

**DETROIT LAKES
LAKERS**

**ISD #22 –
Detroit Lakes
Public Schools**

**Public Hearing for Taxes
Payable in 2024**

DECEMBER 18, 2023

PRESENTED BY:
JASON KUEHN, DIRECTOR OF
FINANCE & OPERATIONS

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**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

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Hearing Agenda



Background
Information on
School Funding



District's Budget



District's Proposed
Tax Levy for Taxes
Payable in 2024



Public Comments

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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.”

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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

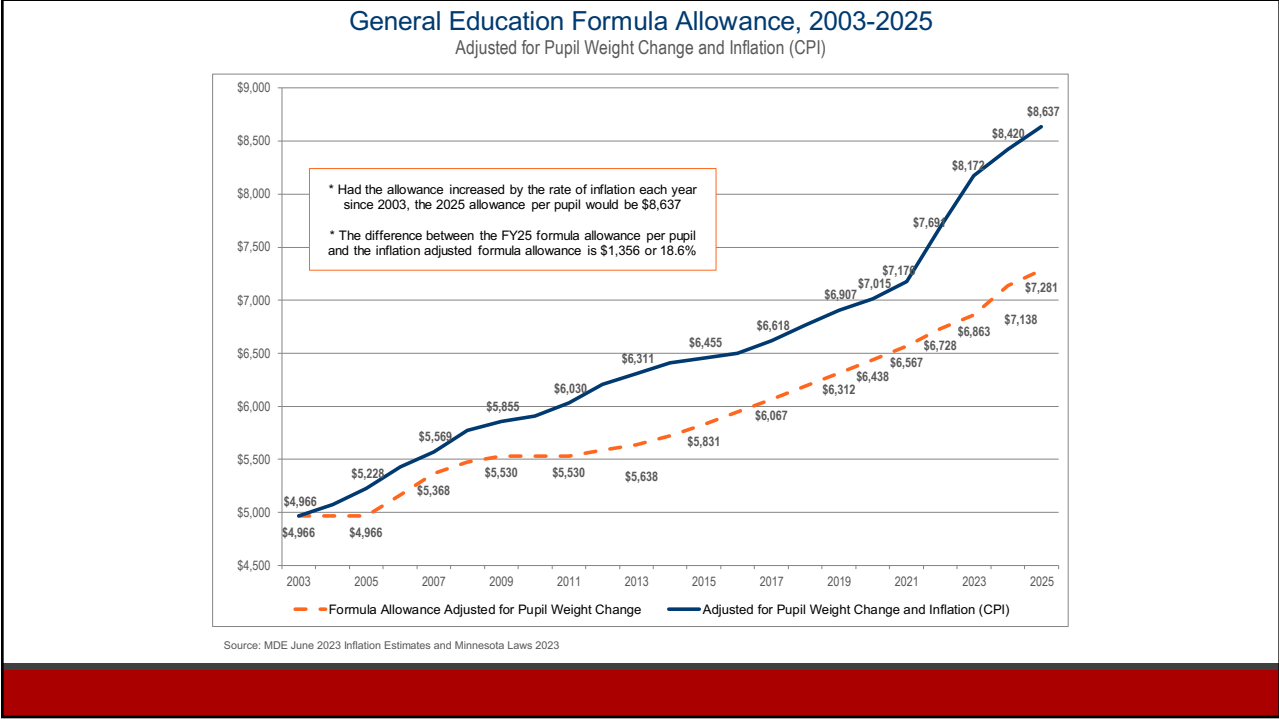
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Basic General Education Formula Lags Inflation

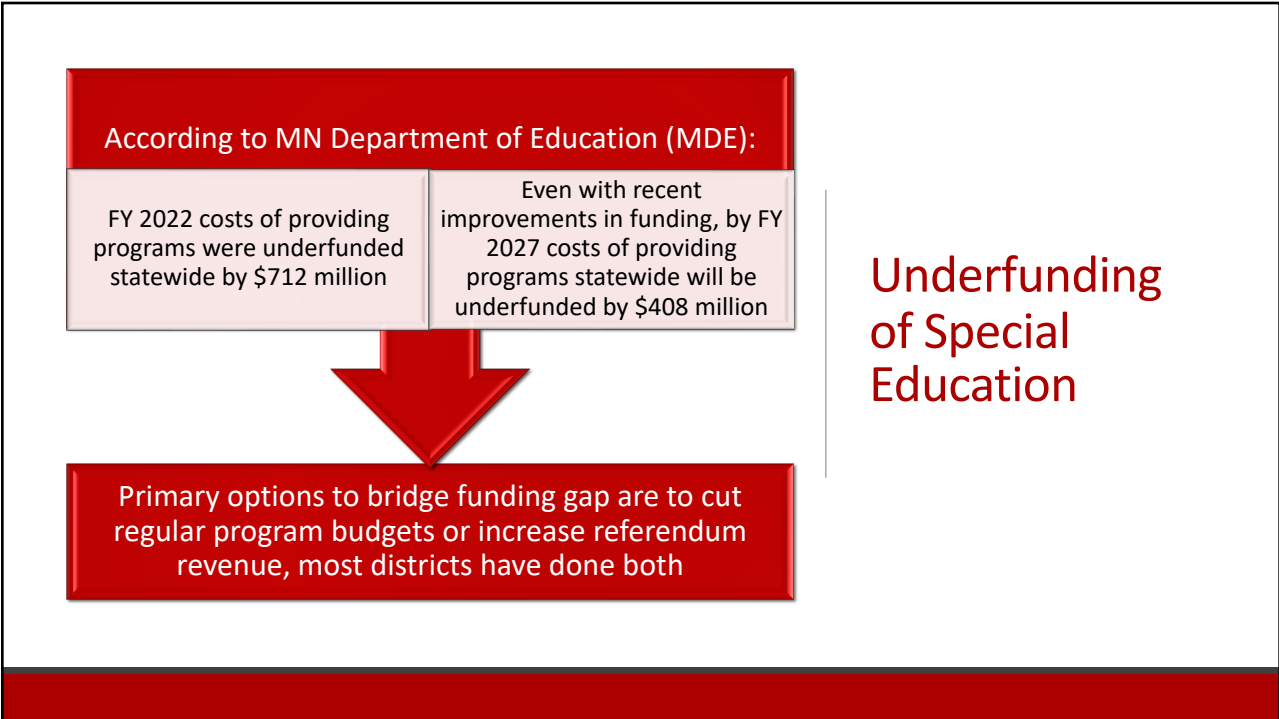
- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2023-24, an increase of 4.00% or \$275 over previous year was approved
- For Fiscal Year 2024-25, an increase of 2.00% or \$143 over previous year was approved

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

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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

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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

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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

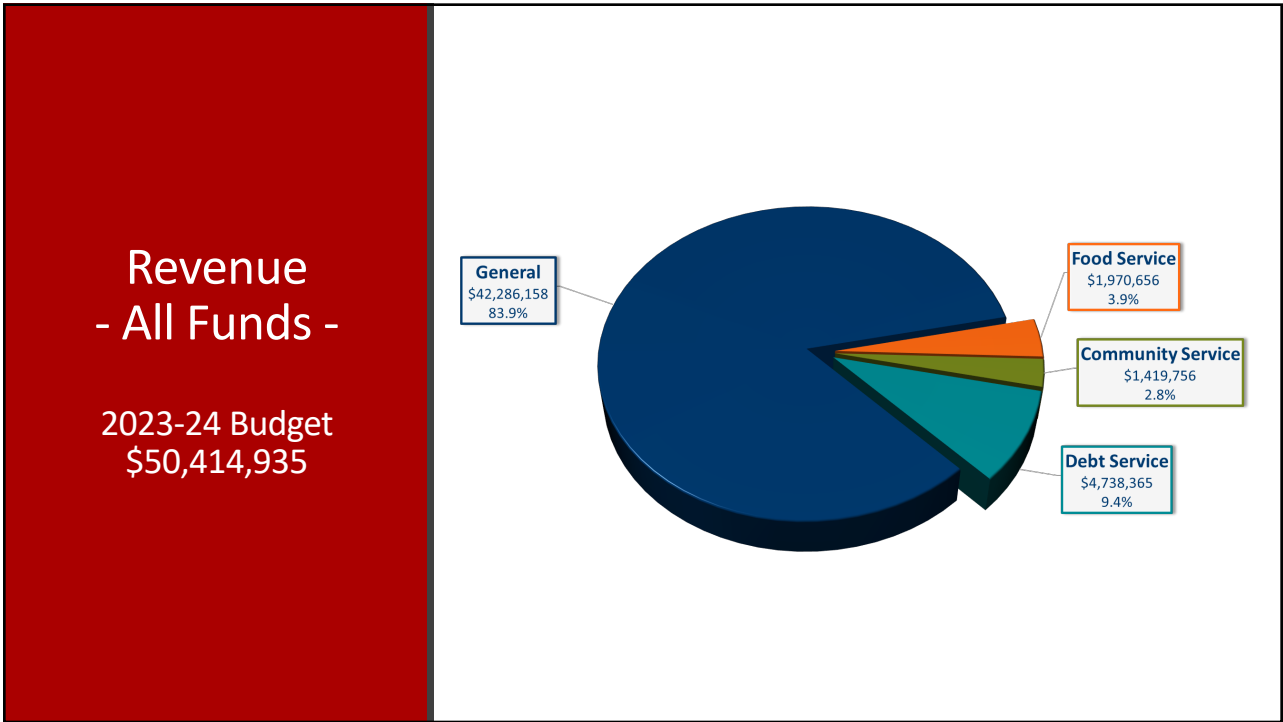


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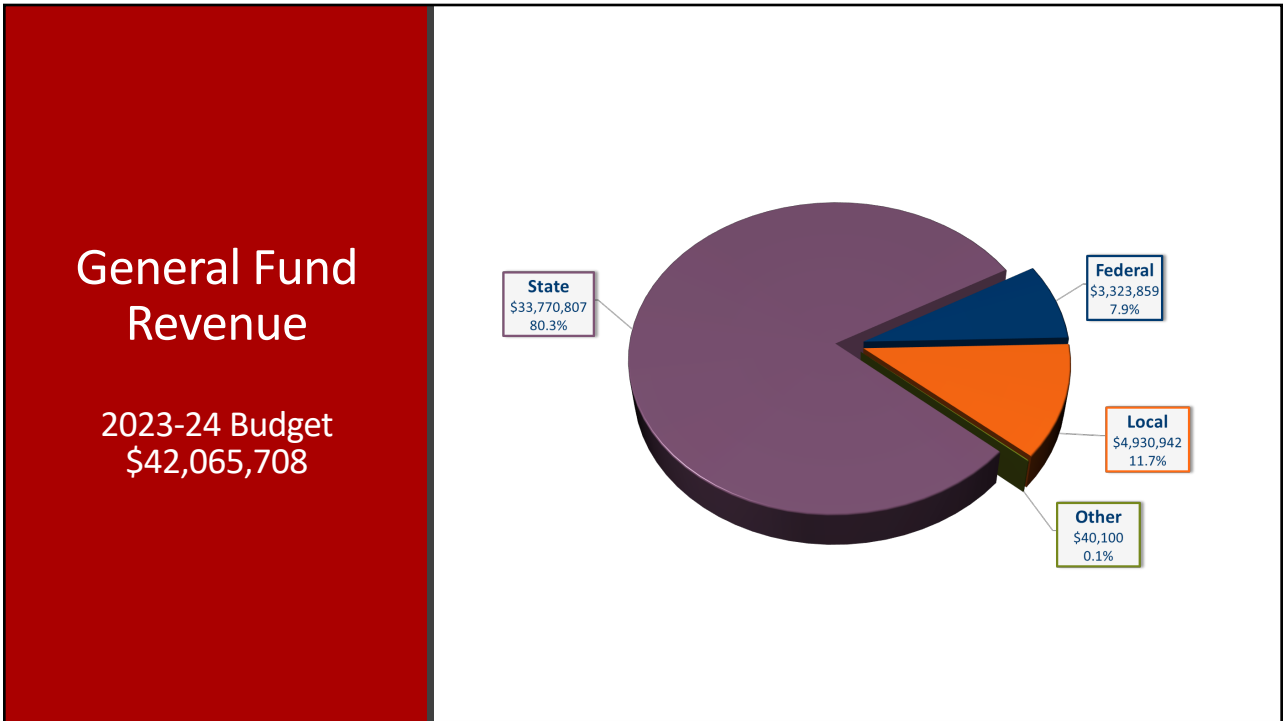
District Revenues & Expenditures
Actual for FY 2023, Budget for FY 2024

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	\$3,574,763	\$3,178,491	\$3,809,174	\$2,944,080	\$2,543,016	\$2,723,321	\$2,763,775
General/Other	10,289,787	37,841,650	38,764,646	9,366,791	39,743,142	39,557,036	9,552,897
Food Service	1,156,559	1,865,207	2,033,018	988,748	1,970,656	1,967,937	991,467
Community Service	652,228	1,325,143	1,366,684	610,687	1,419,756	1,471,952	558,491
Building Construction	(1,422,780)	2,854,597	1,431,817	0	0	0	0
Debt Service	615,474	3,927,885	3,848,206	695,153	4,738,365	4,610,026	823,492
Total All Funds	14,866,031	50,992,973	51,253,545	14,605,459	50,414,935	50,330,272	14,690,122

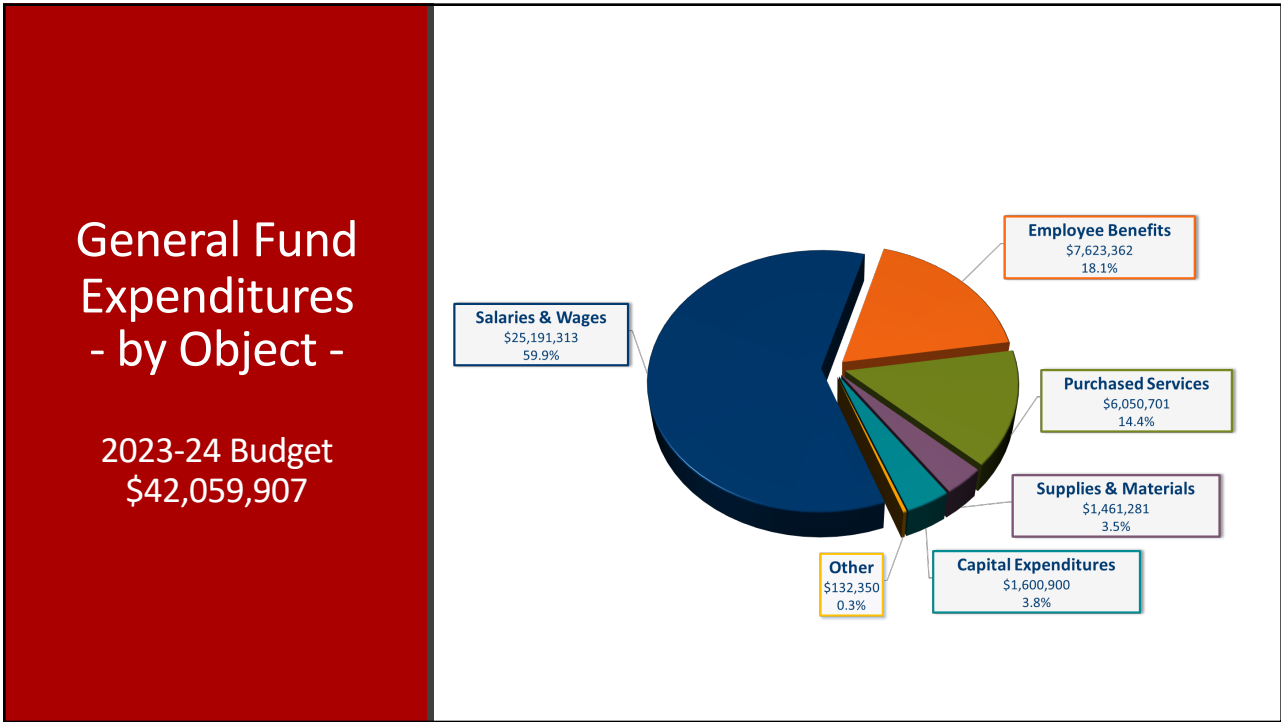
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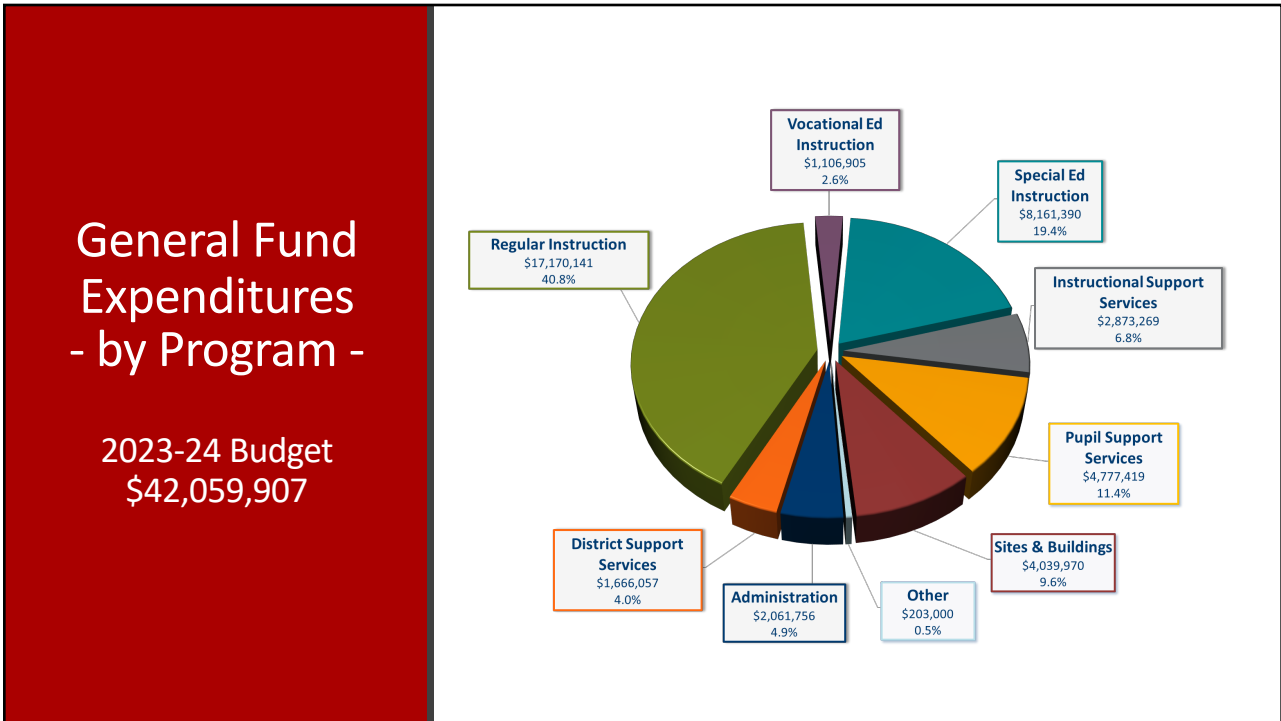
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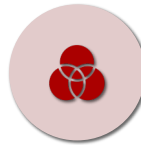


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Payable 2024 Property Tax Levy



Determination of levy



Compare 2023 to 2024 levies



Reasons for changes in tax levy



Impact on taxpayers

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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

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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 79
 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
 PID Number: 01.234.56.789.R1 Property Address: 789 Pine Rd S
 Spruceville, MN 55555

Property Description:
 Lot 1, Block 1, Spruce Acre Subdivision

PROPOSED TAXES 2024

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	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 10/Resort	Res 10/Resort

PROPOSED TAX	
Step 2	Property Taxes before credits \$1,479.52
	School building bond credits \$ 12.00
	Agricultural market value credits
	Other credits
Step 3	Property Taxes after credits \$1,487.52

PROPERTY TAX STATEMENT
 Coming in 2024

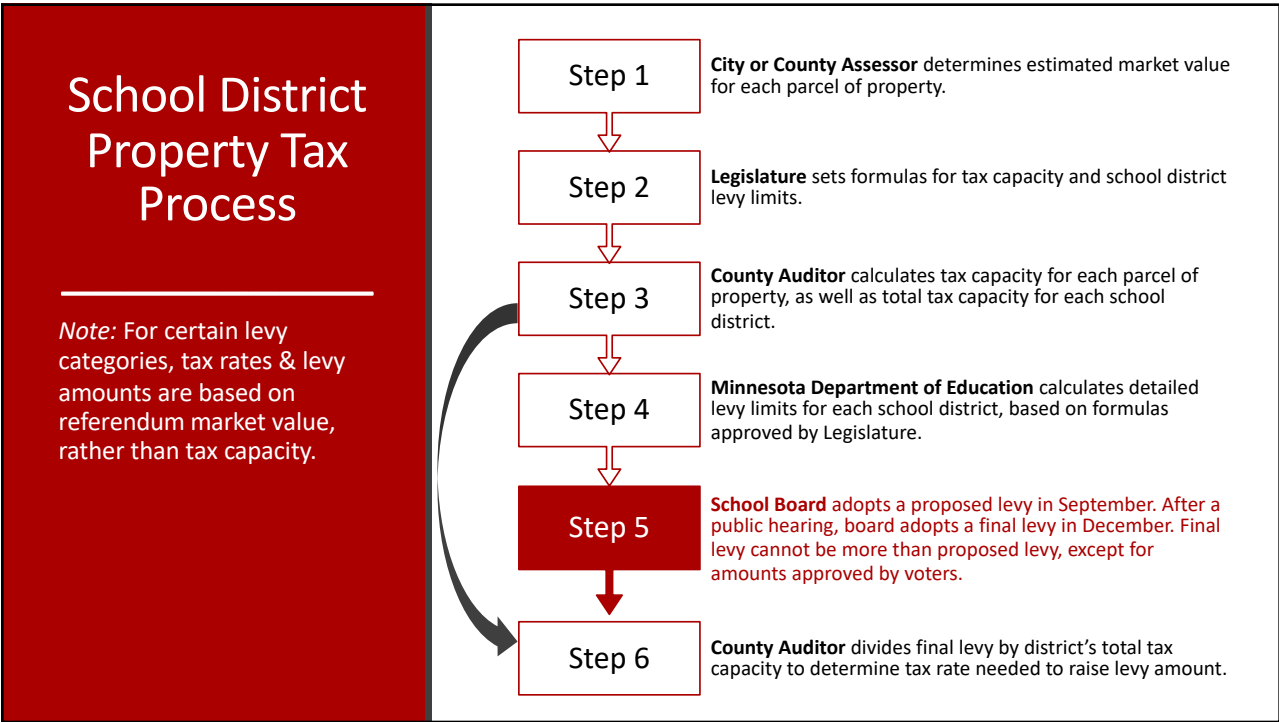
The time to provide feedback on PROPOSED LEVIES is NOW
 It is too late to appeal your value without going to Tax Court.

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	\$312.04
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-8765	December 9, 7:00 PM Spruceville High School Cafeteria	\$289.35	\$296.68
Vote Approved Levies		\$340.11	\$374.80
Other Levies			
Total excluding any special assessments		\$1,341.31	\$1,487.52 9.4%

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.

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



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Overview of District's Proposed Tax Levy

- Proposed Payable 2024 tax levy is an increase from 2023 of \$632,816 or 7.0%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

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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				
Local Optional Revenue (LOR)	\$1,946,588	\$2,045,028	\$98,440	
Equity	492,096	483,315	(8,781)	
Operating Capital	352,139	419,465	67,327	
Alternate Teacher Compensation	259,472	249,141	(10,331)	
Long Term Facilities Maintenance	674,964	665,277	(9,687)	
Instructional Lease	279,756	299,088	19,332	
Other	562,519	566,498	3,979	
Prior Year Adjustments	(483,018)	(28,691)	454,327	
Total, General Fund	\$4,084,516	\$4,699,120	\$614,604	15.0%
Community Service				
Basic Community Education	\$138,617	\$155,508	\$16,892	
Early Childhood Family Education	89,420	86,282	(3,139)	
Other	2,608	5,180	2,573	
Prior Year Adjustments	117	(4,299)	(4,416)	
Total, Community Service Fund	\$230,762	\$242,671	\$11,910	5.2%
Debt Service				
Voter Approved	\$4,000,036	\$4,101,333	\$101,297	
Other	437,798	438,533	735	
Long Term Facility Maintenance	365,638	366,723	1,085	
Reduction for Debt Excess	(81,290)	(176,016)	(94,725)	
Prior Year Adjustments	2,112	23	(2,090)	
Total, Debt Service Fund	\$4,724,294	\$4,730,596	\$6,302	0.1%
Total Levy, All Funds	\$9,039,572	\$9,672,387	\$632,816	7.0%
Subtotal by Truth in Taxation Categories:				
Voter Approved	3,936,601	3,955,044	18,443	
Other	5,102,971	5,717,344	614,372	
Total	\$9,039,572	\$9,672,387	\$632,816	7.0%

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Explanation of Levy Changes

Category:	General Fund – Local Optional Revenue (LOR)
Change:	+\$98,440
Use of Funds:	General Operating Expenses
Reason for Change:	Increase in levy share of funding & increase in total revenue, due to growth in tax base and projected slight increase in enrollment

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Explanation of Levy Changes

Category:	General Fund – Prior Year Adjustments
Change:	+\$454,327
Use of Funds:	Various
Reasons for Change:	<ul style="list-style-type: none">• Each year, initial levies are based on estimates of enrollment, values and expenditures for future years• In later years, estimates are updated and levies are retroactively adjusted

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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

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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

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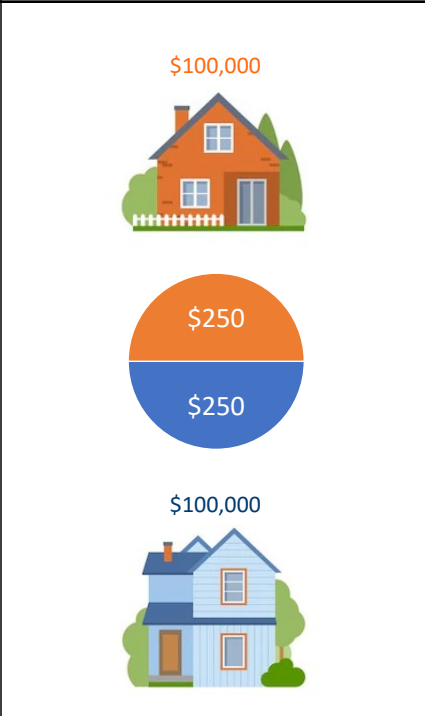
Impact of Property Valuations

Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy



The diagram illustrates two houses, one orange and one blue, both valued at \$100,000. A pie chart is divided into two equal halves, each labeled \$250, representing the total levy of \$500 split equally between the two properties.

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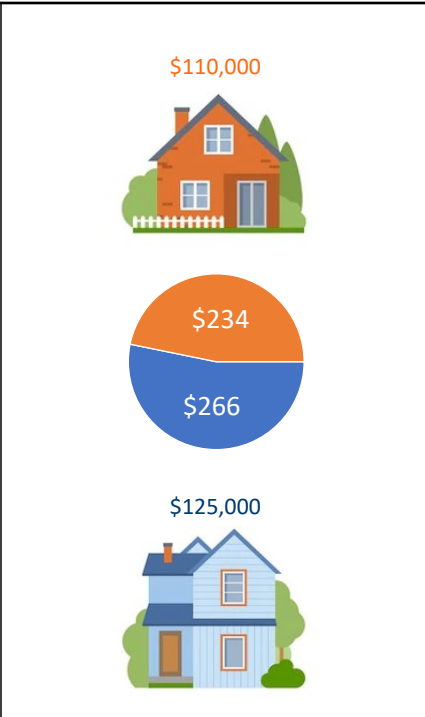
Impact of Property Valuations

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



The diagram illustrates two houses, one orange and one blue. The orange house is now valued at \$110,000 and the blue house at \$125,000. A pie chart is divided into two unequal halves: a smaller orange section labeled \$234 and a larger blue section labeled \$266, representing the total levy of \$500.

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Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 32.8% 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
- 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
Residential Homestead	\$150,000	\$467	\$430	\$370	\$344	-\$123	-\$26
	200,000	649	597	516	479	-170	-37
	250,000	831	765	661	615	-216	-46
	300,000	1,012	932	807	750	-262	-57
	350,000	1,194	1,100	953	885	-309	-68
	400,000	1,376	1,267	1,099	1,020	-356	-79
	500,000	1,723	1,587	1,377	1,278	-445	-99
Commercial/ Industrial	\$250,000	\$1,227	\$1,133	\$1,008	\$926	-\$301	-\$82
	500,000	2,611	2,413	2,153	1,976	-635	-177
	750,000	3,995	3,692	3,299	3,025	-970	-274
	1,000,000	5,379	4,971	4,444	4,074	-1,305	-370
Agricultural Homestead (average value per acre of land and buildings)	\$3,000	\$2.09	\$1.81	\$1.42	\$1.33	-\$0.76	-\$0.09
	4,000	\$2.79	\$2.43	\$1.89	1.77	-1.02	-0.11
	5,000	\$3.48	\$3.03	\$2.36	2.23	-1.25	-0.14
	6,000	\$4.18	\$3.64	\$2.83	2.67	-1.51	-0.16
Agricultural Non-homestead (average value per acre of land and buildings)	\$3,000	\$4.18	\$3.64	\$2.83	\$2.67	-\$1.51	-\$0.16
	4,000	\$5.58	\$4.84	\$3.78	3.56	-2.02	-0.22
	5,000	\$6.97	\$6.05	\$4.73	4.44	-2.53	-0.28
	6,000	\$8.37	\$7.27	\$5.67	5.33	-3.04	-0.33
Seasonal	\$200,000	\$418	\$389	\$365	\$328	-\$90	-\$37
Recreational	300,000	627	583	548	493	-134	-55
Residential	400,000	836	777	731	657	-179	-74
	500,000	1,045	971	914	821	-224	-93

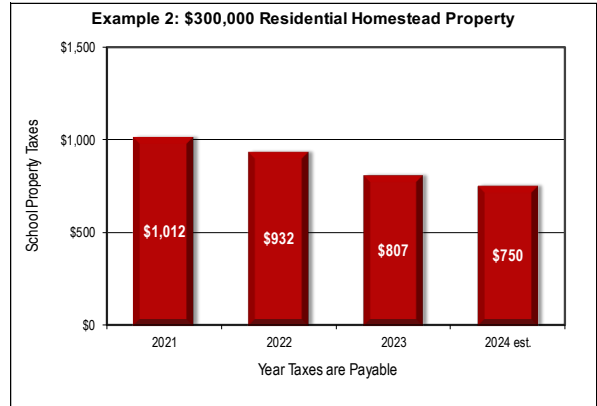
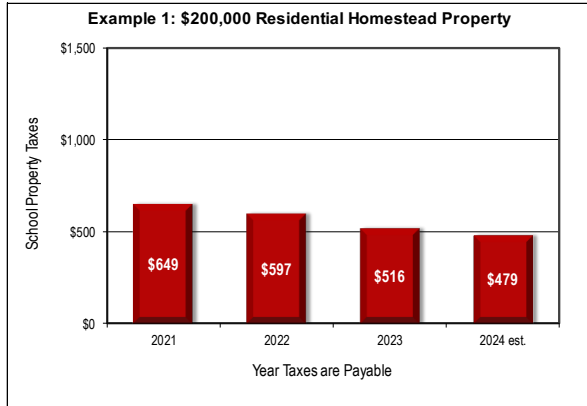
General Notes

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.
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.

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Estimated Changes in School Property Taxes, 2021-24

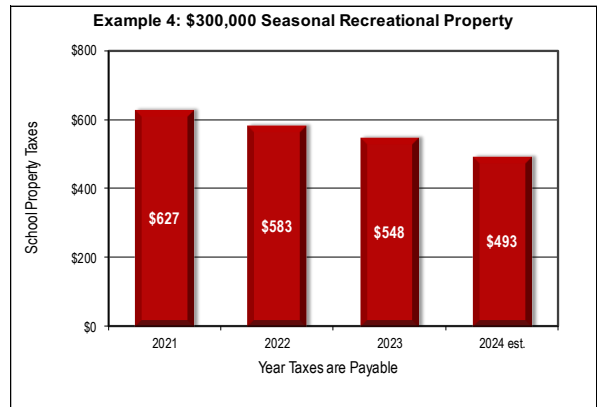
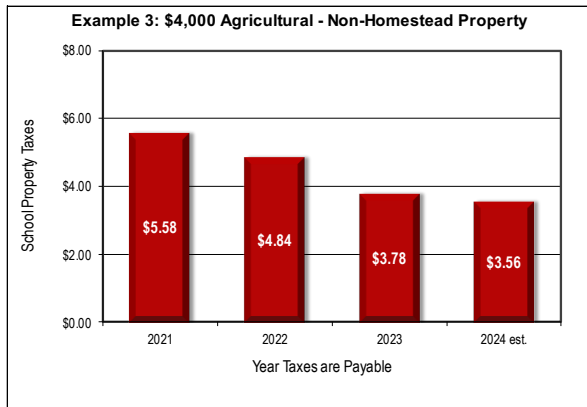
Based on No Changes in Property Value



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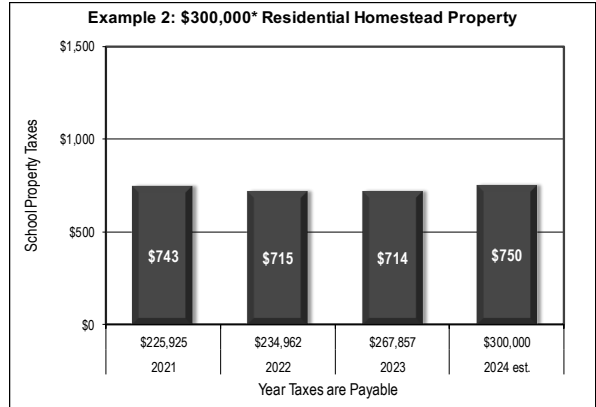
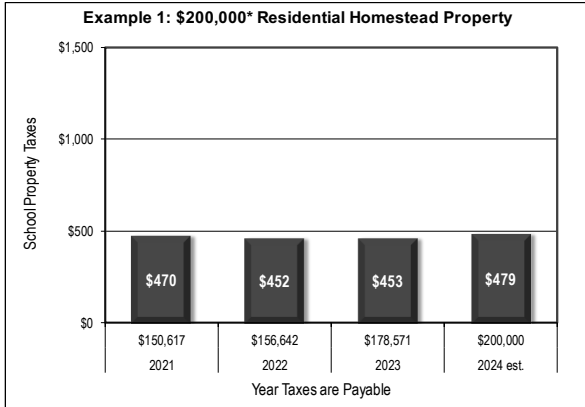
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value



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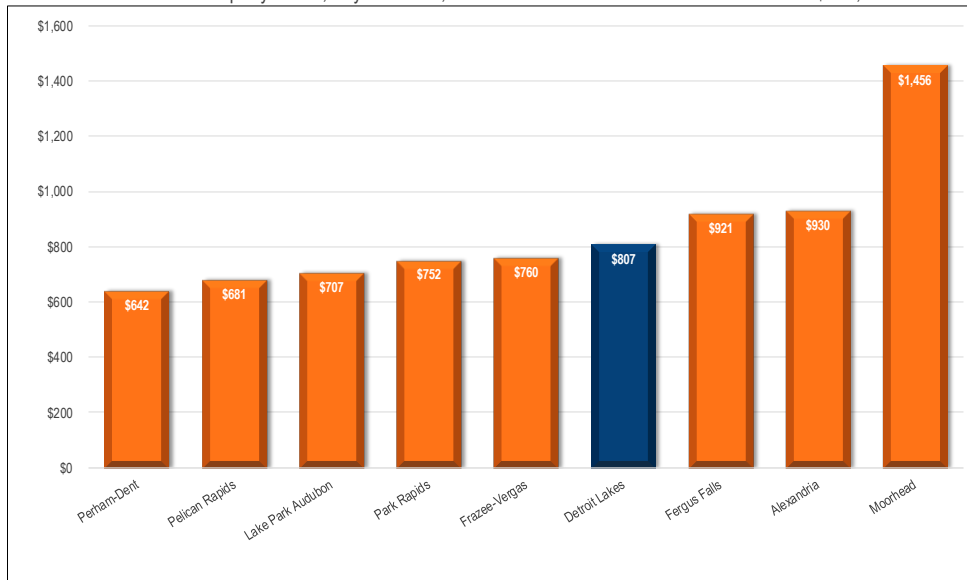
Estimated Changes in School Property Taxes, 2021-24 Based on 32.8% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 4.0% from 2021 to 2022, 14.0% from 2022 to 2023 and 12.0% from 2023 to 2024.

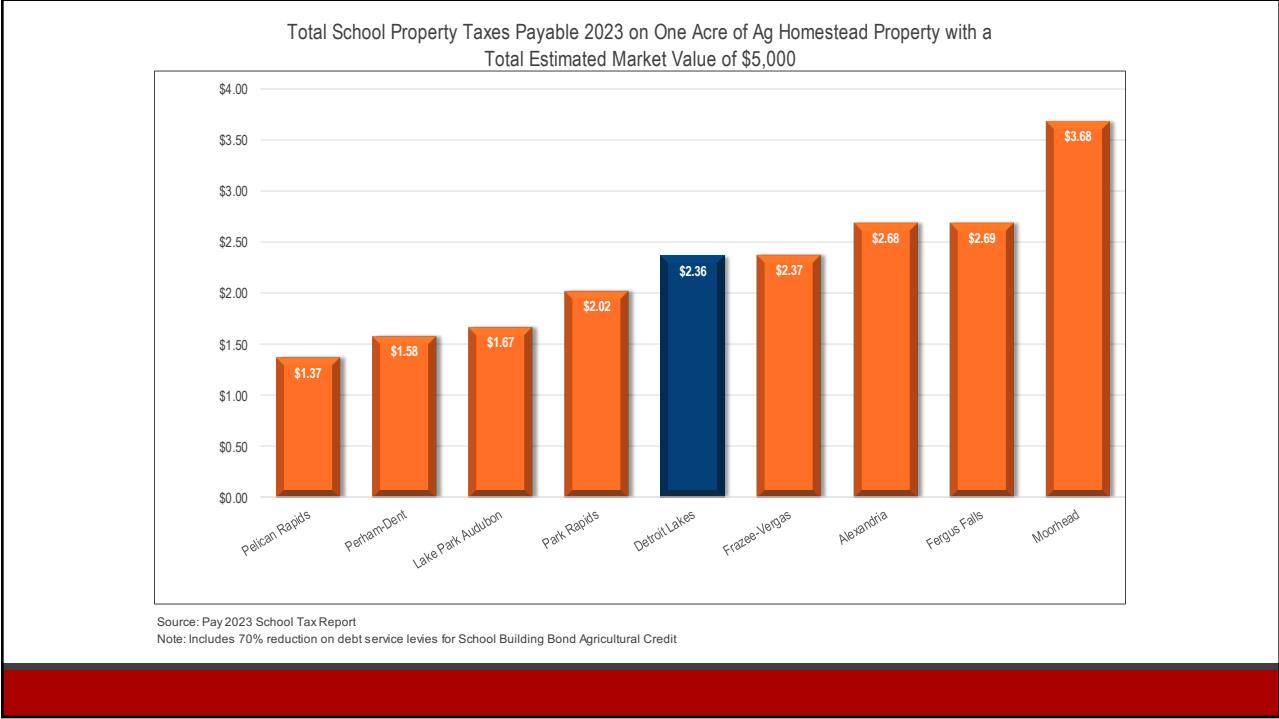
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Total School Property Taxes, Payable 2023, on a Home with an Estimated Market Value of \$300,000

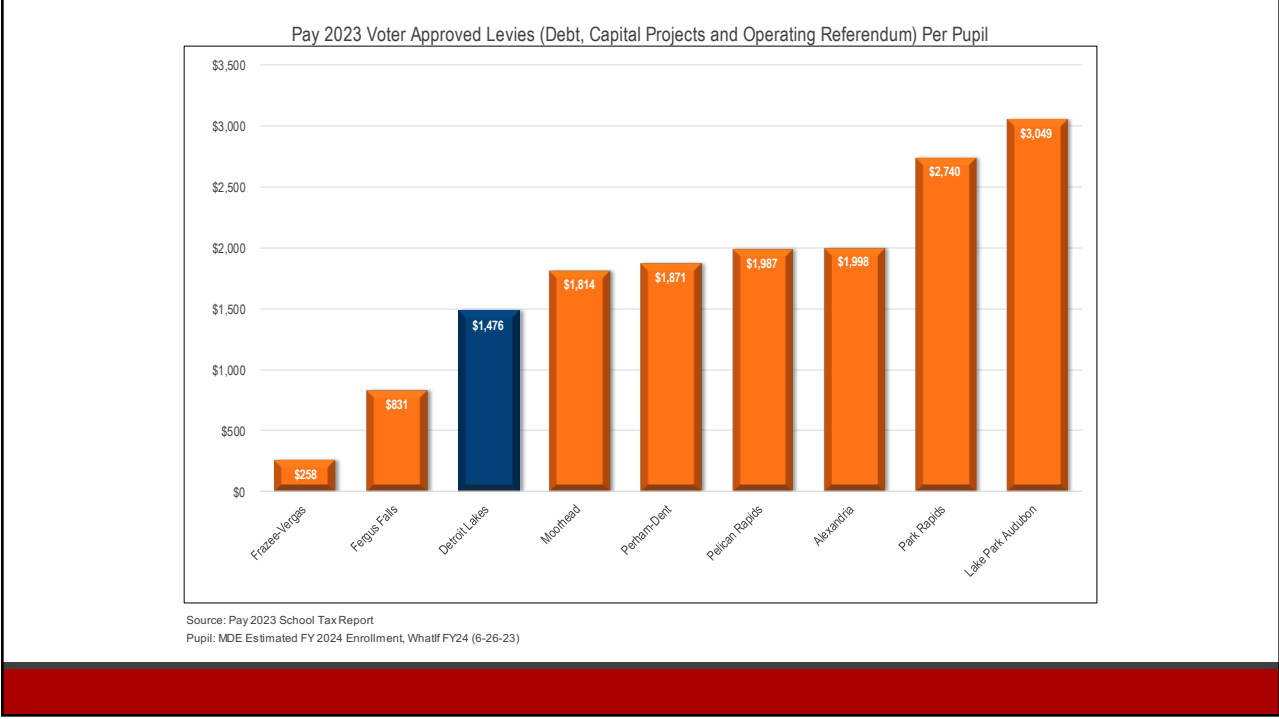


Source: Pay 23 School Tax Report

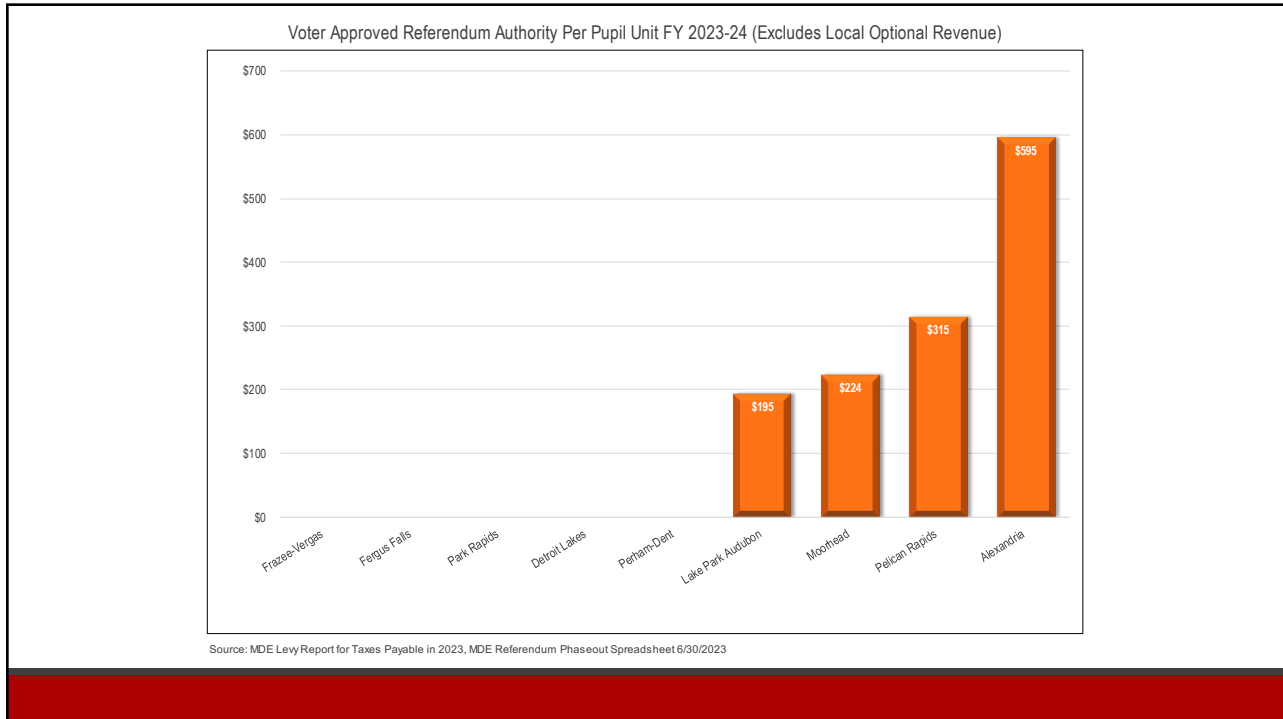
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State Property Tax Refunds & Deferral

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)

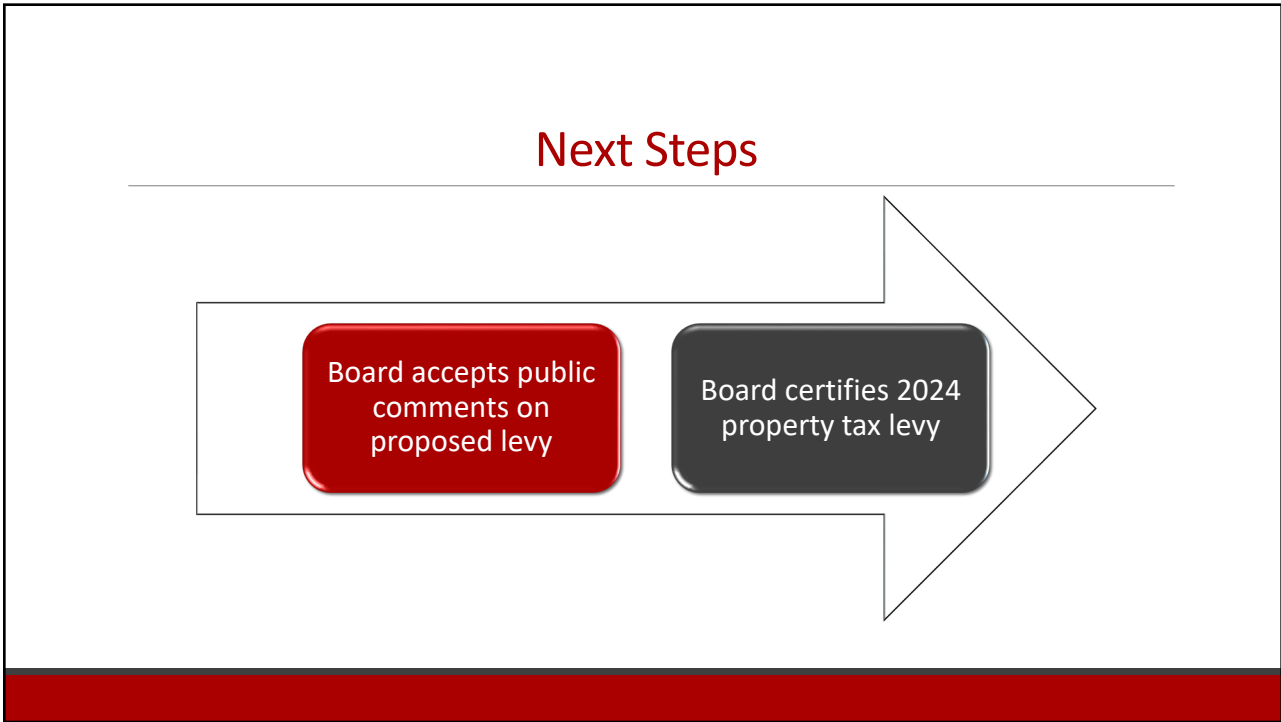
Special Property Tax Refund

- 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

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DETROIT LAKES
LAKERS

PUBLIC COMMENTS

The slide features the Detroit Lakes Lakers logo on the left, which includes the text "DETROIT LAKES" above "LAKERS" in a bold, red, outlined font, and a stylized sailboat icon to the right. A vertical line separates the logo from the text "PUBLIC COMMENTS" on the right side of the slide.

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