

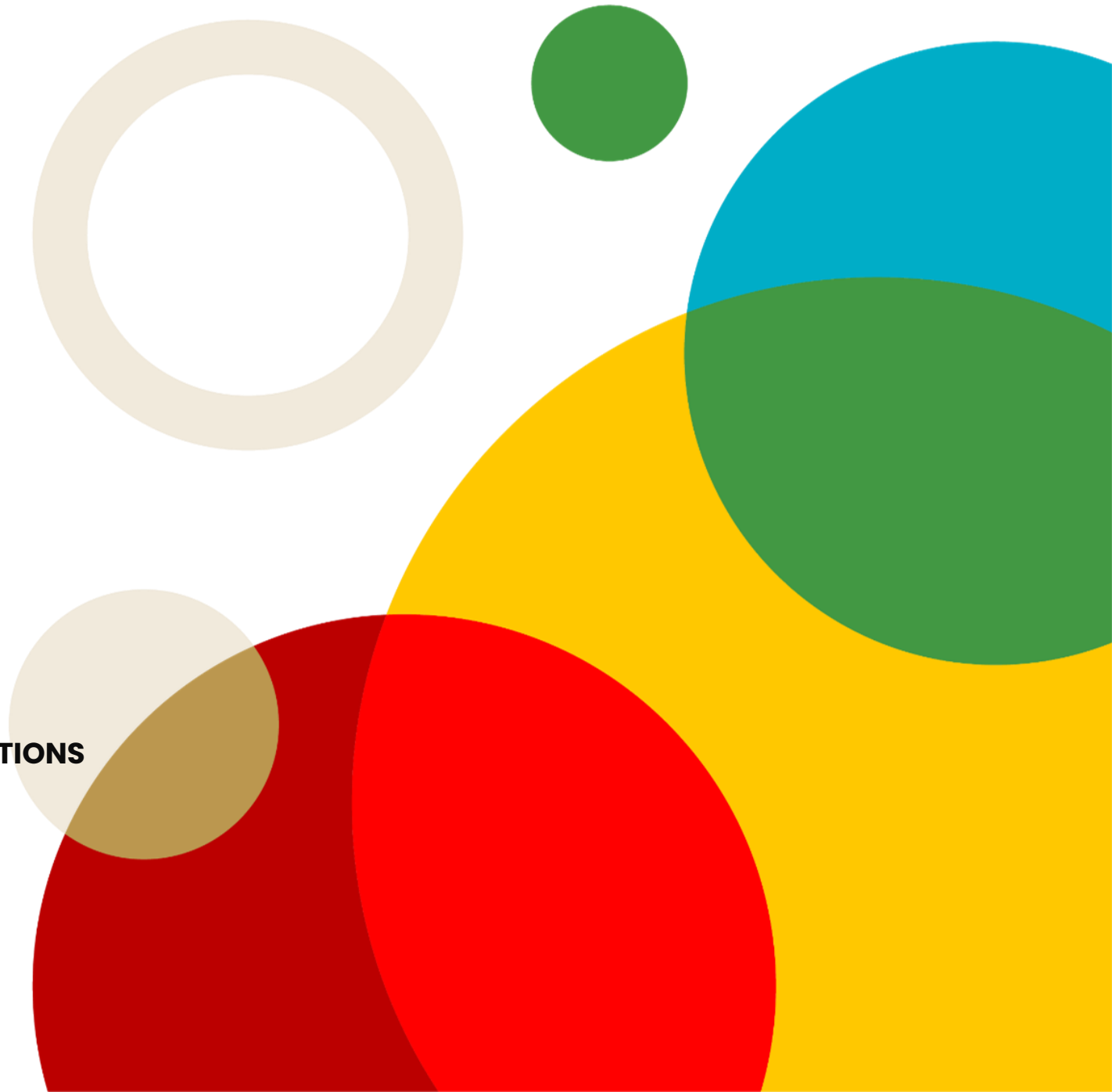


South Washington County Schools

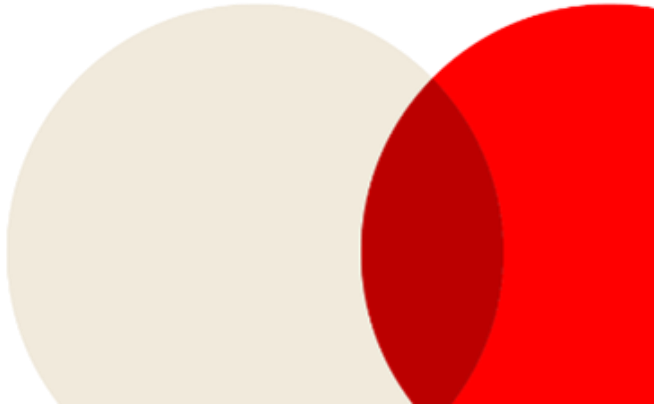
Financial Update – Preliminary Levy

DAN PYAN, EXECUTIVE DIRECTOR OF FINANCE & OPERATIONS

September 7, 2023



2023 Payable 2024 Preliminary Levy

- Minnesota Department of Education must produce the preliminary reports to school districts by Sept. 8, 2023
 - Property tax levies are made with voter approval or at the discretion of the local school board
 - Local levies are about 26% of the general fund revenues
- 



State of Minnesota 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

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

As a result, funding is highly regulated.



Basic General Education Formula Lags Inflation

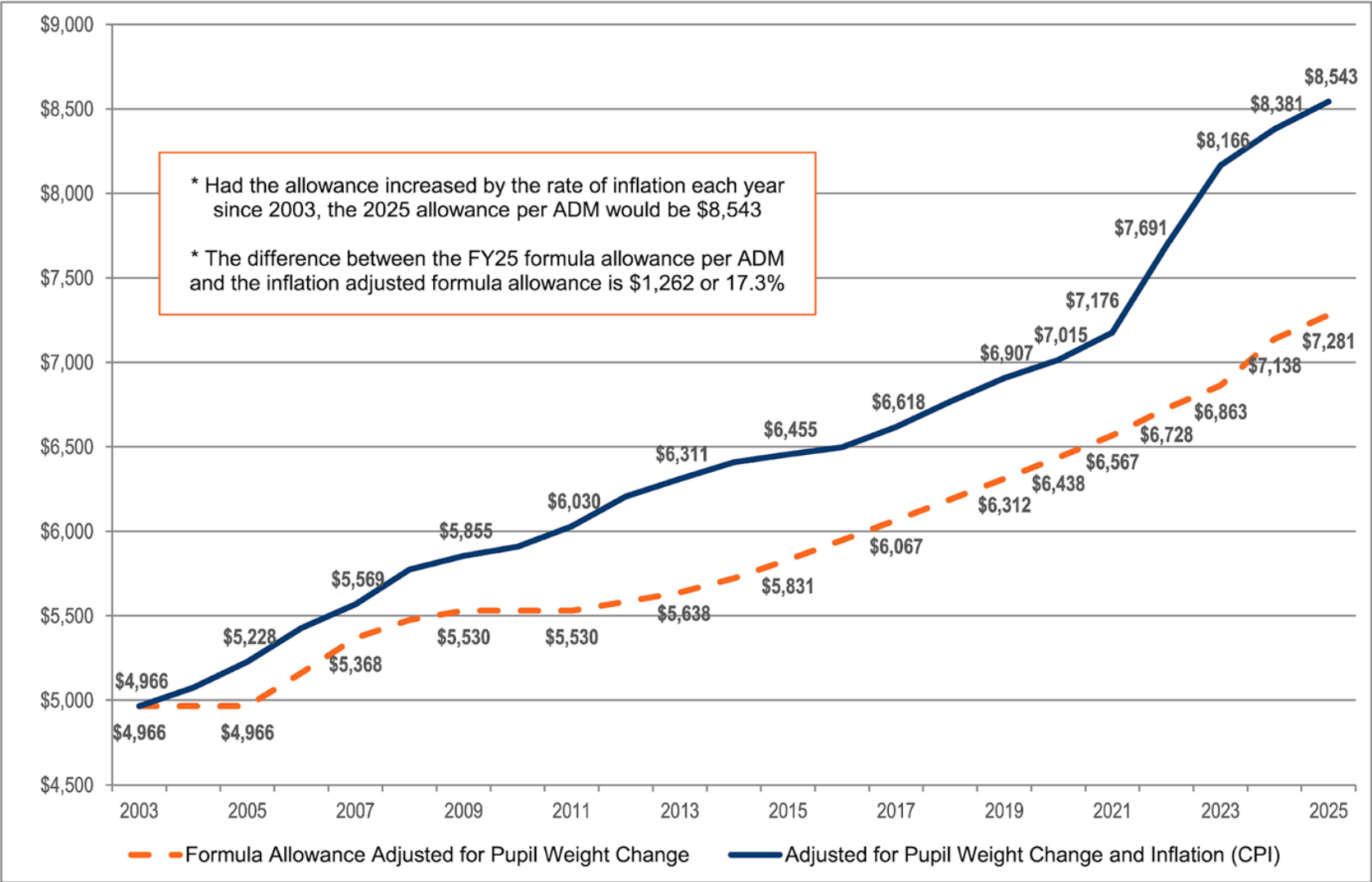
Since 2002–03, state General Education Revenue formula has not kept pace with inflation.

- For Fiscal Year 2023–24, an increase of 4% or \$274 over previous year was approved.
- For Fiscal Year 2024–25, an increase of 2% or \$142 over previous year was approved.

Per-pupil allowance for Fiscal Year 2023–24 of \$7,138 would need to increase by another \$1,263 (18.4%) to have kept pace with inflation since 2002–03, resulting in an allowance of \$8,126.

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE December 2022 Inflation Estimates and Minnesota Laws 2023

Underfunding of Special Education

According to Minnesota Department of Education (MDE):

FY 2020 costs of providing programs
were underfunded statewide by \$591
million

By FY 2025 costs of providing programs
statewide will be underfunded by \$806
million

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

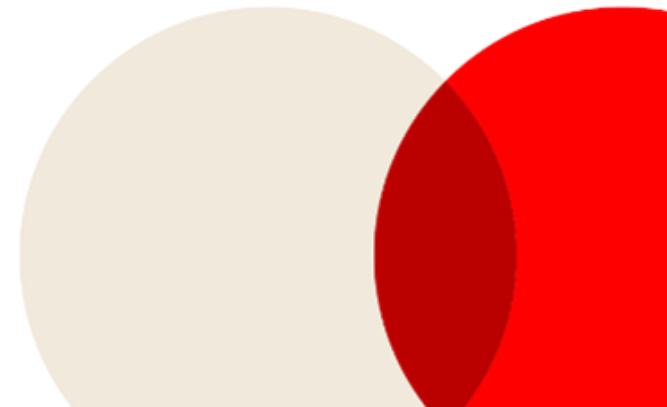
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School District Property Taxes

Each school district may levy taxes in more than 40 different categories

Maximum levy amounts (calculated by MDE) for each category are set by:

- State law
- Voter approval



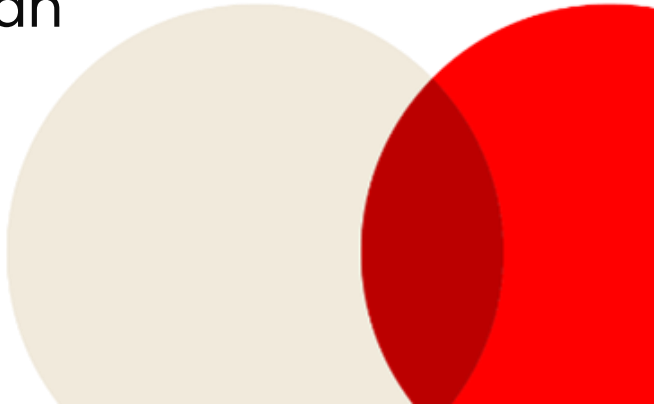


Comparison of Actual Tax Levy Payable in 2022 to Proposed Levy Payable in 2023

Fund Levy Category	Actual Levy Payable in 2022	Proposed Levy Payable in 2023	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$38,648,990	\$39,735,358	\$1,086,368	
Local Optional Revenue (LOR)	12,716,053	12,945,501	229,448	
Equity	1,413,028	1,585,608	172,580	
Capital Project/Technology Referendum	2,690,277	2,832,894	142,617	
Operating Capital	1,496,533	1,603,865	107,332	
Alternate Teacher Compensation	1,645,660	1,650,000	4,340	
Safe Schools	1,047,448	1,049,186	1,738	
Long Term Facilities Maintenance	7,367,036	10,416,973	3,049,937	
Instructional Lease	3,764,844	3,906,903	142,059	
Other	2,839,493	2,935,177	95,684	
Prior Year & Other Adjustments	(2,426,255)	(2,781,426)	(355,171)	
Total, General Fund	\$71,203,108	\$75,880,039	\$4,676,931	6.6%
Community Service				
Basic Community Education	\$753,890	\$753,890	\$0	
Early Childhood Family Education	381,944	408,572	26,628	
School-Age Child Care	625,000	670,874	45,874	
Other	17,274	18,308	1,034	
Prior Year Adjustments	2,805	80,952	78,148	
Total, Community Service Fund	\$1,780,913	\$1,932,596	\$151,683	8.5%
Debt Service				
Voter Approved	\$28,956,875	\$20,684,818	(\$8,272,057)	
Other	650,869	651,132	263	
Long Term Facility Maintenance	2,383,373	13,313,948	10,930,575	
Reduction for Debt Excess	(1,391,573)	0	1,391,573	
Prior Year Adjustments	(803)	67,814	68,617	
Total, Debt Service Fund	\$30,598,741	\$34,717,712	\$4,118,971	13.5%
Total Levy, All Funds	\$103,582,763	\$112,530,347	\$8,813,735	8.5%
Subtotal by Truth in Taxation Categories:				
Voter Approved	67,629,011	62,486,500	(5,142,511)	
Other	35,953,752	50,043,847	13,956,246	
Total	\$103,582,763	\$112,530,347	\$8,947,584	8.6%

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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 and fund balance
 - An increase in school taxes does not always correlate to an equal increase in budget
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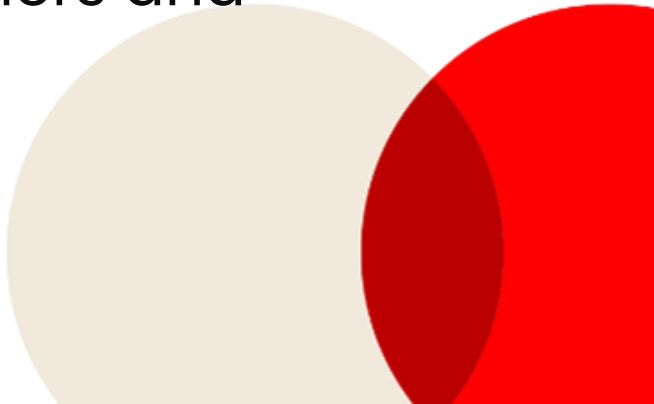
Difference in Levy Cycles

School District	City and County
<ul style="list-style-type: none"> • Budget year begins July 1 • 2024 taxes provide revenue for 2024-25 fiscal year • Budget adopted in June 2023 	<ul style="list-style-type: none"> • Budget year begins Jan. 1 • 2024 taxes provide revenue for 2024 calendar year budget





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 and distributes funds back to other taxing jurisdictions
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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.

Impact of Property Valuations

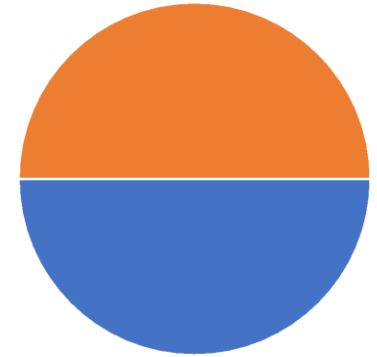
Two properties in the district

- 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

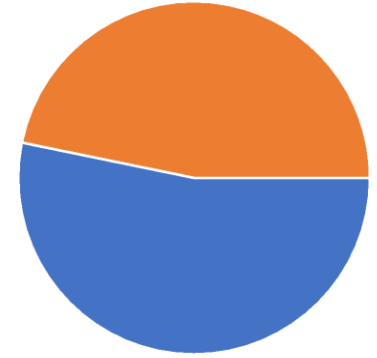
Two properties in the district

- 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

\$110,000



\$125,000





Next Steps

- Minnesota Department of Education releases preliminary levy reports
- Tax Levy Workshop
- Finance staff audits every levy
- Board approves 2023 Pay 2024 preliminary levy at its September 21, 2023 meeting
- Bond Election Update
- Capital Projects Levy Update
- School Board approved final levies in December

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Questions?