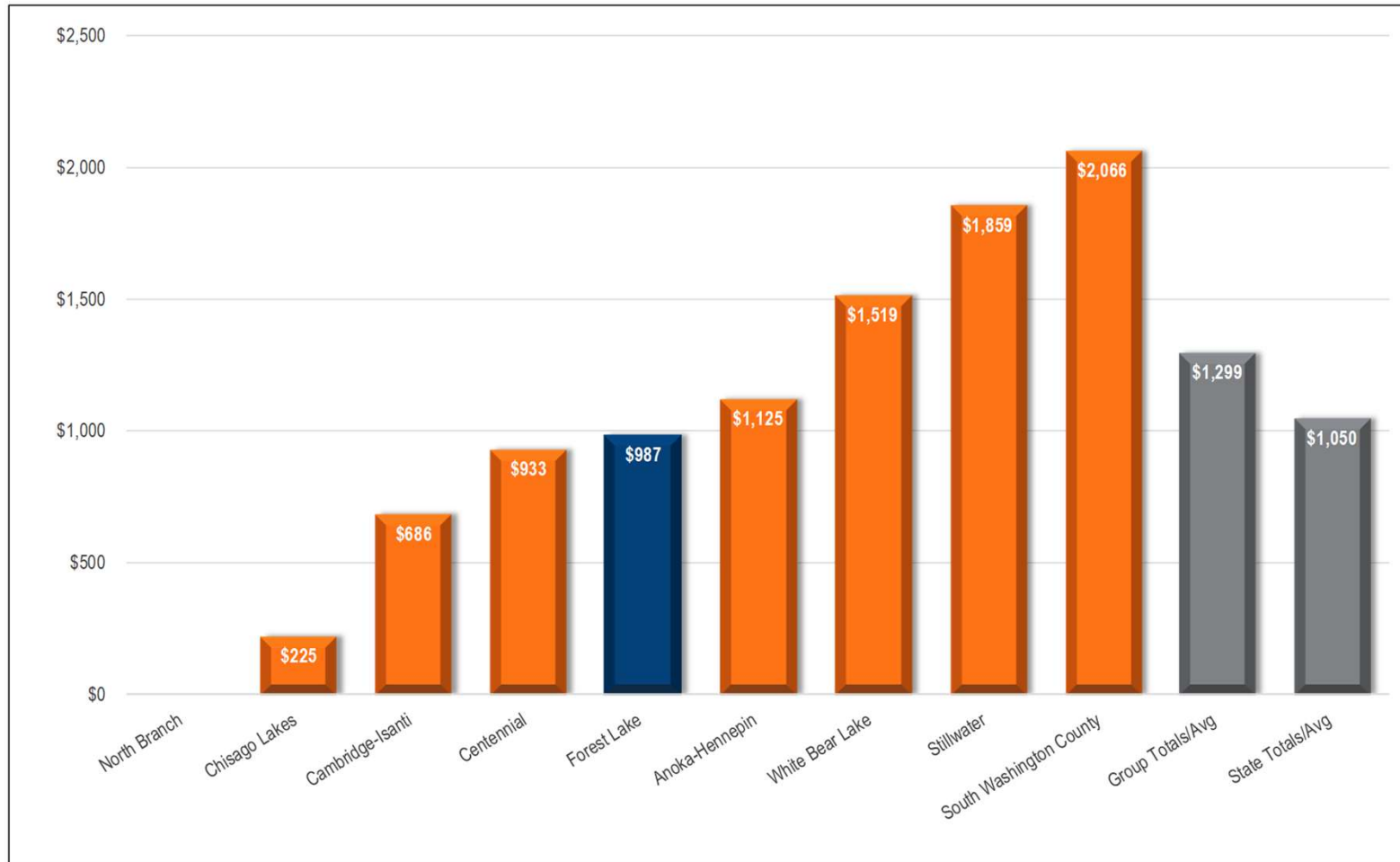
Even with recent improvements in funding, by FY 2027 costs of providing programs statewide will be underfunded by \$408 million



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

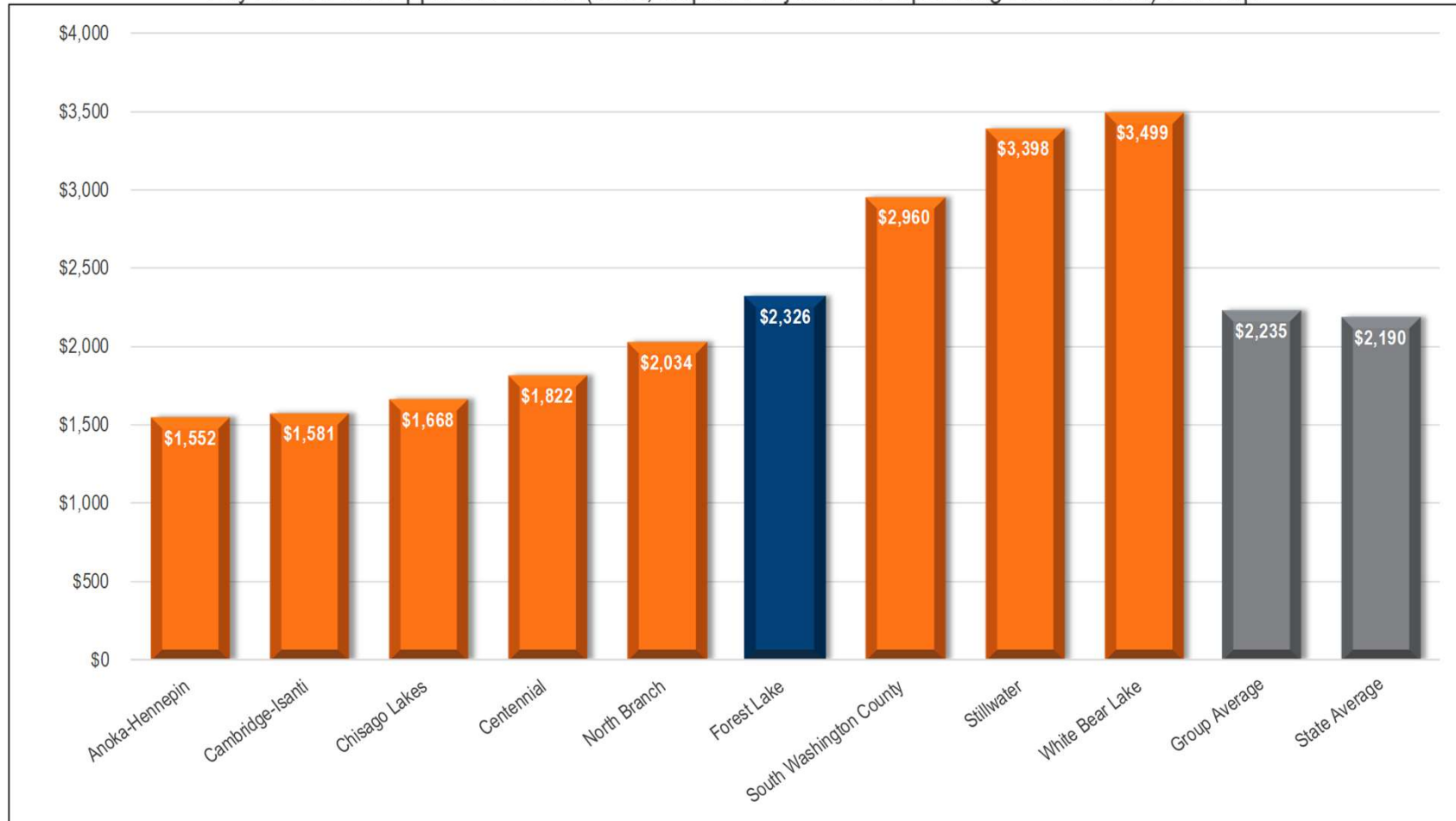
Underfunding of Special Education

Voter Approved Referendum Authority Per Pupil Unit FY 2023-24 (Excludes Local Optional Revenue)



Source: MDE Levy Report for Taxes Payable in 2023, MDE Referendum Phaseout Spreadsheet 6/30/2023

Pay 2023 Voter Approved Levies (Debt, Capital Projects and Operating Referendum) Per Pupil



Source: Pay 2023 School Tax Report

Pupil: MDE Estimated FY 2024 Enrollment, WhatIf FY24 (6-26-23)

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
- 2024 taxes provide revenue for 2024-25 fiscal year
- Budget adopted in June 2024



City/County:

- Budget year begins Jan. 1st
- 2024 taxes provide revenue for 2024 calendar year budget

Hearing Agenda



District's 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 2024-25 budget will be adopted by School Board in June 2024.

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
- Internal Service
- OPEB* Trust
- OPEB* Debt Service

**Other Post-Employment Benefits*



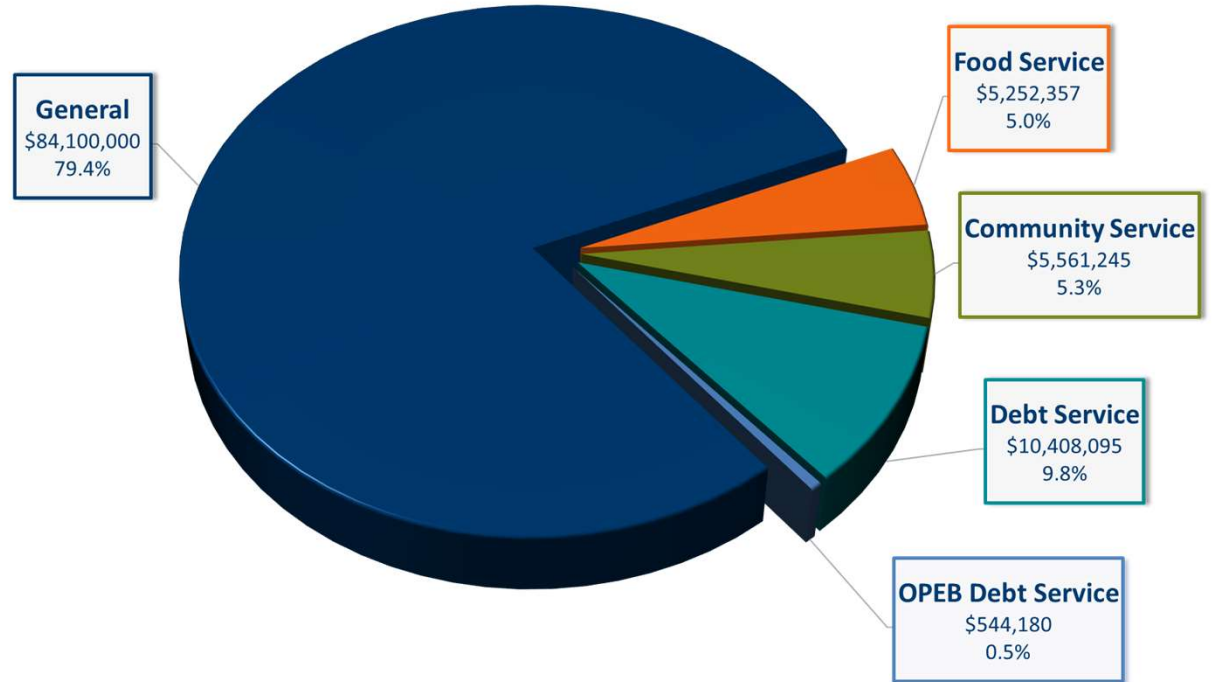
District Revenues & Expenditures
Actual for FY 2023, Budget for FY 2024

FUND	FISCAL 2023 BEGINNING	2022-23 ACTUAL		JUNE 30, 2023 ACTUAL	2023-24 BUDGET		JUNE 30, 2024 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
General/Other	\$1,844,311	\$86,824,200	\$88,306,136	\$362,375	\$84,100,000	\$84,100,000	\$362,375
Food Service	1,141,148	4,614,093	5,011,137	744,104	5,252,357	5,201,865	794,596
Community Service	1,279,492	5,572,777	5,228,469	1,623,800	5,561,245	5,822,945	1,362,100
Building Construction	(624,565)	6,026,227	5,667,538	(265,876)	0	0	(265,876)
Debt Service	1,819,879	9,628,234	9,599,821	1,848,292	10,408,095	9,939,134	2,317,253
Internal Service	(1,522,584)			(2,055,951)			(1,500,000)
OPEB* Irrevocable Trust	709,309	23,387	300,250	432,446	0	0	432,446
OPEB* Debt Service	113,069	593,157	549,488	156,738	544,180	544,000	156,918
Total All Funds	4,760,059	113,282,075	114,662,839	2,845,928	105,865,877	105,607,944	3,659,812

*Other Post Employment Benefits

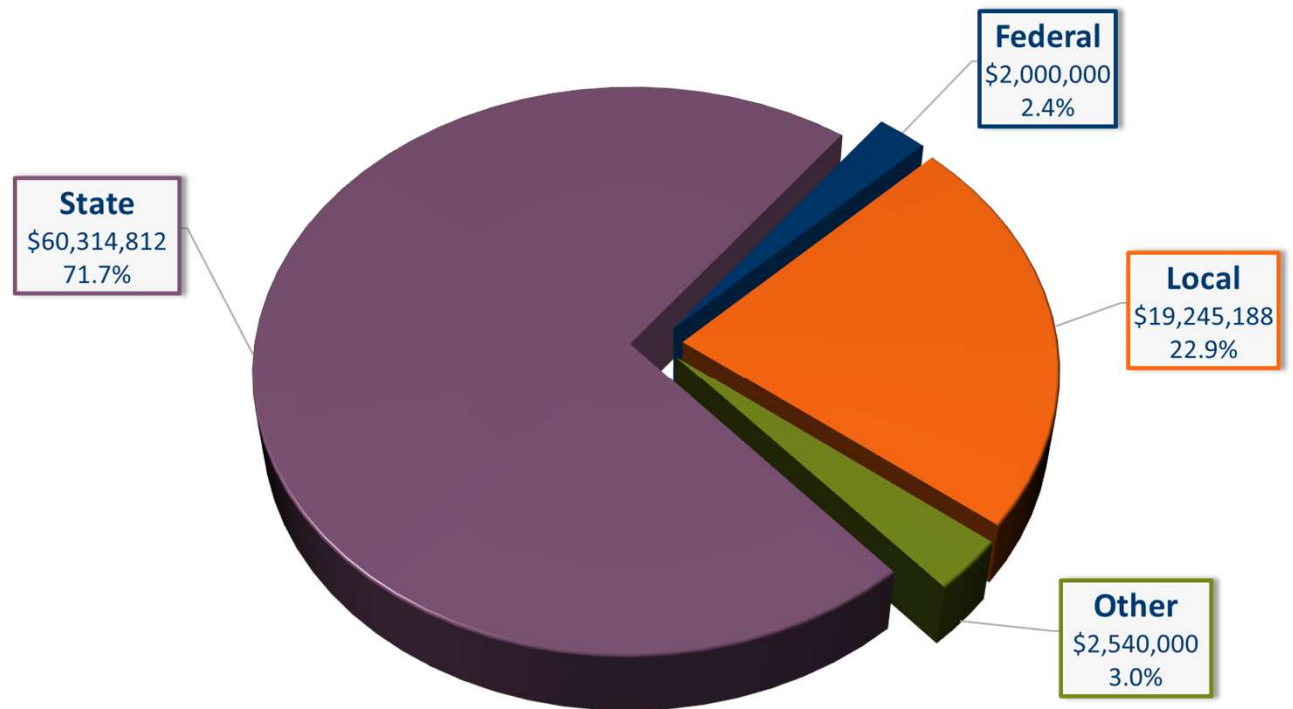
Revenue - All Funds -

2023-24 Budget
\$105,865,877



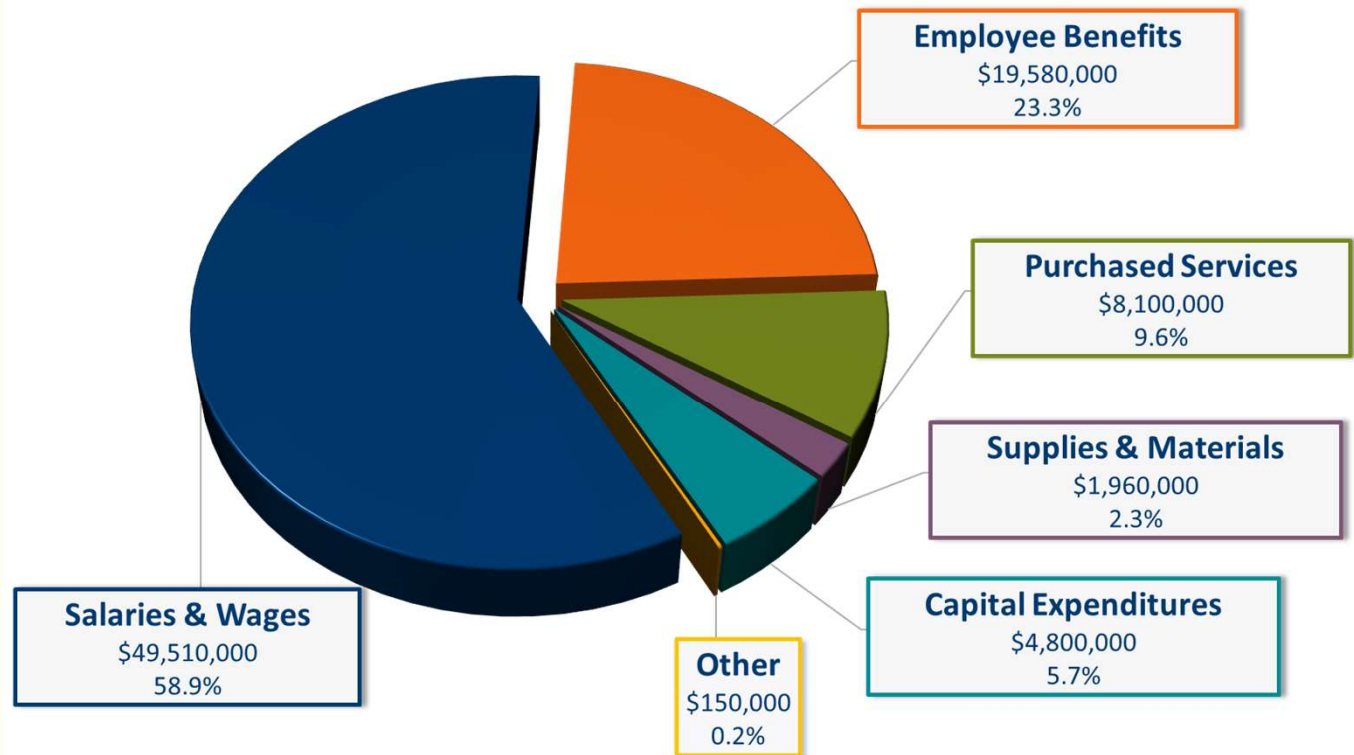
General Fund Revenue

2023-24 Budget
\$84,100,000



General Fund Expenditures - by Object -

2023-24 Budget
\$84,100,000



Hearing Agenda

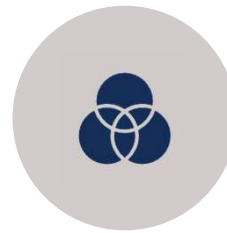


District's Proposed
Tax Levy for Taxes
Payable in 2024

Payable 2024 Property Tax Levy



Determination of levy



Compare 2023 to 2024 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 2024			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2023	2024
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
Step	PROPOSED TAX		
	Property Taxes before credits	\$1,479.52	
2	School building bond credit	\$	12.00
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits		\$1,467.52
Step	PROPERTY TAX STATEMENT		
	Coming in 2024		
The time to provide feedback on PROPOSED LEVIES is NOW			
It is too late to appeal your value without going to Tax Court.			

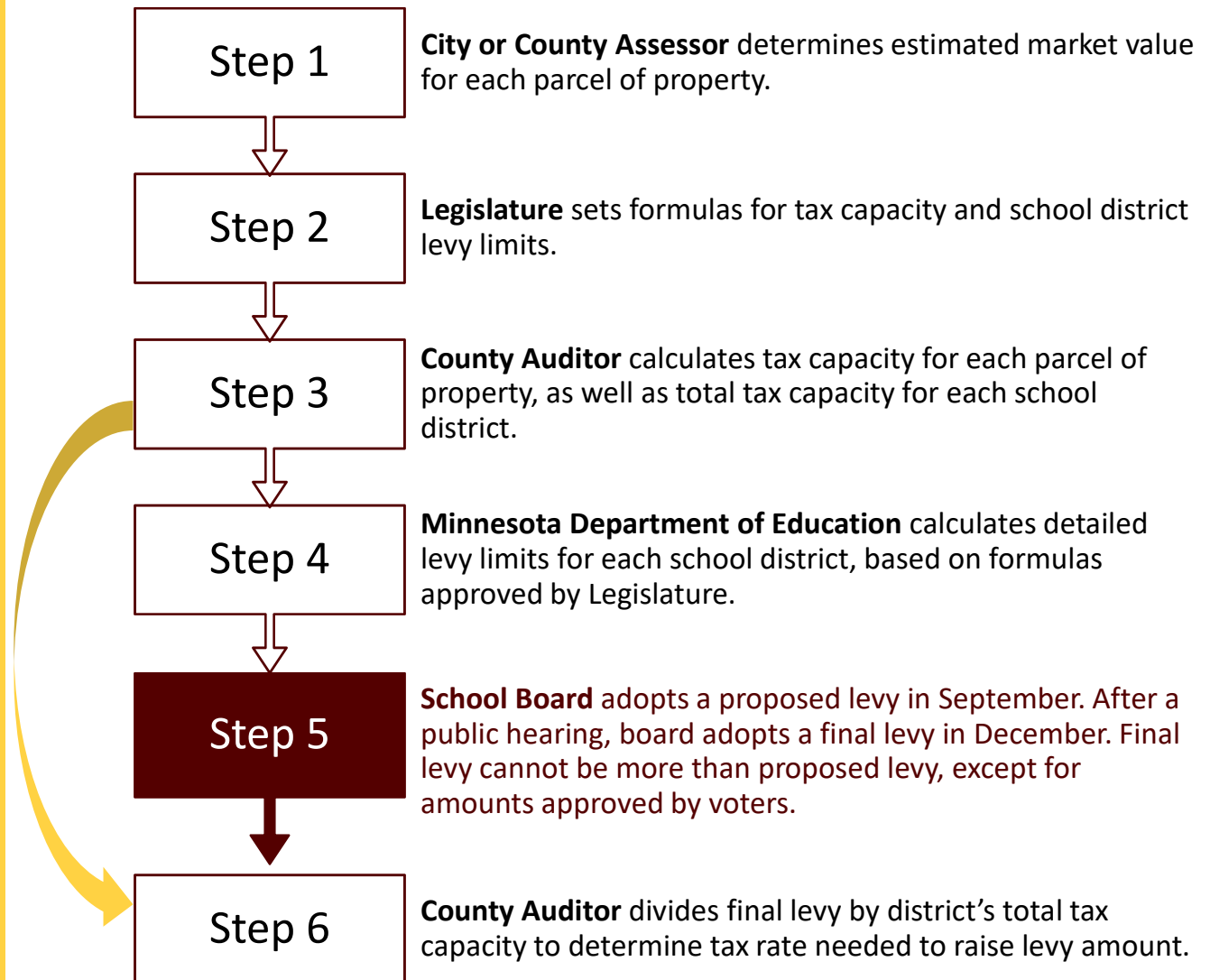
Proposed Property Taxes and Meetings by Jurisdiction for Your Property			
Contact Information	Meeting Information	Actual 2023	Proposed 2024
State General Property Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 6, 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) 123-7654	December 2, 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) 123-6789 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 2024 may be higher than the proposed amount shown on this notice.			
Total excluding any special assessments:		\$1,341.31	\$1,467.52 9.4%

School District Property Taxes

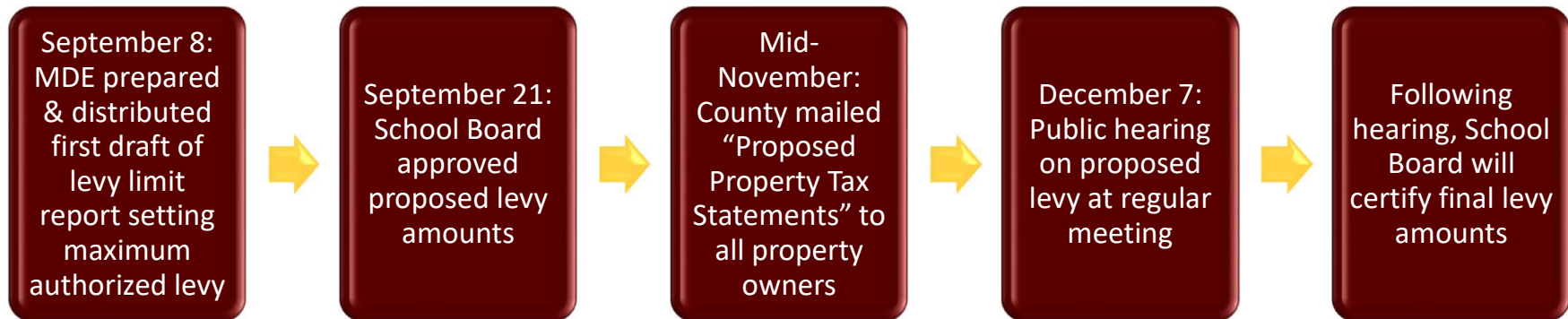
- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts (calculated by MDE) for each category are set by:
 - State law
 - Voter approval
- Property Tax Process
 - Key steps in process are summarized on next slide
 - Any of these steps may affect taxes on a parcel 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 2023 (Payable 2024)





Overview of District's Proposed Tax Levy

- Proposed Payable 2024 tax levy is an increase from 2023 of \$2,920,813 or 9.3%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

Comparison of Actual Tax Levy Payable in 2023 to Proposed Levy Payable in 2024

Fund Levy Category	Actual Levy Payable in 2023	Proposed Levy Payable in 2024	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$5,999,151	\$5,982,180	(\$16,971)	
Local Optional Revenue (LOR)	4,373,217	4,389,612	16,395	
Equity	734,640	732,562	(2,078)	
Operating Capital	797,332	949,841	152,509	
Alternate Teacher Compensation	541,400	517,383	(24,017)	
Long Term Facilities Maintenance	3,690,839	6,975,814	3,284,975	
Instructional Lease	1,115,352	1,117,920	2,567	
Other	1,249,312	1,167,682	(81,630)	
Prior Year Adjustments	549,747	109,658	(440,088)	
Total, General Fund	\$19,050,991	\$21,942,653	\$2,891,661	15.2%
Community Service				
Basic Community Education	\$351,809	\$360,868	\$9,059	
Early Childhood Family Education	199,735	192,725	(7,011)	
School-Age Child Care	550,000	550,000	0	
Other	15,439	14,745	(694)	
Prior Year Adjustments	321,142	377,094	55,952	
Total, Community Service Fund	\$1,438,125	\$1,495,432	\$57,307	4.0%
Debt Service				
Voter Approved	\$8,223,495	\$8,224,019	\$524	
Long Term Facility Maintenance	1,594,602	1,575,481	(19,121)	
Other Post Employment Benefits	571,022	569,510	(1,512)	
Reduction for Debt Excess	(28,395)	(29,288)	(893)	
Other	563,462	561,803	(1,659)	
Prior Year Adjustments	28,089	22,595	(5,494)	
Total, Debt Service Fund	\$10,952,275	\$10,924,120	(\$28,155)	-0.3%
Total Levy, All Funds	\$31,441,392	\$34,362,204	\$2,920,813	9.3%
Subtotal by Truth in Taxation Categories:				
Voter Approved	14,209,063	14,375,474	166,412	
Other	17,232,329	19,986,730	2,754,401	
Total	\$31,441,392	\$34,362,204	\$2,920,813	9.3%

Explanation of Levy Changes

Category:

General Fund – Long Term Facilities Maintenance (LTFM)

Change:

+\$3,284,975

Use of Funds:

Deferred Maintenance

Reasons 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:

General Fund – Prior Year Adjustments

Change:

-\$440,088

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

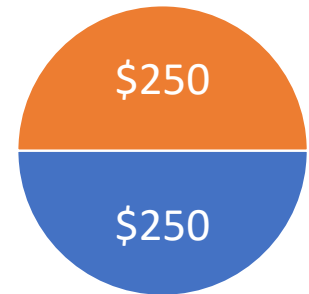
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



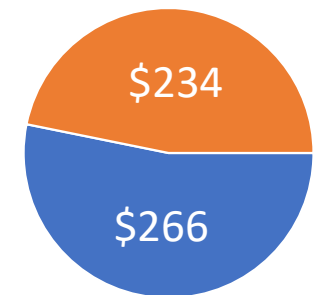
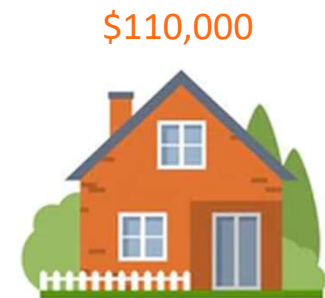
Impact of Property Valuations

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



Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 31.0% 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 Forest Lake
- Amounts for 2024 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

Estimated Changes in School Property Taxes, 2021 to 2024
Based on No Changes in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Actual Taxes Payable in 2023	Estimated Taxes Payable in 2024	Change in Taxes 2021 to 2024	Change in Taxes 2023 to 2024
Residential Homestead	\$100,000	\$347	\$329	\$288	\$288	-\$59	\$0
	250,000	1,008	958	844	850	-158	6
	500,000	2,091	1,988	1,755	1,768	-323	13
	1,000,000	4,495	4,282	3,787	3,825	-670	38
Commercial/ Industrial #	\$500,000	\$2,307	\$2,213	\$1,924	\$2,069	-\$238	\$145
	3,000,000	14,441	13,866	12,061	13,003	-1,438	942
	10,000,000	48,416	46,492	40,446	43,620	-4,796	3,174

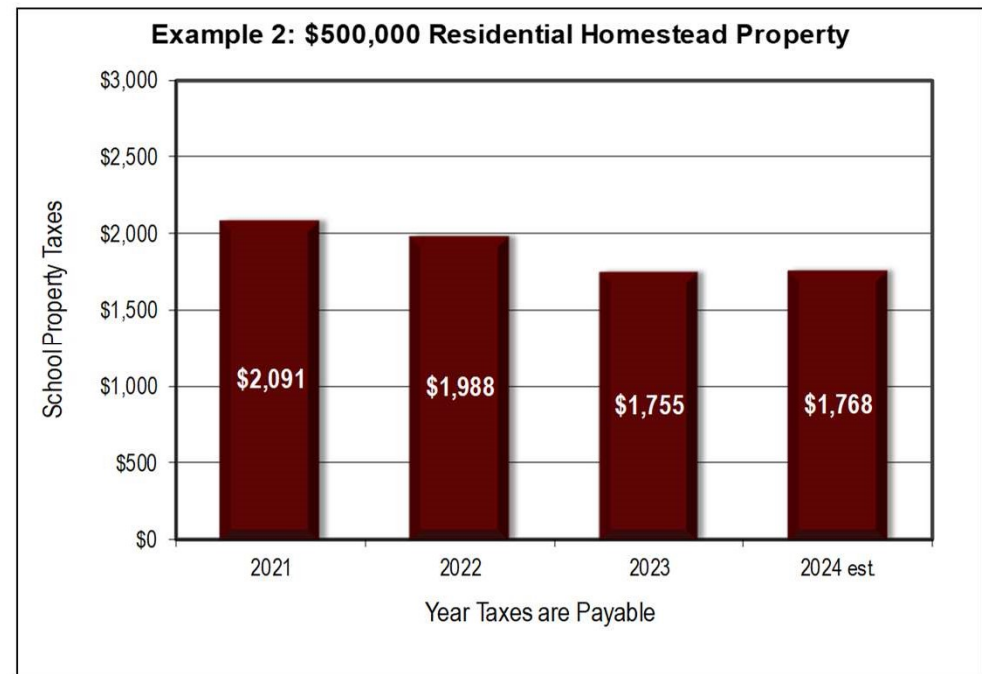
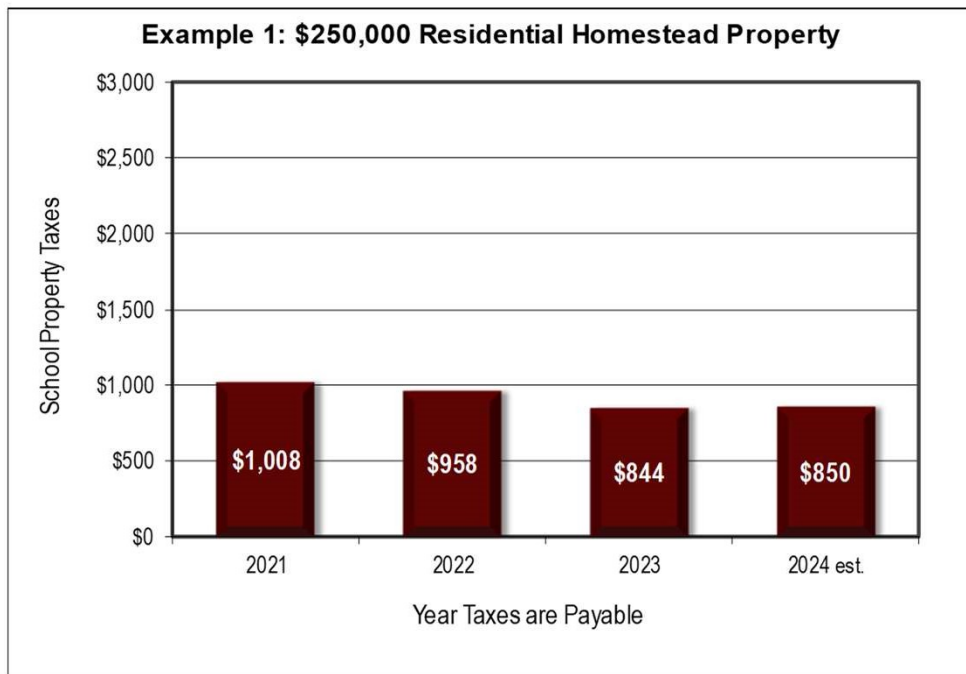
For commercial-industrial property, amounts above are for property in Forest Lake. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

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 2024 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 2021 to 2024.

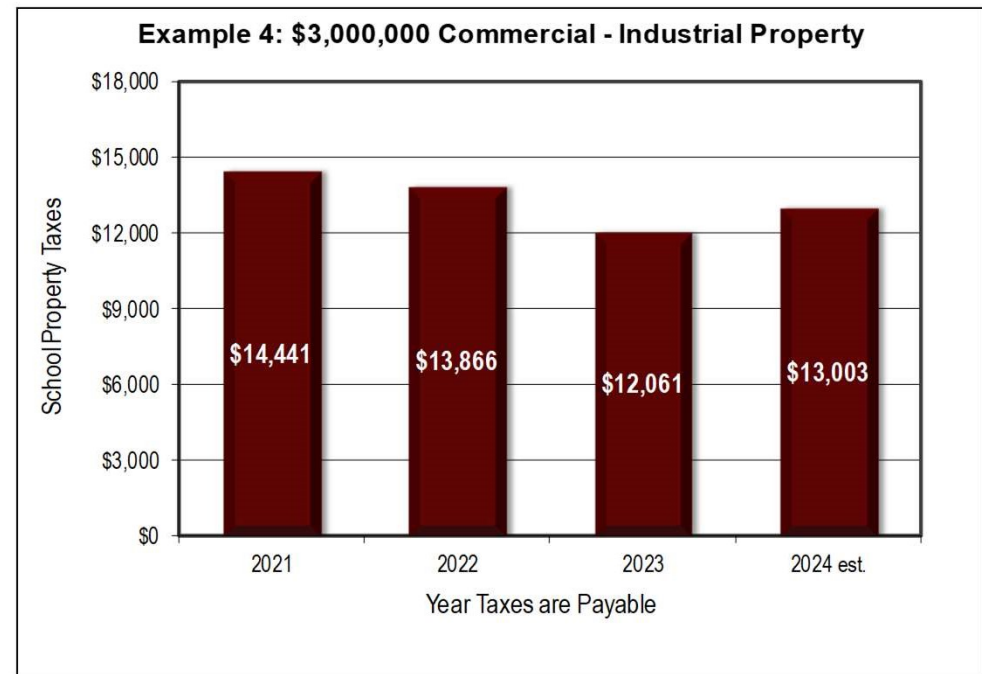
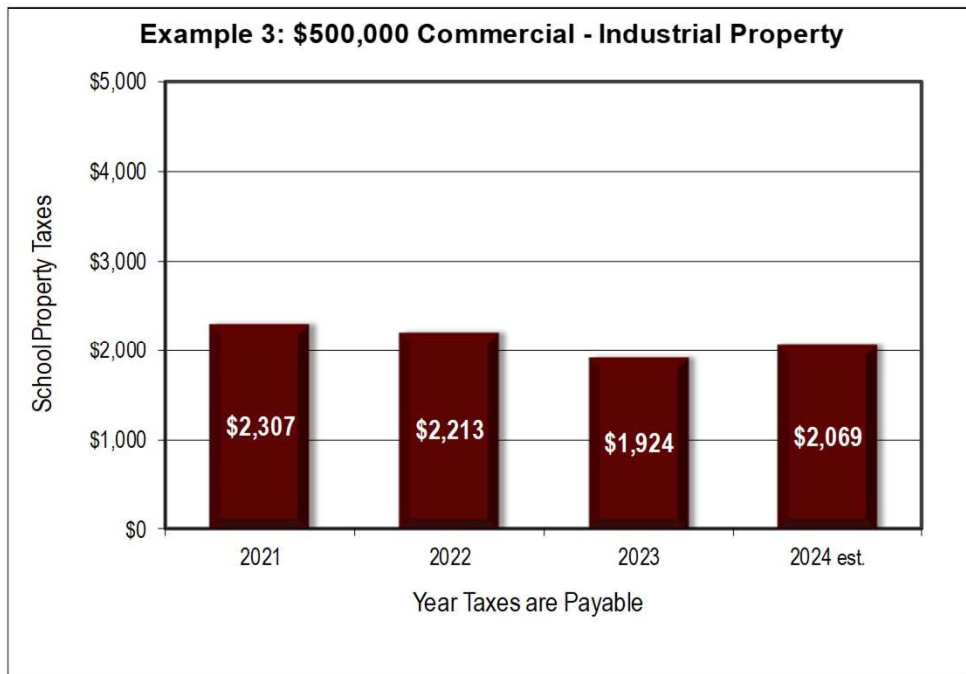
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value



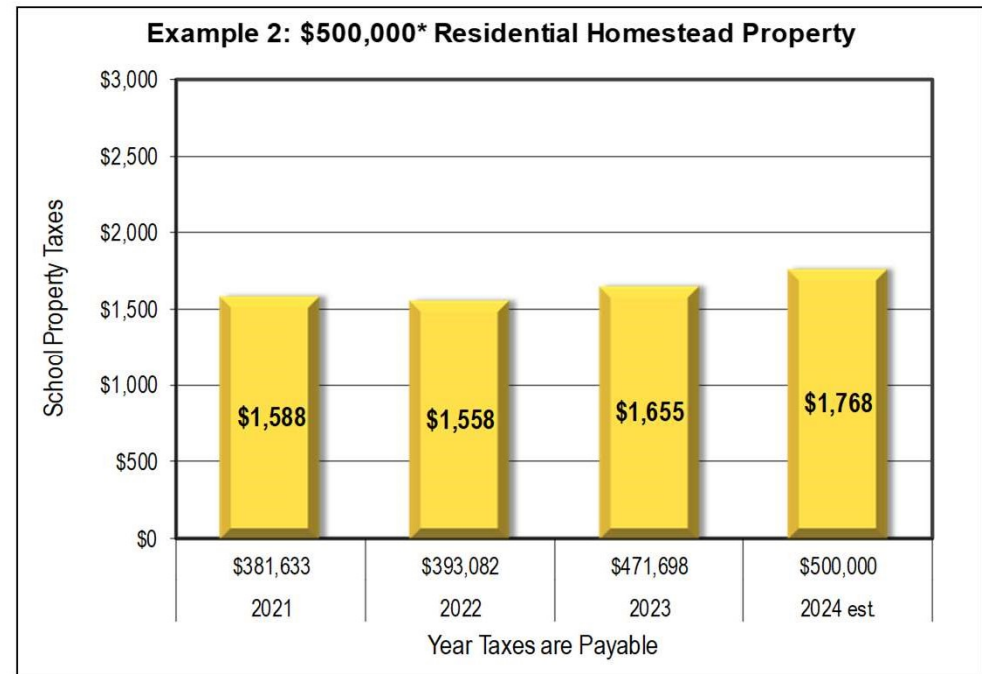
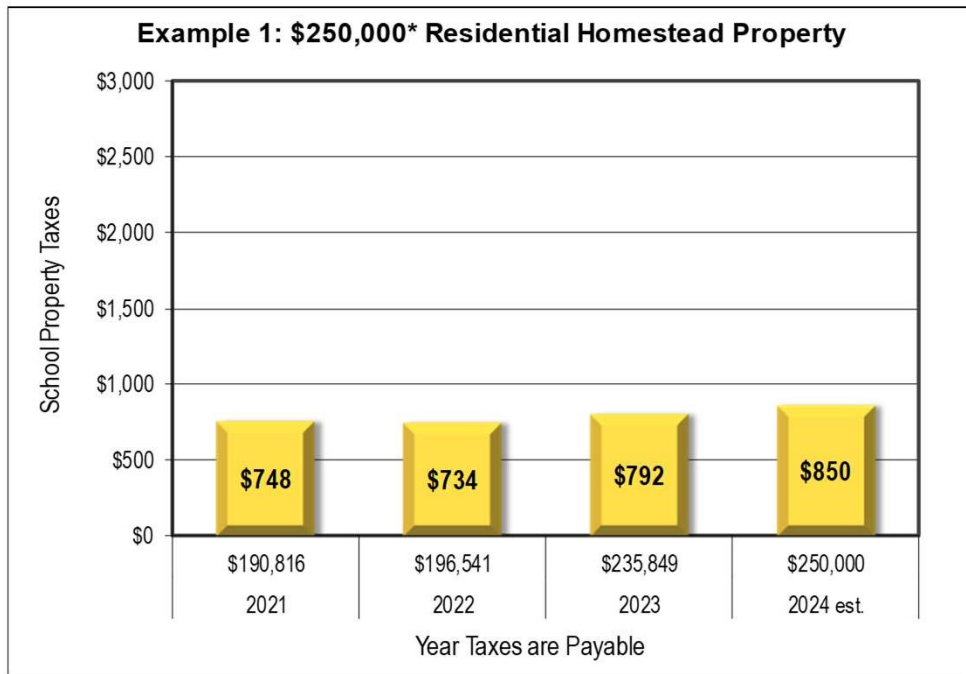
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value



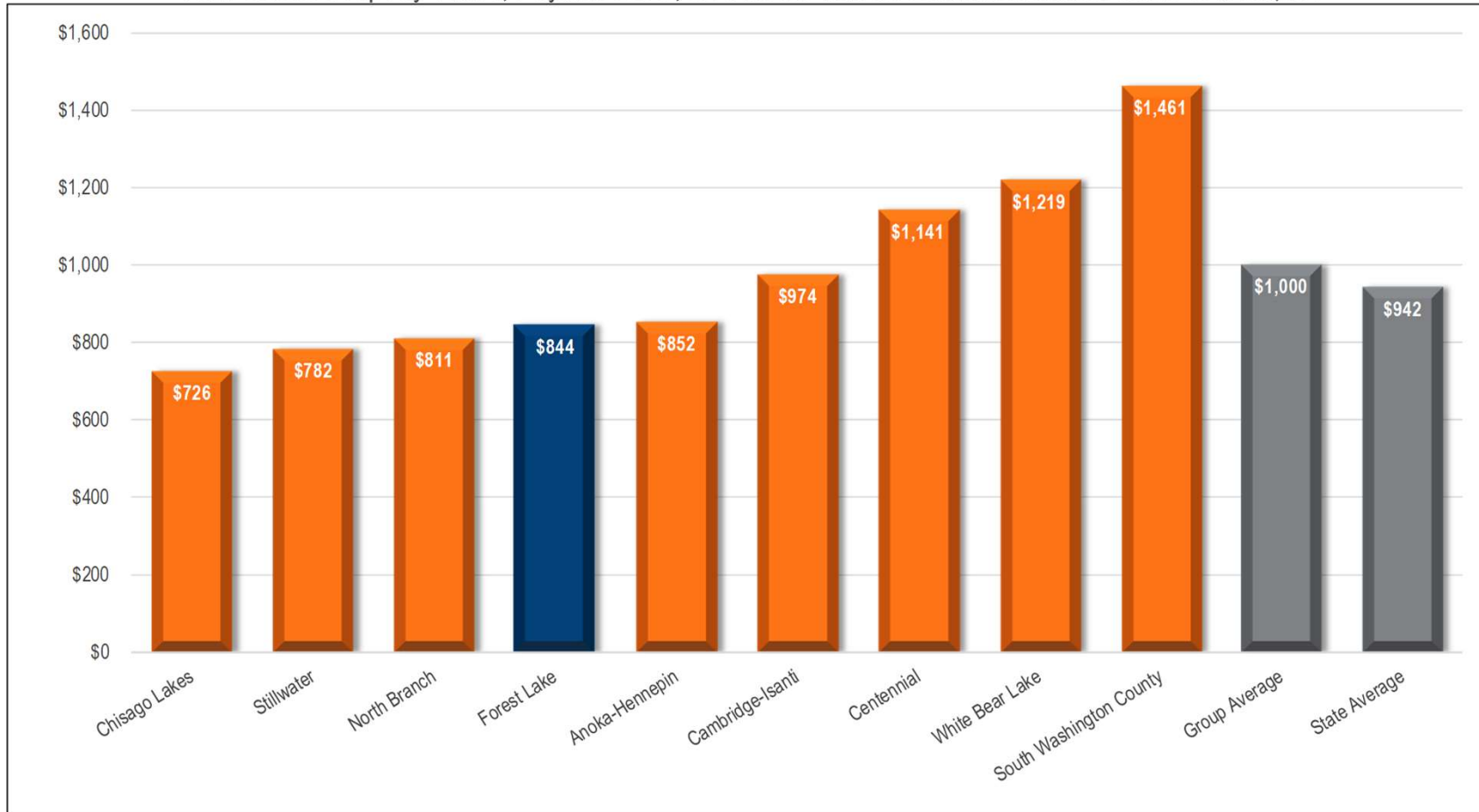
Estimated Changes in School Property Taxes, 2021-24

Based on 31.0% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 3.0% from 2021 to 2022, 20.0% from 2022 to 2023 and 6.0% from 2023 to 2024.

Total School Property Taxes, Payable 2023, on a Home with an Estimated Market Value of \$250,000



Source: Pay 23 School Tax Report

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 \$3,140 for homeowners and \$2,440 for renters)

Special Property Tax Refund

- Available for all homestead property, both residential & agricultural (HGA only) with a gross tax increase of at least 6% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 6% or \$100 (max \$2,500)

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$96,000 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 accepts public
comments on
proposed levy

Board certifies 2024
property tax levy

Hearing Agenda



Public Comments



PUBLIC COMMENTS