



South Washington County Schools

Public Hearing for Taxes Payable in 2024

**DAN PYAN, EXECUTIVE DIRECTOR OF FINANCE &
OPERATIONS
KRIS BLACKBURN, DIRECTOR OF BUSINESS SERVICES**

December 14, 2023





Minnesota State Law Requirements

Hold a public meeting...

- Between Nov. 25 and Dec. 28
- At 6 p.m. or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

...and include a 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 comment



State Sets:

- Formulas that determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local school districts
- Maximum authorized property tax levy
 - Districts can levy for less, but not more than the amount authorized by state, unless approved by voters in November

State also authorizes school board to submit referendums for operating and capital needs to voters for approval

As a result, funding is highly regulated



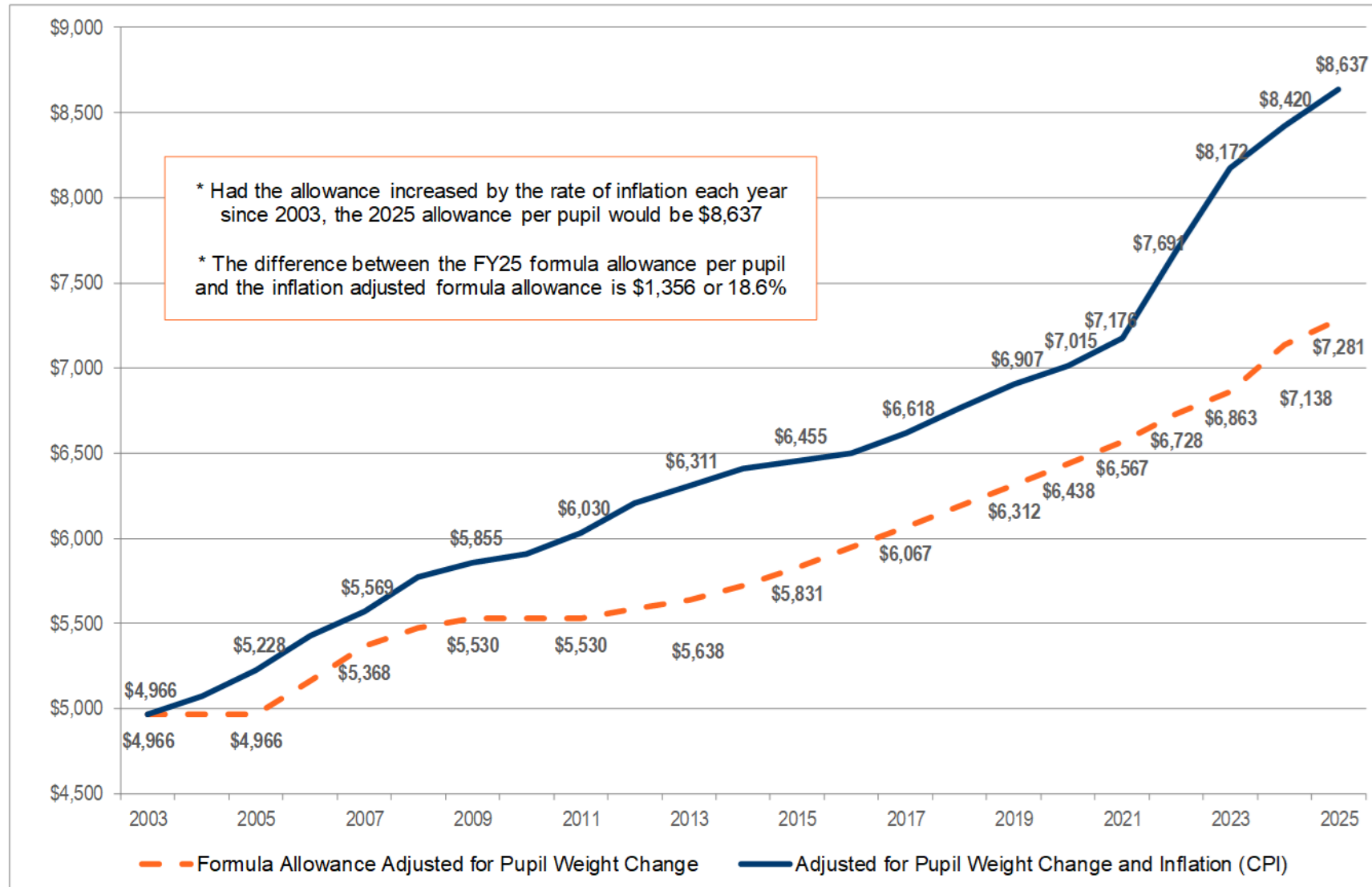
Basic General Education Formula Lags Inflation

- Since 2002–03, state General Education Revenue formula has not kept pace with inflation.
- For Fiscal Year 2023–24, an increase of 4% or \$275 over previous year was approved
- For Fiscal Year 2024–25, an increase of 2% 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)



Underfunding of Special Education

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

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
- Trust
- Internal Service
- Other Post-Employment Benefits (OPEB) Trust



District Revenues & Expenditures

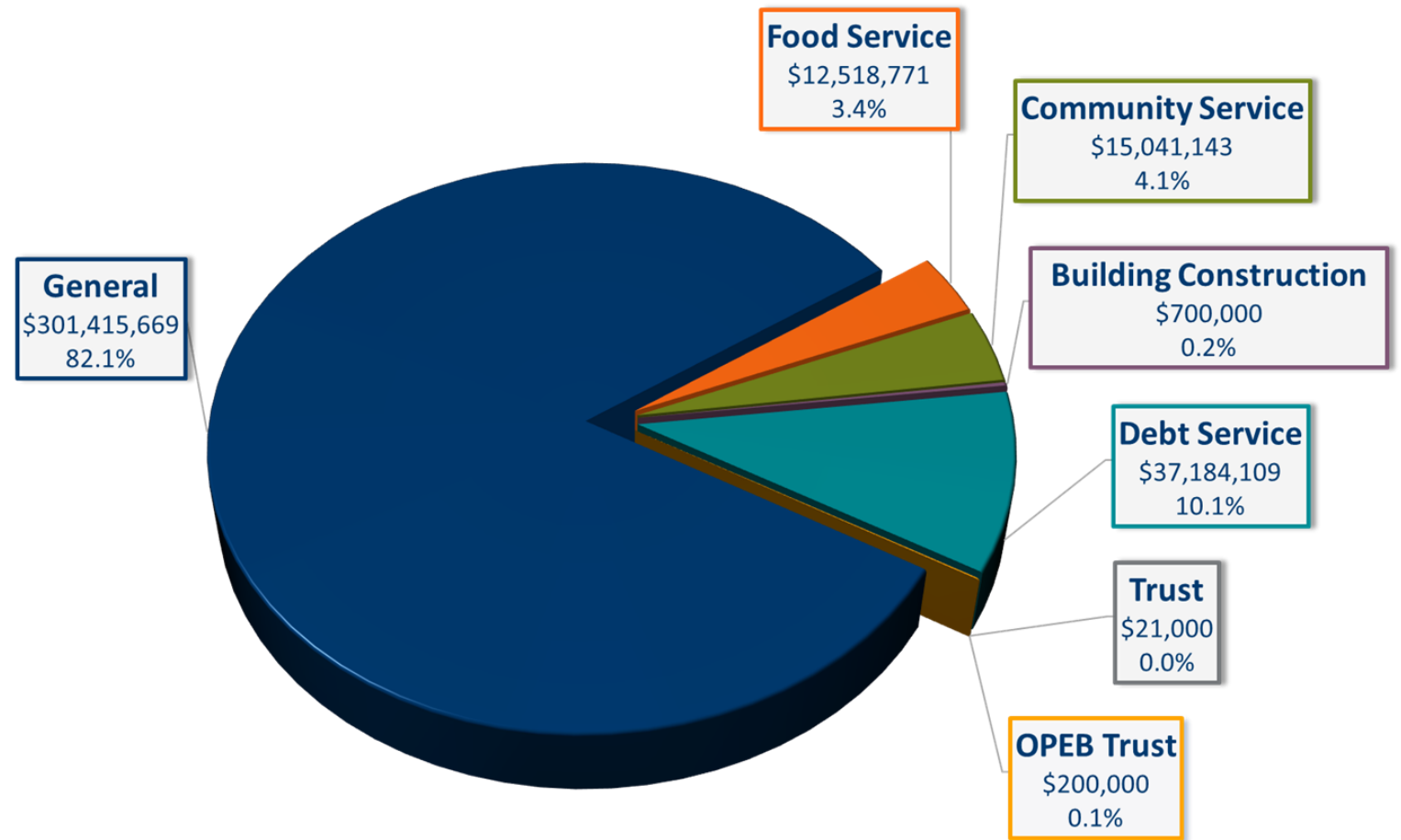
Actual for FY 2023, Budget for FY 2024

FUND	FISCAL 2023 BEGINNING	2022-23 ACTUAL		JUNE 30, 2023 ACTUAL	2023-24 BUDGET		JUNE 30, 2024 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$3,841,565	\$33,588,115	\$33,626,111	\$3,803,569	\$39,783,814	\$41,296,533	\$2,290,850
General/Other	23,492,074	251,069,070	243,297,869	31,263,275	261,631,855	258,968,276	33,926,854
Food Service	2,997,076	11,381,765	11,429,224	2,949,617	12,518,771	12,847,244	2,621,144
Community Service	963,114	14,743,071	14,565,237	1,140,948	15,041,143	14,418,527	1,763,564
Building Construction	36,899,248	1,094,572	13,137,307	24,856,513	700,000	14,140,000	11,416,513
Debt Service	6,718,407	33,286,463	33,889,992	6,114,878	37,184,109	36,942,943	6,356,044
Trust	45,727	12,100	20,000	37,827	21,000	21,000	37,827
Internal Service	(371,149)			(469,707)			(794,707)
OPEB* Irrevocable Trust	3,125,163	255,067	270,824	3,109,406	200,000	270,000	3,039,406
Total All Funds	77,711,225	345,430,223	350,236,564	72,806,326	367,080,692	378,904,523	60,657,495

*Other Post Employment Benefits

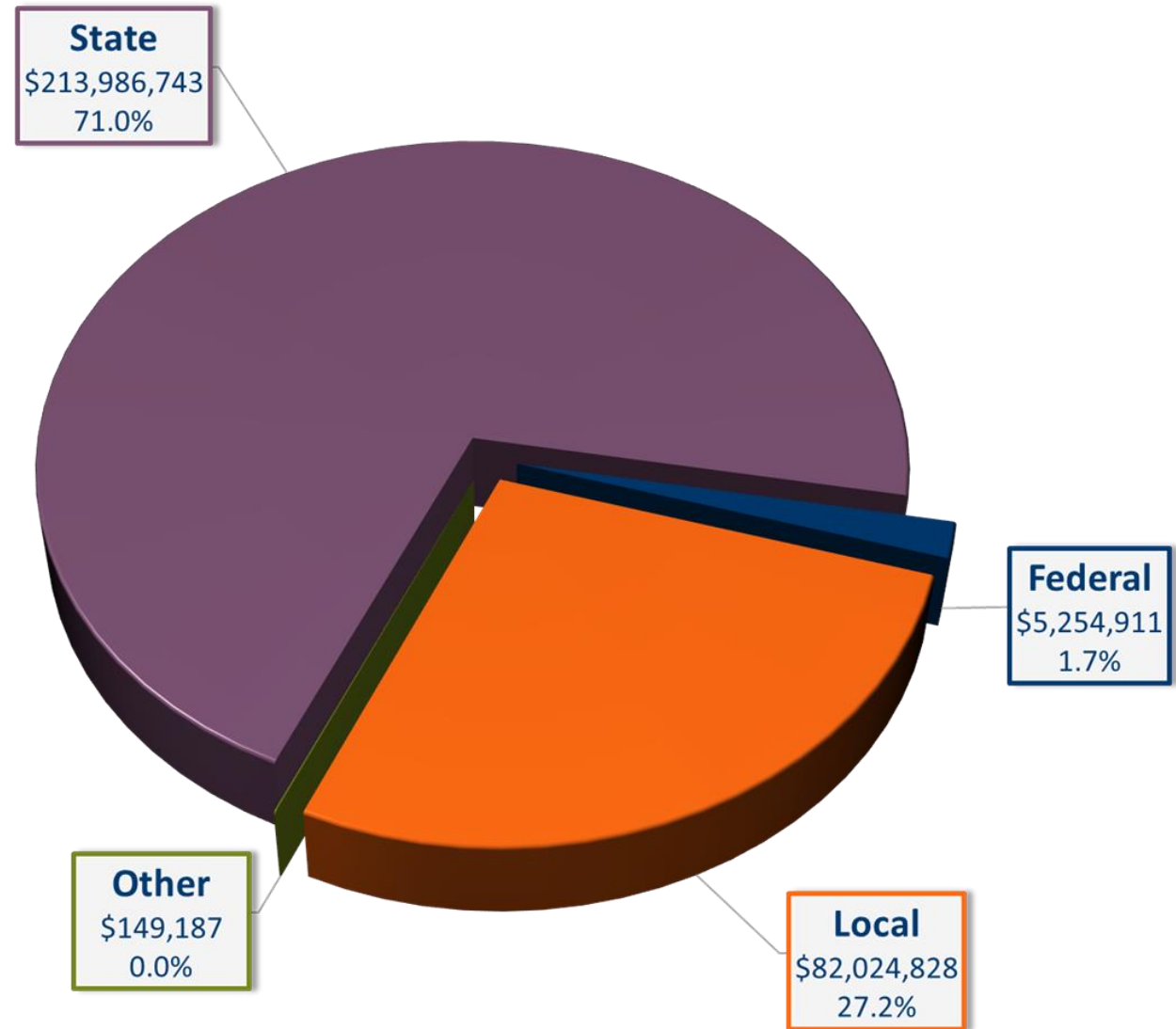
Revenue - All Funds -

2023-24 Budget
\$367,080,692



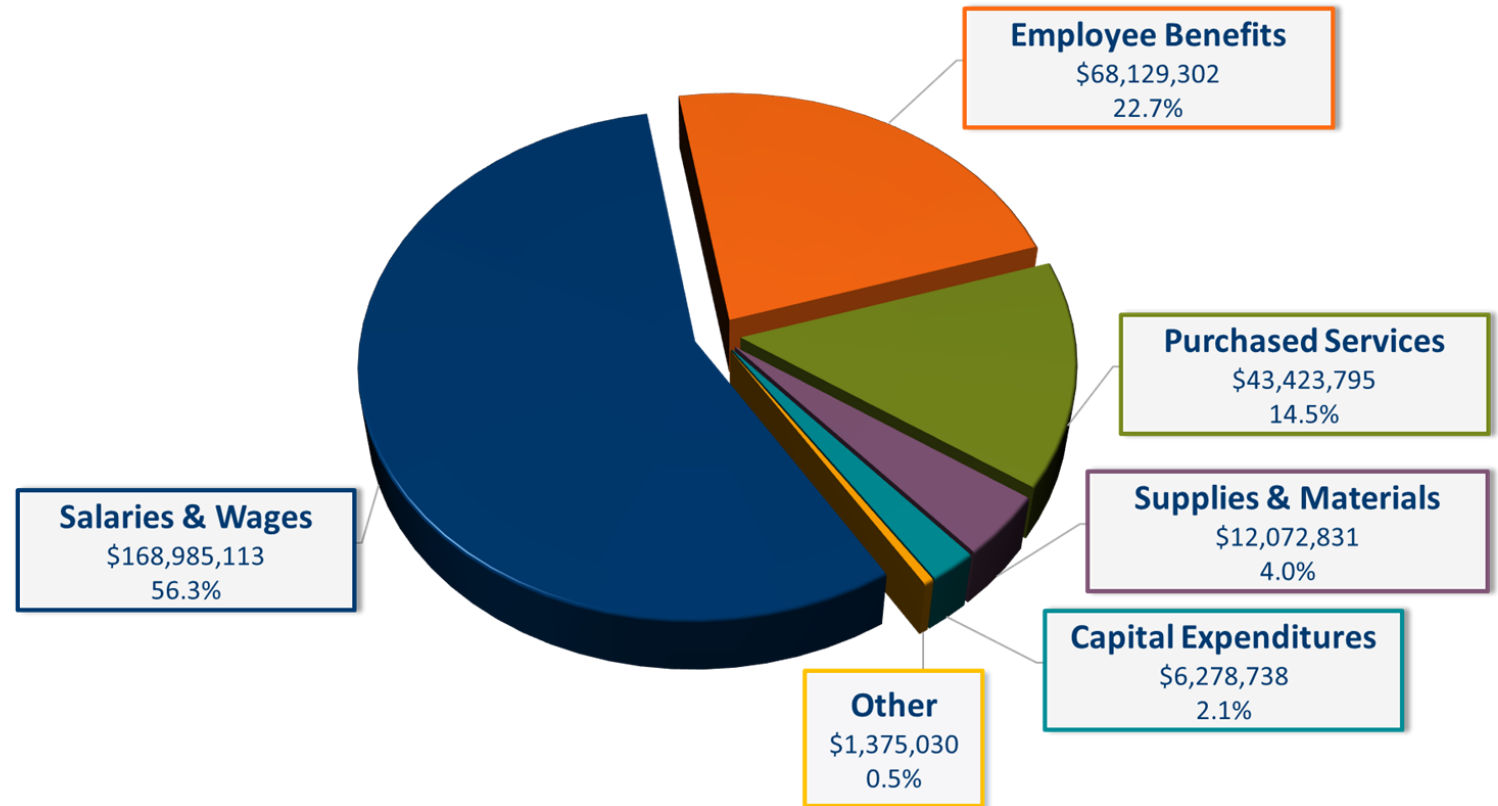
General Fund Revenue

2023-24 Budget
\$301,415,669



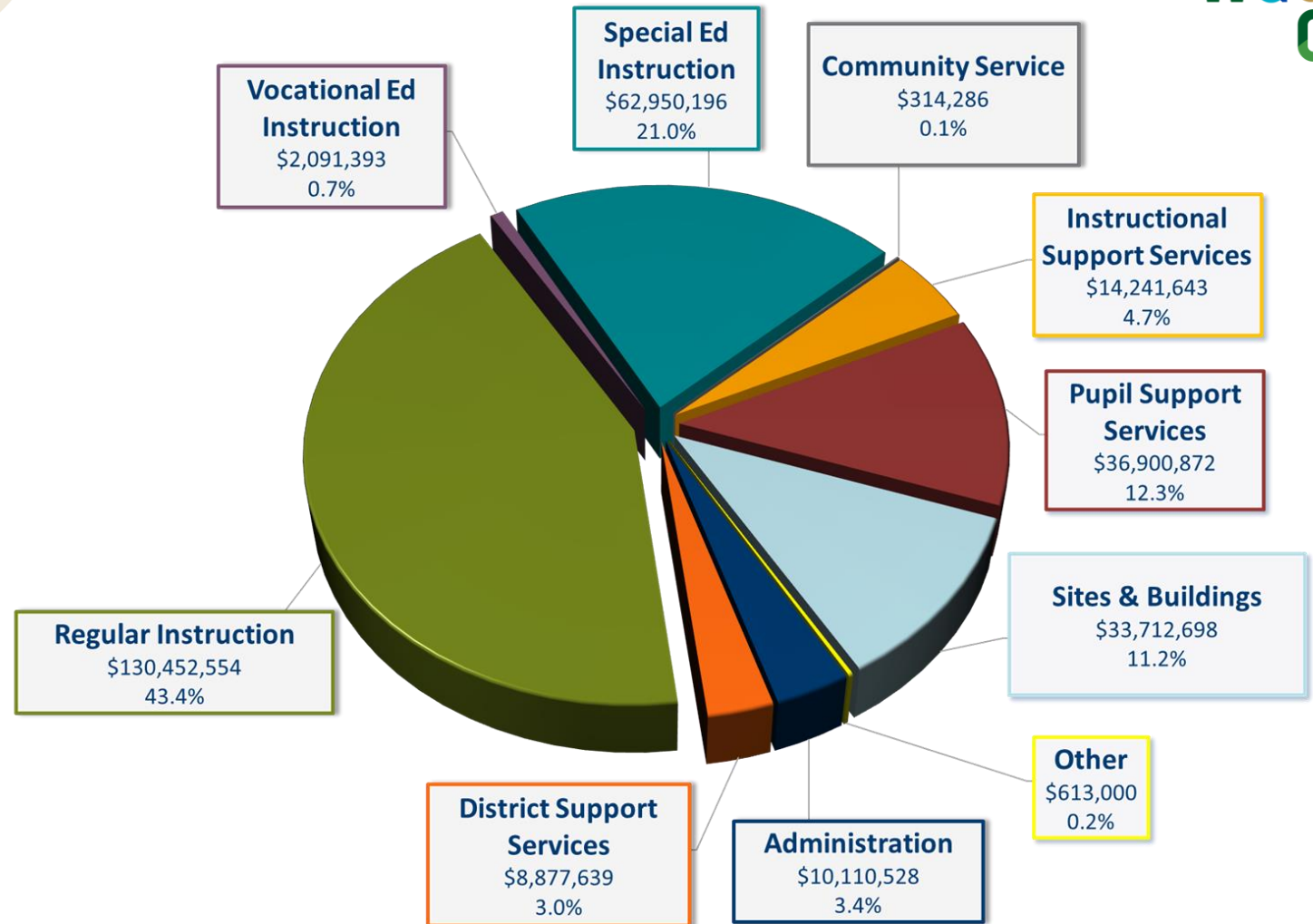
General Fund Expenditures - by Object -

**2023-24 Budget
\$300,264,809**



General Fund Expenditures – by Program –

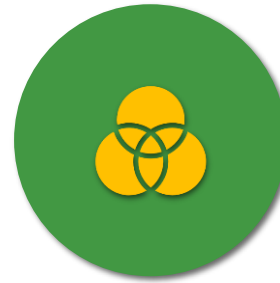
**2023–24 Budget
\$300,264,809**



Payable 2024 Property Tax Levy



Determination of levy



Comparison of 2023 to
2024 levies



Reasons for changes in
tax levy



Impact on taxpayers



Sample of parcel-specific notice mailed to every property owner between Nov. 11 and Nov. 24

Contents:

- Proposed property taxes compared to last year
 - By taxing jurisdiction
 - By voter-approved and other for school district
- Time and 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 1	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2023	2024
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res N/Hmstd	Res Hmstd
Step 2	PROPOSED TAX		
	Property Taxes before credits	\$1,479.52	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,467.52	
Step 3	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%

Overview of District's Proposed Tax Levy

Proposed payable 2024 tax levy is an increase from 2023 of \$14,051,496 or 12.5%

Includes \$5,253,299 increase from initial proposed levy approved by the School Board in September, due to referendum questions approved by voters in the Nov. 7 election.

Changes by levy category and reasons for major increases and decreases in levy are included on following slides

Two large, overlapping circles, one red and one beige, located in the bottom right corner of the slide.



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	\$39,735,359	\$41,372,037	\$1,636,679	
Local Optional Revenue (LOR)	12,945,501	13,911,153	965,652	
Equity	1,585,608	1,538,553	(47,055)	
Voter Approved Technology Referendum	2,832,894	5,000,000	2,167,106	
Operating Capital	1,603,865	1,914,870	311,005	
Alternate Teacher Compensation	1,783,849	1,789,463	5,614	
Achievement and Integration	995,546	1,045,852	50,306	
Long Term Facilities Maintenance	10,416,973	13,810,326	3,393,353	
Instructional Lease	3,906,903	3,912,840	5,937	
Other	2,988,817	3,098,584	109,766	
Prior Year Adjustments	(2,915,277)	(110,396)	2,804,881	
Total, General Fund	\$75,880,039	\$87,283,282	\$11,403,243	15.0%
Community Service				
Basic Community Education	\$753,890	\$738,180	(\$15,710)	
Early Childhood Family Education	408,572	394,232	(14,341)	
School-Age Child Care	670,874	950,000	279,126	
Other	18,308	25,687	7,379	
Prior Year Adjustments	80,952	415,424	334,472	
Total, Community Service Fund	\$1,932,596	\$2,523,522	\$590,926	30.6%
Debt Service				
Voter Approved	\$20,684,818	\$25,904,987	\$5,220,169	
Other	651,132	0	(651,132)	
Long Term Facility Maintenance	13,313,948	13,121,545	(192,403)	
Prior Year Adjustments	67,814	2,328	(65,486)	
Total, Debt Service Fund	\$34,717,712	\$36,775,039	\$2,057,327	5.9%
Total Levy, All Funds	\$112,530,347	\$126,581,843	\$14,051,496	12.5%
Subtotal by Truth in Taxation Categories:				
Voter Approved	62,486,500	70,356,402	7,869,901	
Other	50,043,847	56,225,442	6,181,595	
Total	\$112,530,347	\$126,581,843	\$14,051,496	12.5%

Explanation of Levy Changes

Category:

General Fund – Voter Approved Operating Referendum

Change:

+\$1,636,679

Use of Funds:

General Operating Expenses

Reasons for Change:

Voter-approved operating referendum authority includes an annual inflationary increase (determined by the State, as set in statute) and enrollment is projected to grow

Explanation of Levy Changes

Category:

General Fund – Voter Approved Technology Referendum

Change:

+\$2,167,106

Use of Funds:

Technology Costs

Reason for Change:

Voters approved an increase to capital project/technology levy authority

Explanation of Levy Changes

Category:

General Fund – Long Term Facilities Maintenance (LTFM)

Change:

+\$3,393,353

Use of Funds:

Deferred Maintenance Costs

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:

+\$2,804,881

Use of Funds:

Various

Reasons for Change:

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



Explanation of Levy Changes

Category:

Debt Service Fund – Voter Approved

Change:

+\$5,220,169

Use of Funds:

Debt Payments

Reasons for Change:

- Issuance of bonds approved by voters in referendum held Nov. 7, 2023
- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

What's happening with each slice?

Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each property owner pays a portion of the pie.

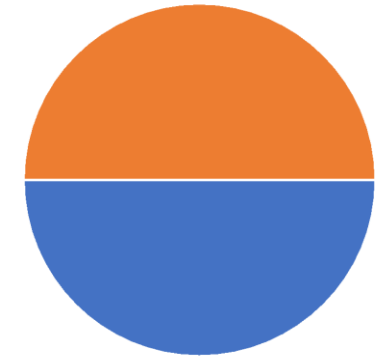
Impact of Property Valuations

Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy



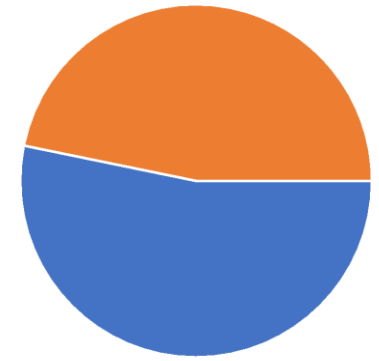
Impact of Property Valuations

Two properties in the district

- Orange house value increases by 10%
- Blue house value increases by 25%

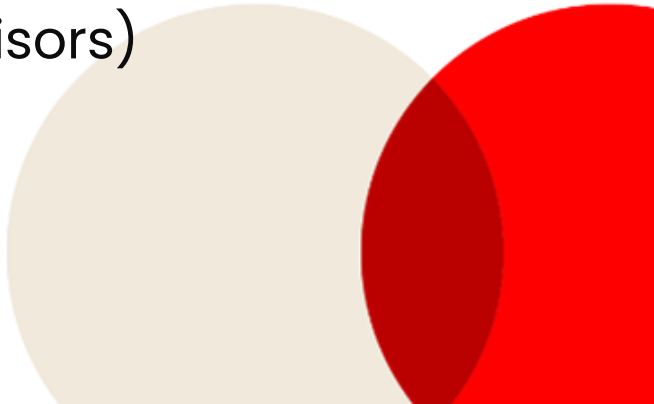
Total levy of \$500

- 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 and are shown based on no change and a 33.7% 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 Woodbury
 - Amounts for 2024 are preliminary estimates; final amounts could change slightly
 - Estimates prepared by Ehlers (District's municipal financial advisors)
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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
					Without Ballot Questions*	Approved Ballot Questions*	Total		
Residential Homestead	\$100,000	\$561	\$579	\$515	\$495	\$19	\$514	-\$47	-\$1
	250,000	1,594	1,636	1,461	1,405	64	1,469	-125	8
	410,000	2,695	2,763	2,471	2,374	111	2,485	-210	14
	500,000	3,288	3,371	3,015	2,897	135	3,032	-256	17
	750,000	5,146	5,267	4,718	4,531	220	4,751	-395	33
Commercial/ Industrial #	\$100,000	\$641	\$653	\$583	\$582	\$27	\$609	-\$32	\$26
	500,000	3,587	3,637	3,256	3,263	168	3,431	-156	175
	1,000,000	7,336	7,431	6,659	6,675	350	7,025	-311	366
	2,000,000	14,835	15,021	13,465	13,501	715	14,216	-619	751

* "Approved ballot questions" includes estimates of additional taxes for bond authority of \$201,225,000 and an increase to capital project levy authority.

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

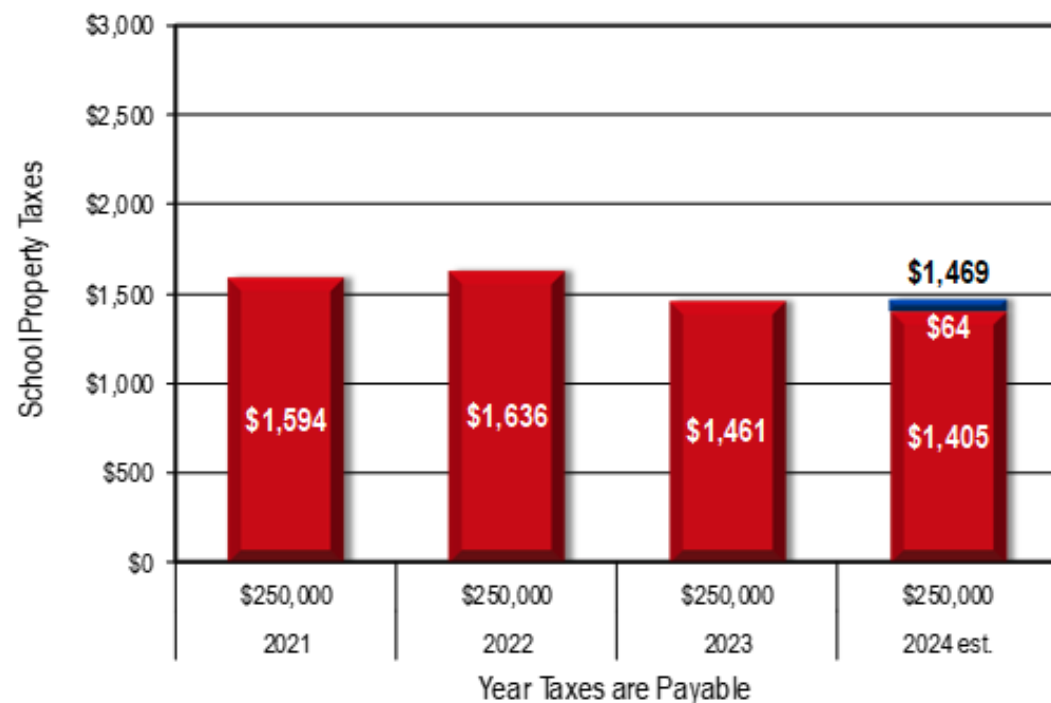
General Notes

1. Amounts are based on school district taxes only, and do not include taxes for the 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.

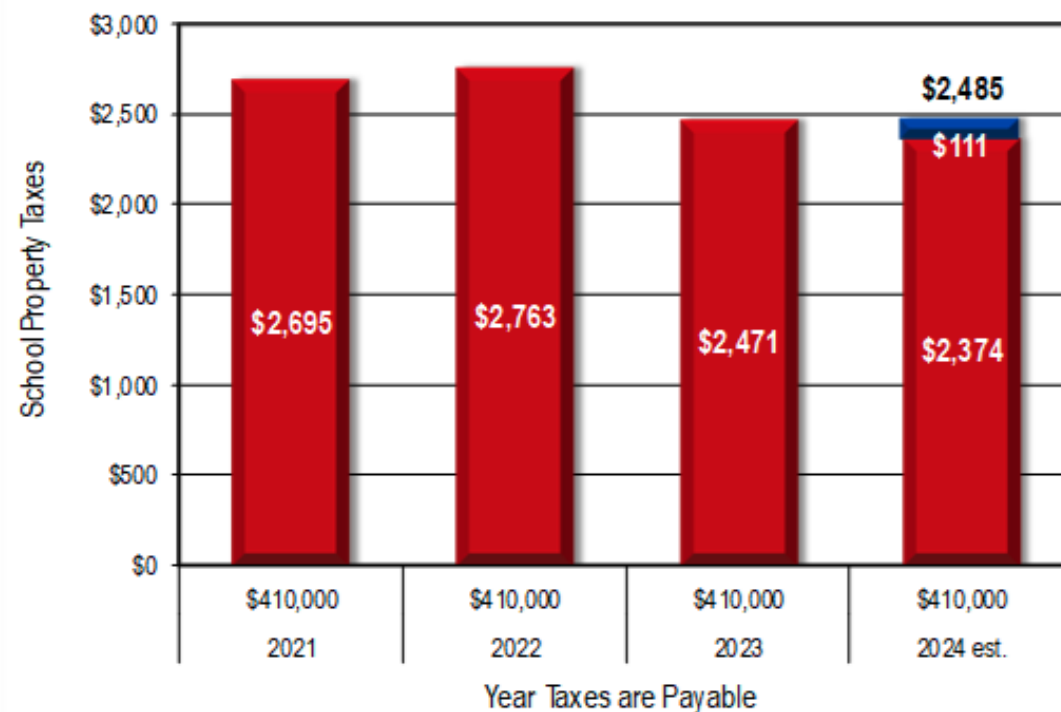
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value

Example 1: \$250,000 Residential Homestead Property



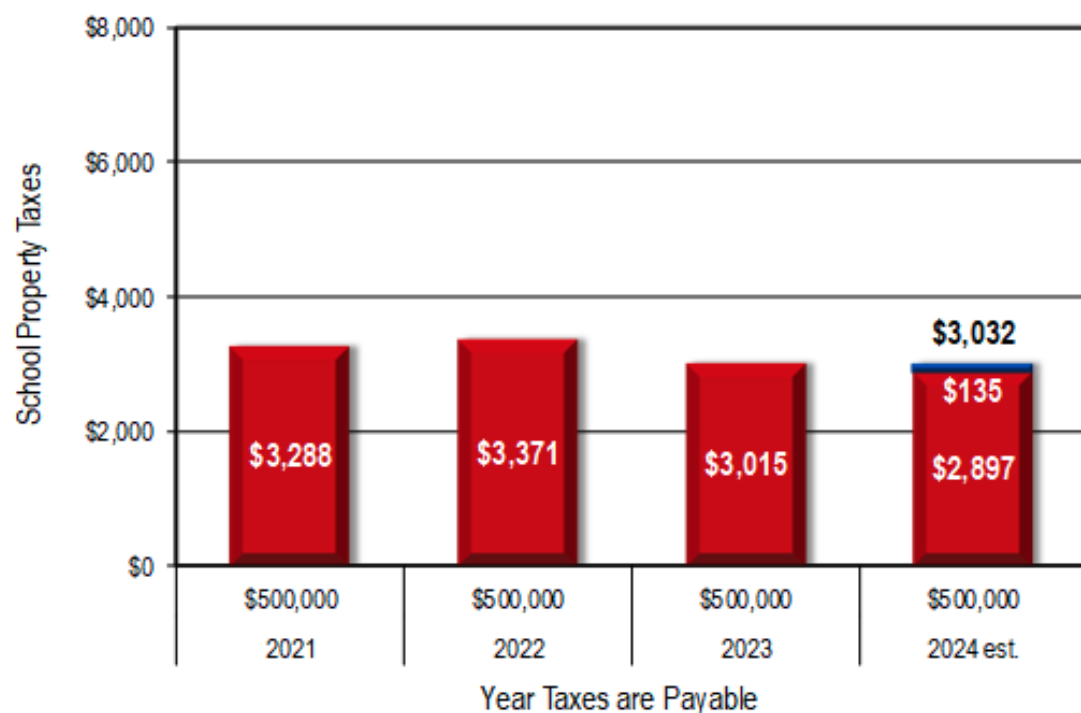
Example 2: \$410,000 Residential Homestead Property



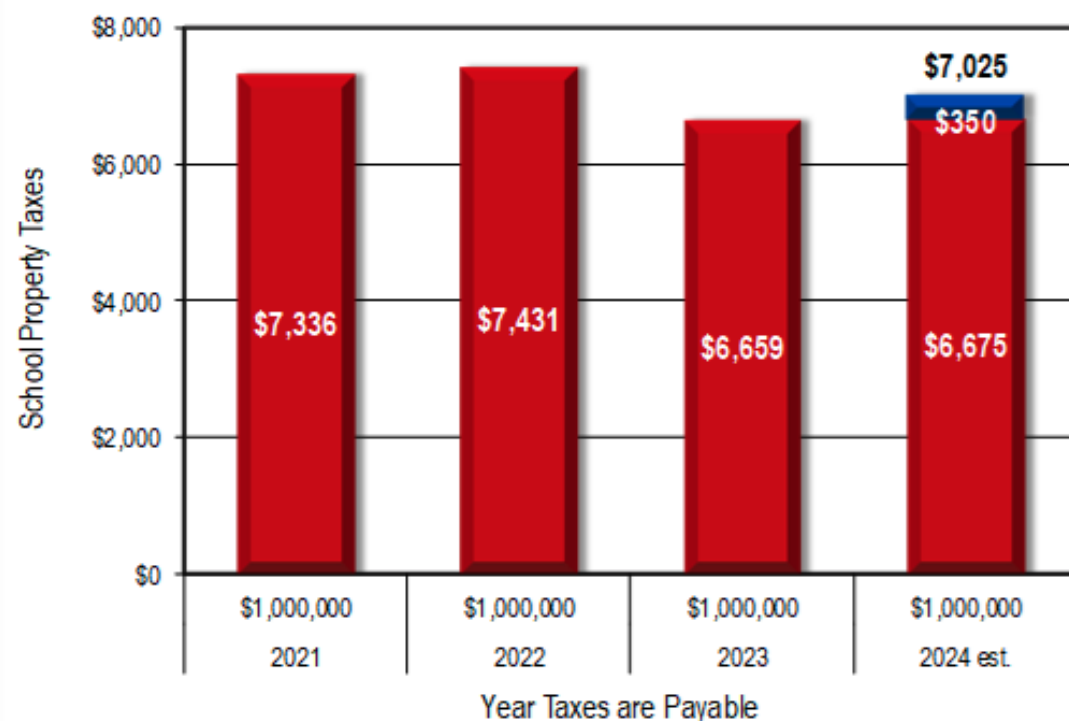
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value

Example 3: \$500,000 Residential Homestead Property



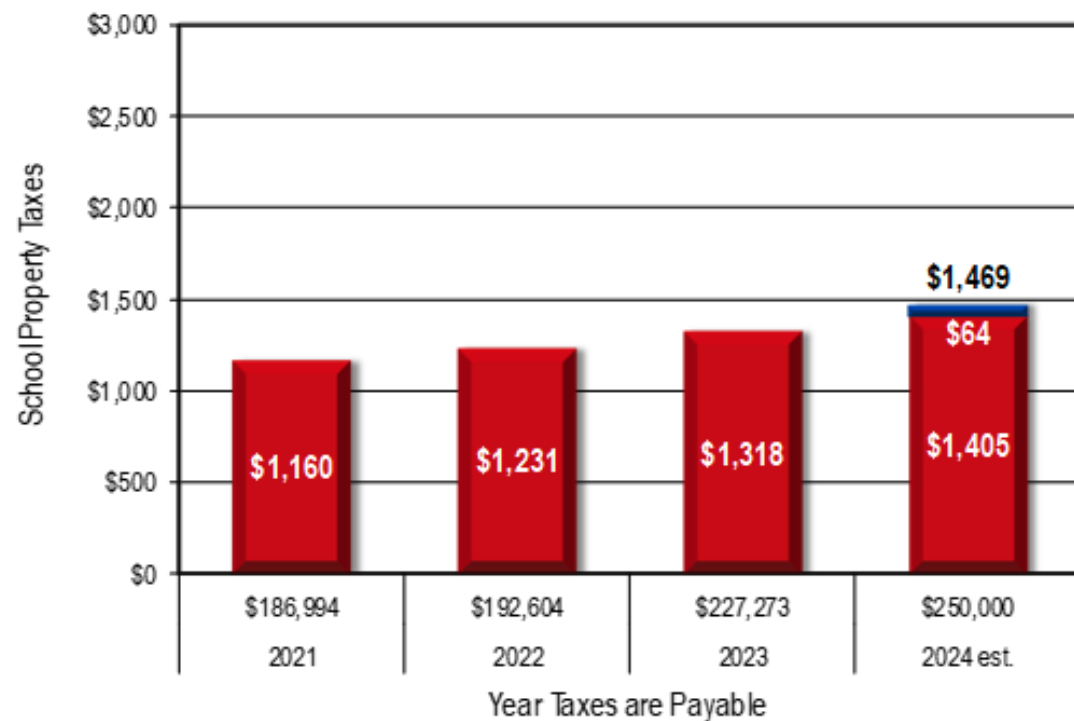
Example 4: \$1,000,000 Commercial - Industrial Property



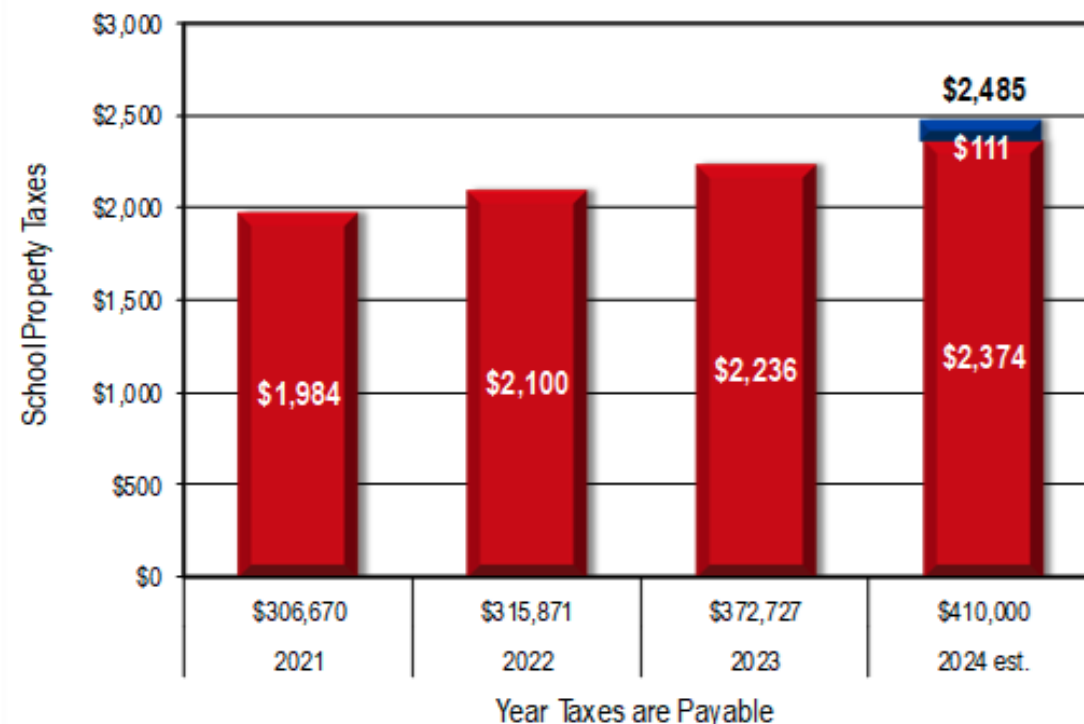
Estimated Changes in School Property Taxes, 2021-24

Based on 33.7% Cumulative Changes in Property Value

Example 1: \$250,000* Residential Homestead Property



Example 2: \$410,000* Residential Homestead Property



*Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 3.0% from 2021 to 2022, 18.0% from 2022 to 2023 and 10.0% from 2023 to 2024.

** The darker portion of the 2024 bar represents the estimated taxes associated with bond authority of \$201,225,000 and an increase to capital project levy authority.



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 will accept
public comments
on proposed levy

Board will certify
2023 property tax
levy



PUBLIC COMMENT