



# Financial Update

## Preliminary Levy

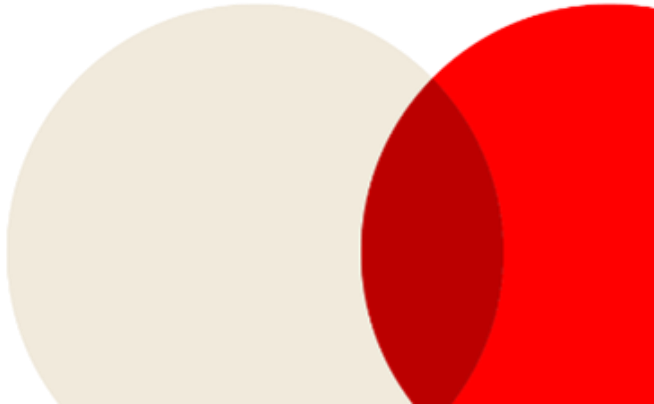
**KRIS BLACKBURN, DIRECTOR OF BUSINESS SERVICES**

**September 12, 2024**



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## Payable 2025 Levy

- Minnesota Department of Education (MDE) must provide the preliminary reports to school districts by Sept. 8, 2024
  - Property tax levies are made with voter approval or at the discretion of the local School Board
  - Local levies are about 27% of the General Fund Revenues
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- Two overlapping circles are located in the bottom right corner: a light beige circle on the left and a red circle on the right.

## State of Minnesota Sets:

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

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

## As a Result, Funding is Highly Regulated

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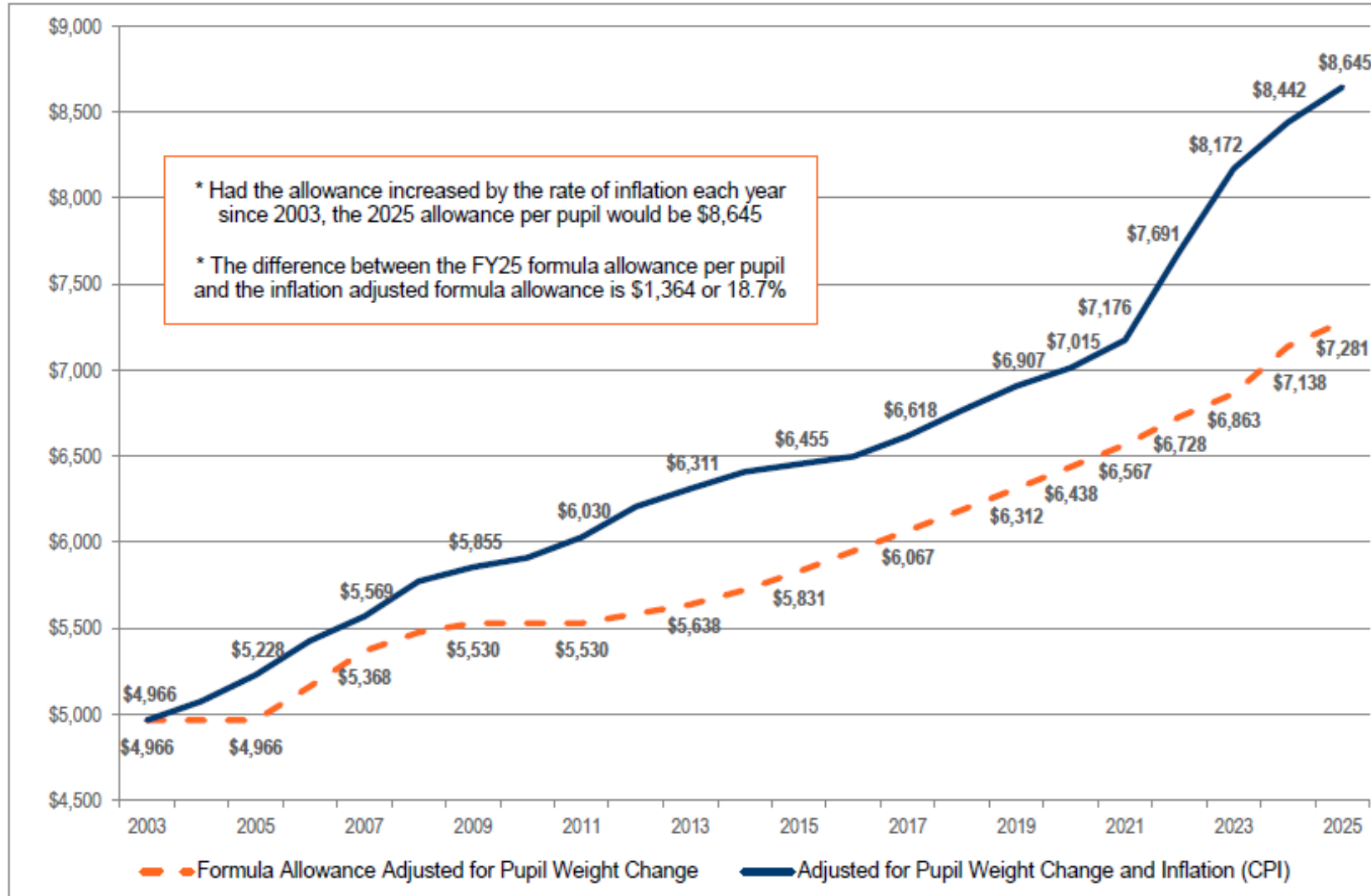
# Basic General Education Formula Lags Inflation

- Since 2002–03, State General Education Revenue formula allowance has not kept pace with inflation.
- For Fiscal Year 2024–25, an increase of 2.00% or \$142 over previous year was approved.
- For Fiscal Year 2025–26, the amount is not yet set; increase is tied to inflation with a minimum of 2% and a maximum of 3%.

Per-pupil formula allowance for Fiscal Year 2024–25 of \$7,281 would need to increase by another \$1,364 (18.7%) to have kept pace with inflation since 2002–03, resulting in an allowance of \$8,645.

# General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

# Underfunding of Special Education

According to MN Department of Education (MDE):

FY 2022 costs of providing programs were underfunded statewide by \$713 million

Even with recent improvements in funding, by FY 2025 costs of providing programs statewide will be underfunded by \$435 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



# 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



# Difference in Levy Cycles



## School District:

- Budget year begins July 1
- 2025 taxes provide revenue for 2025-26 fiscal year
- Budget adopted in June 2024

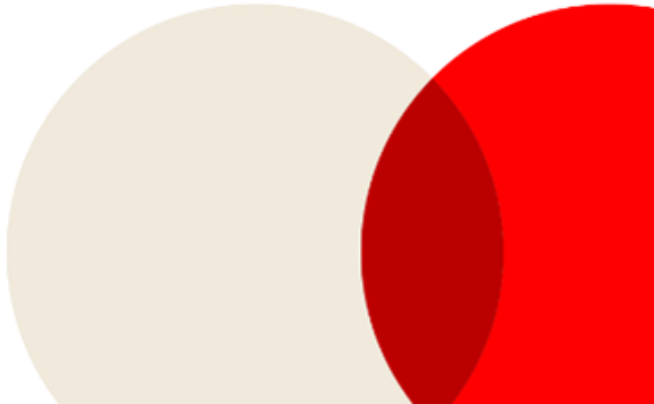


## City/County:

- Budget year begins Jan. 1
- 2025 taxes provide revenue for 2025 calendar year budget

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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 and distributes funds back to other taxing jurisdictions
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- Two overlapping circles are located in the bottom right corner: a light beige circle on the left and a red circle on the right, partially overlapping the beige one.

# 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

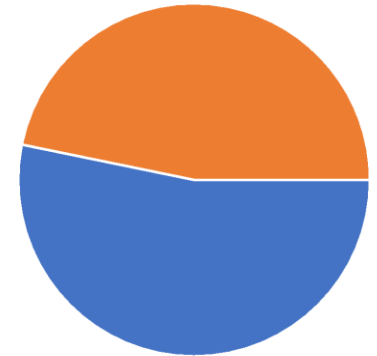
## Two properties in the district

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

## Total levy of \$500

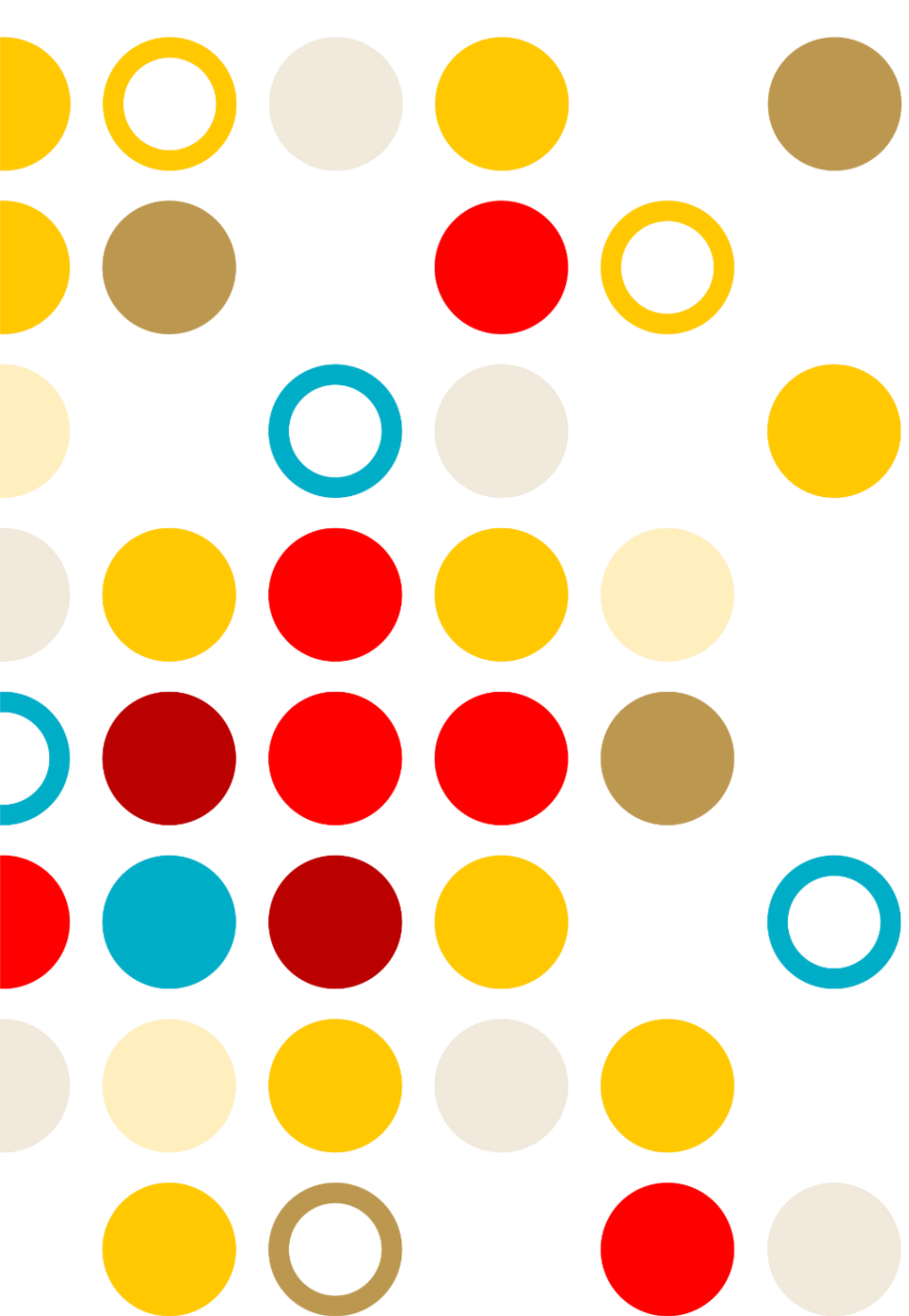
- School District will still generate the same amount of levy even though values increased
- Orange house pays less
- Blue house pays more

\$110,000



\$125,000





# Next Steps



- MDE released preliminary levy reports this week
- Tax Levy workshop
- Finance staff audits every levy
- Board approves 2024 Pay 2025 preliminary levy at its September 26, 2024 meeting
- School Board approved final levies in December



# Questions?

